



Lancer Container Lines Ltd.

Date- 23-08-2023

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

Sub. Transcript of analyst meet held on Monday, 21st August, 2023 at 4:00 PM IST for discussion over Un-Audited Results for Q1 ended June 30, 2023 & Business Outlook

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

Dear Sir/Madam,

In continuation of our letter dated 16th August, 2023, 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, 21st August, 2023 at 4:00 PM IST for discussion over Un-Audited Results for Q1 ended June 30, 2023 & 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

Miti Tailong
Company Secretary and Compliance Officer



Place- Navi Mumbai



“Lancer Container Lines Limited
Q1 FY’24 Earnings Conference Call”

August 21, 2023



MANAGEMENT: **MR. ABDUL KHALIK CHATAIWALA – CHAIRMAN AND
MANAGING DIRECTOR – LANCER CONTAINER LINES
LIMITED**
**MR. PRAFUL JAIN – EXECUTIVE DIRECTOR – LANCER
CONTAINER LINES LIMITED**
**MS. 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 Q1 FY24 Earnings Conference Call hosted by Monarch Network Capital. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star and 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. Thank you and over to you, sir.

Priyadarshi Srivastava: Thank you. Good evening, everyone. On behalf of Monarch Network Capital and Lancer Container Lines, I welcome you all to Q1 FY24 Earnings Call of Lancer Container Lines. Today we have with us Mr. Khalik Chataiwala, Chairman and Managing Director of Lancer Containers, Mr. Praful Jain, Executive Director, Lancer Container, and Ms. Ranjana Shinde, Chief Financial Officer. Now I hand over the floor to Mr. Chataiwala for his opening remarks and overview of business. Over to you sir.

Khalik Chataiwala: Good evening. Thank you very much. I am pleased to say that this has been an exceptional fulfilling year for our company, and we are making significant strides towards achieving this goal. Our successful strategy of gradually increasing container inventory by adding 200 to 300 containers per month based on incremental demand from trade forwarders has enabled us to focus on substantial growth. In line with our expansion strategy, we are continuously increasing our container capacity to boost our capabilities and services offering to the different parts of the world.

We are embarking on a strategic partnership with Dubai-based companies to enhance vessel operation services through our wholly owned subsidiary located in Dubai. We are also expanding our base in Dubai by new acquisition of freight forwarding and liner operation companies. Furthermore, we are strengthening our operations by introducing ISO tank container division, providing a convenient solution to the transport with wide range of liquid cargo in safe and secure manner across different countries.

Our primary focus is to acquire containers, expand our services to various countries, and explore different verticals such as port logistics, project cargo and warehouses. We firmly believe that expanding our container inventory will prove to be a margin accretive in the long term and provide us with a competitive edge. To ensure profitable expansion, we are strategically opening new corridors and conducting market tests before deploying increased capacities. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nipa Haria from Sushil Finance. Please go ahead.

Nipa Haria: Good afternoon sir. I would like to know in our quarterly results this time, the tax rate is very low at 16.5. What is the reason for that?

Ranjana Shinde: Good afternoon. Actually tax rates are little bit low because of our financial expenses which include notional expense that is about INR2 crores on which we are not going to pay any tax that is excessive interest which is not taxable item. It's notional expense.



- Nipa Haria:** Okay, okay. And my second question is how many containers we will be adding in the next two years? What is the plan?
- Ranjana Shinde:** More than double containers will be added in next upcoming quarters and within two years.
- Nipa Haria:** Okay. Okay. Thank you ma'am.
- Moderator:** Thank you. The next question is from the line of Bhakti Oza from Capital Square Financial Advisers. Please go ahead.
- Bhakti Oza:** Good evening everyone. Thank you for this opportunity. Myself Bhakti, I would like to ask how much debt do we have on a book and was it from FCCB and have we converted into equity?
- Management:** We have raised FCCB of 30 million out of which 4.5 million we got a request to convert into equity, remaining is still a debt on our books. That is the case. Total debt is approximately 60 crores on the books apart from the FCCB.
- Bhakti Oza:** Okay, and what was the quantum?
- Management:** Quantum? Sorry, come again.
- Bhakti Oza:** We have converted that into the equity and what was the quantum?
- Management:** We have raised \$30 million on FCCB out of which \$4.5 million has been converted into equity. Remaining is still there as a debt.
- Bhakti Oza:** Okay.
- Moderator:** Bhakti, does that answer your question?
- Bhakti Oza:** Yes, thank you.
- Management:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shriram J, an individual investor. Please go ahead.
- Shriram J:** Yes, hi sir, good evening. So you did mention about the Dubai business. So with respect to the new business of vessel operations, sir, would you be able to say like, when will the operation begin and what kind of business or revenue we are looking from it, please?
- Management:** Okay, Basically we have tied up with another company for owning vessels. Now we have two plans for vessel operation. It's going to be like we could charter the vessel, that's number one. The second part is we could use the vessel for our own use because we have the containers. And we can use for the logistic purpose. We will be using it wherever the sector is lucrative for us. We intend using the vessels for the same.
- Shriram J:** Sure, sir, Thank you so much.



- Moderator:** Thank you. We have the next question from the line of Vaishali Parkar Kumar from Vihaan Investments. Please go ahead.
- Vaishali Kumar:** Thank you for the opportunity, sir. Sir, this quarter, if you see, our revenue has de-drown by 29%. So, what was the reason for that?
- Management:** See in the last two quarter if you can see the freight rates have come down severely and this is one of the major reasons for the less revenue in comparison to previous quarter.
- Vaishali Kumar:** Okay, so can you say that our revenue is directly linked with the freight rate index?
- Management:** Yes, yes.
- Vaishali Kumar:** Okay, so and because of that, you know, it is a little difficult to forecast anything in future, you know, as it is related with the global freight rate index, it becomes difficult to...
- Management:** See, in terms of revenue if you compare, of course we are very highly correlated with the freight rate globally, but if you can see my profit margins or EBITDA margins that has very small effect in terms of my margins if you compare because even if the revenue comes down I am paying lesser slot charges to my vessel operators So my margins are intact and maintained to those levels which were before there previously.
- Vaishali Kumar:** Yes, actually that was my second question. Actually what happened that you know this quarter you will see gross margin has jumped from 40.8% versus 11.6% last quarter? So, because of which I think that EBITDA margin have increased from 17%, increased to 17.1% from last year 9%. So what was the reason for that? Was that only this freight rate was the reason or this phenomenon is, you know, it's one-off, we can see same kind of margin going away. How do you see?
- Management:** This is a very good question. There are obviously reasons to that. One is that we are increasing our container TEUs. Right. So, once I have increased number of capacity of my containers, I will negotiate with my slot operators on a better level. So, my cost of operations comes down. So, that's how it impacts my EBITDA margins.
- Secondly, I'm also reaching to different countries, different new geographies where I'm expanding my container base and new markets which we are catching up. So, that will increase better margins in terms of new reach, new capacity added up, new customers added up. So, these are the major two reasons in terms of margin growth.
- Vaishali Kumar:** So, as you see, since last past few years, our EBITDA margins have been volatile. So, do you think that, you know, it's a nature of business because of which it is like that? Or as you have said that now we have added the containers and everything. So from here onwards, our EBITDA margins should be a little stable or maybe growing from the current level. How do you see it?
- Management:** This EBITDA margins will improve further by 40-50 basis point. Reason being, my capacity is going to add up. I'm planning to double my capacity within a span of two years. And with that, I'm in a better negotiation power with the slot operators to buy the slots in advance. So, my cost



of this, my cost of slots will be going to come down. And there should be better margins, improved margins going ahead.

Vaishali Kumar: Okay. So, I think this 20.8% has become a base for our company. And here onwards, we should see this to improve?

Management: Right.

Vaishali Kumar: In future. Yes. Okay. And sir, one more, if I can say. Like, you know, currently, if I'm not wrong, we have 14,000 containers. So, how much containers we are planning to buy by this year-end and in next two years, how many containers we are planning?

Management: We already reached around 14,500 TEUs as of today, roughly 14,500-600 levels. We are planning to reach across 20,000 TEUs by the end of the year.

Vaishali Kumar: Okay. By end of this FY '24.

Management: Correct. Right.

Vaishali Kumar: Okay. And this 20,000 TEUs will be there in our standalone or in our subsidiaries?

Management: No, I'm talking about the consolidated numbers.

Vaishali Kumar: Pardon me. I missed it.

Management: I'm talking about the consolidated numbers in terms of any capacity addition. It should be all subsidiaries and Lancer taking along.

Moderator: Thank you. We have the next question from the line of Harshit from Pinnacle Capital. Please go ahead.

Harshit: Yes. Good evening, sir. Basically, just two, three questions I had. What is the cost of one container? Because generally -- and generally, you would look at buying these containers on owned basis or on lease basis?

Management: The container cost has come down drastically, you must be knowing that the freight rates have come down, your container prices have come down.

Harshit: Correct.

Management: If you buy a container, brand new container, it would cost you approximately in dollar \$2,400 for a 20-foot and a 40-foot container would cost you about \$3,500 in China. Then answering your second question, see, basically, we are going for owned containers rather than on lease model because lease model, if you see, if you're getting bank finance, it's much cheaper than the lease part.

So we are basically going for the owned containers only. A very small portion of lease, wherever you want, that's how we are doing it. That's how the model is being followed.



- Harshit:** Right, sir. And what are the plans for the NSE listing? Because earlier it was listed on NSE, the script, and now I think it has been withdrawn. And I hear that there has been some approval which has been received for NSE listing again?
- Management:** So, see, to correct you on this, we are not listed on NSE. It's just a permitted to trade category we are there. Being the nature of whatever the case which NSE decided, they have taken up this permission from all the companies across. So, but we are now freshly applying for a listing. That's not a permission. That is more a listing, and we are working on that. And we will positively come out with the news once we are listed on the NSE.
- Harshit:** All right. And one more thing. So as compared to last year, 850 crores turnover which you all had done, FY 22-23, of which, the subsidiaries, basically the international operations, were around 30%, in the range of around INR200 crores, if I am not mistaken. So going forward, this number of the international operations number will increase as a percentage to the overall revenue?
- Management:** Yes. So it should be going to increase because we are adding capacity for my Dubai subsidiary, for my Mediterranean region as well as African region. Apart from that, with this new venture into vessel operations, we will add up more revenues to that segment.
- Harshit:** Broadly, what are the kind of revenues which you can get when you operate a vessel, I mean, in just a broad ballpark number?
- Management:** Let me tell you, if you see today, if you have a vessel, there is something called charter rate. Suppose if I am giving the vessel on charter, depending upon the capacity of the vessel, at the moment, what we are thinking is, it should be about \$14,000 per day. That is the rate that you get, \$14,000 a day. So if you minus your expenses, about \$4,000, at least \$9,000 a day, that would be the money coming in.
- Harshit:** Okay, fair enough. And, sir, in terms of guidance, you had mentioned 35% to 40% in one of the notes which were published by the Investor Relations Agency, around 35% to 40% on the turnover of last year, which is INR850 crores. Does that stand, or is there any change in that, as per your estimates, given that the freight rates have reduced?
- Management:** See, it does depend on the freight rate, of course, Yes, but with the new capacity which we have added and with the new location which we have added, we make our guidance that we are going to surpass this level going forward.
- Harshit:** So around 35%, 40% increase over INR850 crores of last year. Because the first quarter was only INR166 crores, and so you need to, we need to do around another INR350 crores average over the next, each quarter, over the next three quarters?
- Management:** Right, you are right, but with this new containers which are coming in this quarter, will be adding more revenues to us. So we will reach to those levels which we have been determined earlier.
- Harshit:** Correct, and the margins will obviously be sustained, as you said, 0.5% to 1% increase at gross margin level.



- Management:** Right, right, yes.
- Moderator:** Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.
- Ankur Kumar:** Yes sir, I have a question in terms of what is our capacity utilization right now?
- Management:** The average utilization, which is considered to be very good, about 60%, we are close to 60%, 58%, 59%. So you can say we are using it at the optimal level.
- Ankur Kumar:** Got it, sir. And sir, question, in terms of as in you are saying that our revenue moves based on the freight rates, but our EBITDA, so can I assume that our EBITDA per TEU, that would be like a constant number that will not move much based on freight rates?
- Management:** Right, you can say that, but Yes, of course, if there is more negotiation with the slot operators, I can assume that 50-60 basis point in terms of my EBITDA, I can be able to improve further with the capacity which I am planning to add.
- Ankur Kumar:** So can you give a rough number as in what is our general EBITDA per TEU number right now and how much do we expect it to increase?
- Management:** No, generally you cannot calculate because every container is reaching to a different location, right, and this has a different calculation for that. So on an average basis, it is very tough to calculate on what is the EBITDA per container. So generally how it has been calculated is your total revenue should be divided by your total capacity and that you calculate an average realization, but that is not a very correct picture if you see on a micro level.
- Ankur Kumar:** Got it, sir. And sir, one clarification on guidance as in you are saying 35% growth but Q1 because of number, because of this freight rate has come down, but our margin has shot up very nicely. So can you comment as in do we expect like 17% margins to sustain for the full year?
- Management:** Right, right, we can be able to achieve that.
- Ankur Kumar:** But aren't like our margins dependent on freight rates and so that they are kind of tough to predict?
- Management:** No, no, see my margins depend on my cost of operations as well, right. So I have added new capacity, I have added new containers and I am booking the slots in advance with the slot operators asking them that you can quote me a better price. So that is the reason my margins have been improved further.
- Ankur Kumar:** So this current 17% you think is sustainable, sir?
- Management:** Yes, yes.
- Ankur Kumar:** Got it sir. And sir on depreciation, there is a big jump this quarter but we haven't added much containers in this quarter. Can you comment on that please?



- Management:** Depreciation, Ranjana, can you comment?
- Ranjana Shinde:** Actually depreciation we added in last quarter of '23 call, last quarter we added most of the containers so that time containers depreciation was little bit low but this time we added more containers actually in last quarter and first quarter.
- Ankur Kumar:** Got it. So ma'am for this earlier is it like the sustainable run rate of INR10 crores per quarter that will be depreciation?
- Ranjana Shinde:** Yes. Yes, of course in consolidation, it will be INR10 crores.
- Ankur Kumar:** Okay. And last question is on this -- what will be our payback period for this new capacity addition that we are going from 14,500 to 20,000? What will be our payback period for this new capacity additions?
- Ranjana Shinde:** It's approximately, five years.
- Ankur Kumar:** Five years. Okay. Thank you. And all the best.
- Moderator:** Thank you. The next question is from the line of Vijay Chauhan from Right Horizons. Please go ahead.
- Vijay Chauhan:** Yes, so if you can throw some light on the business model in terms of pricing power? And if you can explain the EBITDA profile like, we understand it's a little bit complex but how do you calculate on the, let's say, on some container going to some location because, let's say, if the freight routes continue to stay downwards for next couple of years but can you expect the margin to maintain the same level maybe 17% and if the freight rates go up but the margin will come down but there is the absolute growth in the EBITDA? So that will help us to understand like, how the margin is correlated to the top line?
- Management:** I am really sorry, there is lot of disturbance coming from your side. Can you please repeat your question?
- Vijay Chauhan:** Yes, My question was on the pricing power, like what is the pricing power of our business model? That was the first part. And second part was if you can throw some more light on the EBITDA profile side, like even if our top line has gone down but our EBITDA has gone up. So basically our numerator has gone down but the actual EBITDA has gone up so our margin has improved a lot. So if you can throw some more light, even if the let's say, the freight rate goes up, so will we see the same kind of phenomenon on the downside as well?
- Management:** Yes, Yes, so coming to your first question in terms of pricing, see pricing depends on multiple parameters, like which region these containers are going, what are the commodity which has been there, and what are the other aspects which we can able to add up in terms of these destinations. So pricing, there is a different pricing team who calculate all those pricing mechanism and then they put a quote. If it is a special rate, then they take the approval from the respective management and then these quotes are offered. So that depends on the demand and supply, your market, your commodity and other factors into that.



Coming to your question in terms of EBITDA, margins improving whereas the revenue has come down. So as I already explained the reason for this is that because -- see, what happened is that suppose I am paying, I am charging my customer a rate of INR100 whereas I am paying to my slot operators INR80 so I am making only INR20 out of that. Now with the increased capacity, I negotiate with my slot operators, okay, I will pay you not INR80, I will pay you now INR70, right. So my EBITDA margin will increase on this capacity increase, capacity by 30%, whereas earlier it was 20%. So whereas this effect has come up into the picture on current situation.

So my TEUs have increased up by approximately 40% in comparison to last year, where we are sitting at 14,000. So my cost of operations, which is the slot operation, which is the heaviest cost into my operation, has come down on the same level because we have negotiated on larger slot with the slot operator. I hope I answered your question.

- Moderator:** Sir, the current participant seems to have dropped from the queue.
- Management:** Okay.
- Moderator:** We will proceed with the next question which will be from the line of Padmaja Ambekar from Parmeshwari Advisors. Please go ahead.
- Padmaja Ambekar:** Thank you for the opportunity sir. Sir, which region has higher contribution in our current revenue?
- Management:** See, we have majorly Middle East, South East Asia. These are the major two regions where we have the highest revenue coming over.
- Padmaja Ambekar:** Okay. And which region we are planning to add in future?
- Management:** We are adding Mediterranean region. We have already added North Africa. We are looking for East Africa as well and some portion of your CIS country which are freely available to trade.
- Padmaja Ambekar:** Okay. And can you throw some light how they will contribute to our growth?
- Management:** Sorry, come again.
- Padmaja Ambekar:** Can you just let us know, how this addition will contribute to our growth?
- Management:** Right, see, presently the TEUs which we are owning right now, I am already looking into the present capacity on the present location which we have. Now with this new location which has been added up, I require the new set of inventory to cater to this market. So there should be new addition in terms of revenue, new vertical coming up and vessel operation which we are planning to start. So obviously, I can see my turnover, my revenue will be double fold or triple fold from this level going forward.
- Padmaja Ambekar:** Okay, great. Thank you so much.



- Moderator:** Thank you. The next question is from the line of Tony Navani, an individual investor. Please go ahead.
- Tony Navani:** Good afternoon, sir. Sorry, my line got disconnected. Again I have to come. How much -- sir, can you let us know, how much the debt in the books and how much is from FCCB and whether it is converted into equity?
- Management:** See, this question has come up earlier also. I will be happy to answer it again. We have around INR60 crores, which is debt apart from FCCB. FCCB is around INR240 crores. Okay. On this INR240 crores that is equivalent to \$30 million as per the conversion rate. And approximately \$4.5 million is already being converted into equity. Remaining \$25.5 million is as a loan into the book.
- Tony Navani:** Thank you, sir. Thank you so much.
- Management:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vaishali Parkar Kumar from Vihaan Investments. Please go ahead.
- Vaishali Kumar:** Thanks for the opportunity, again sir. Sir, you were talking about that because this container which have added recently that has given me a power to negotiate with the spot rate. Am I right in understanding that going forward that we will be in better position to negotiate with the container owners, sorry not this -- fleet operators and so that we can get a good rate on spot and because of which that will help us in improving our margins?
- Management:** Yes, Yes, you rightly said, yes. We will be in a better position to negotiate further with our vessel operators. Because, see, what happens is that once I have this capacity, I will tell my slot operators that I will take in the complete vessel or this portion of the vessel on slot and it will be much more easier for them also where they look into a multiple customers like us to go for a single customer who can pay them upfront on this. So it is much more convenient and better for them as well. So they quote us better.
- Vaishali Kumar:** Okay. So when we say that, we negotiate with them. So is there any particular vessel operator we work with, or it depends on the region-to-region and country-to-country?
- Management:** It depends on region-to-region, country-to-country and availability of the vessel, what are the voyages which they are going to do, so destinations also.
- Vaishali Kumar:** Okay sir, and sir if I may ask you this, our Dubai subsidiary, the way sir has also talked about that you are going to own a vessel. So am I right in understanding that we are going to be from container owner, we are going to be a vessel owner and that will also help us in growing in future multi-fold?
- Management:** Correct. As you rightly said, see, every business, we have to look into the parity of our backward and forward integration. So it's more like a backward integration which we are planning to do once we have our own vessel. We already have our containers. I have the vessel also. So I can



provide the complete services under my hand where I don't have the control of somebody else. I can run the vessels on the destination which are most profit making with my own container. So it was much more beneficial and much more revenue generating for us, going forward.

Vaishali Kumar: Okay. And can you please, throw some light, when can we expect this particular, when we can start operating vessel operations as a vessel operator?

Management: See, we plan to start vessel operations from January, that is the deadline that we have set for ourselves. So from January onwards, you will see that, we will be owning a vessel also and the operation will start immediately.

Vaishali Kumar: Okay, so January '24, we are expecting. So, is that the right way to say that, we can see some part of the revenue in this financial year?

Management: Yes, that is my expectation. And going forward, let us stick to the plan. We've stuck to all our plans. This time also, we'll be sticking to it. Strictly by January, we should be owning a vessel.

Vaishali Kumar: Okay. And if I'm not wrong, if that happens and, it starts operating, then our EBITDA margins can be in the different horizons as well?

Management: Yes, absolutely.

Vaishali Kumar: Okay. Thank you so much. That was from my side. Thank you.

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

Yatin Kapoor: Sir, thank you for the opportunity. I guess my question is partially answered but just to confirm once again, so we can see in operating efficiency as of now because of increase in containers. So do we expect this to going forward increase further?

Management: Yes. See there are two, three reasons. One I already explained about the cost of servicing that. Our cost has been reduced by the number of inventory. Second thing for the new geography, which is the niche market over there and we have better margins in comparison. So that's where the margin is going to improve.

Third, our economy of scale in terms of doing this business. And fourth, as Mr. Chataiwala already explained about this vessel operation, which is much more revenue generating in terms of present business, which we are doing. So that is also a huge advantage going forward.

Yatin Kapoor: Sure. Thank you. Thank you very much. That's good.

Moderator: Thank you. The next question is from the line of Laxmi Chalwidi from Capital Square Financial Advisors. Please go ahead.

Laxmi Chalwidi: Good evening, everyone. My question is recently asked. But my question is, which region you are planning to add in the future? And how they will contribute to your group?



- Management:** We are planning to look into China as well as your far East nations and UK, United Kingdom, United States also. So this will be strategically designed looking to, what are the demand and supply over there and what is the operating cost coming out of that. So we will gradually adding these locations to our kitty.
- Laxmi Chalwidi:** Okay, thanks for that.
- Moderator:** Thank you. Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to the management for closing comments. Over to you, sir.
- Management:** Yes, I just want to thank, first of all, Monarch for conducting and Chorus for arranging this call. It will be really beneficial for us also to speak to the stakeholders to understand, what is their queries and to answer them and prepare us for our next level. Thank you so much for arranging this.
- Moderator:** Thank you. On behalf of. Sorry. Sir, we do have one last question in queue. Would you like to take that, sir?
- Management:** Yes, please.
- Moderator:** We will take the question from the line of Vijay Chauhan from Right Horizons. Please go ahead.
- Vijay Chauhan:** Thank you for the opportunity again. So, my question was again on the same line to understand like how our margin profile works. So, normally like what I am trying to particularly understand is let's say our freight rate is INR100 today and our cost of operations, let's say, the cost of raw materials something is around INR80, so we are making INR20 a spread and let's say tomorrow, if the freight rate shoots up to INR200 and our let's say cost of servicing is there around INR180.
- So I'm trying to understand, on INR100 freight, I will make 20% gross margin or is it the relative kind of stuff or on the INR200, I will make again INR20. Which will be the 10% gross margin kind of thing, which typically happens with the chemical companies, which are doing contract manufacturing. So I am trying to understand, whether we are absolute margin business, where we are charging some X rupees per ton or X rupees per container or we are relating margin business, which is a percentage of the total like the freight cost? Yes.
- Management:** Okay, I would like to explain it in a very simple way. It is basically the slots. The slots are being taken by the vessel operator and we are charging freight to the exporters or the clearing agents. So if you see the slot, if you are talking about the vessel operators taking \$100 for example as per your calculation, we would be charging about \$120 or something or \$110 or \$100 taking into consideration all the other charges plus, plus, plus.
- So when this slot, the vessel operator increases his charges. Naturally, we will also be increasing in the same proportion but you cannot have it like about 100% margin or 50%. The margins are going to be approximately 20%- 25%. But at times, what happens is, if there is a scarcity of containers for some location at that time your margin might go up to 35% or 40%. So it goes on like this but if you see the margins keep remaining at about 15%, 20%, 25%, it is like that.



- Vijay Chauhan:** That's quite helpful. Thank you for the clarification. Thank you.
- Moderator:** Thank you. We do have a few more participants, who have joined the question queue. We'll take the next question from the line of Dhaval Shah from Way2Wealth. Please go ahead.
- Dhaval Shah:** Thank you for giving me opportunity. Thanks to Mr. Chataiwala and the entire management team for giving the fantastic Q1 result in terms of the EBITDA margin. You know as clarified by the management, we are very pleased to see that the management is quite confident of 17% EBITDA for the full year or maybe plus something. I have only one question. What's the FCCB conversion price and what's the expectation of the management, when the 100% gets converted, the promoter stake will come down to what level?
- Management:** The absolutely conversion price is, pre-split was 250, after split it has become 125. Presently 4.5 million is converted. But we don't know about the request from the bond holder. If they are interested to, because it's on the choice of the bond holder, if they are interested too, they will put us a request and we will timely update onto that SEBI platform, to our stakeholders that this request has come. So I am not in a right position right now to comment on what portion will be converted and what portion will remain.
- Dhaval Shah:** Okay, thank you.
- Management:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mayur Damani, an individual investor. Please go ahead.
- Mayur Damani:** Good evening, and I have a few questions related to this strategic movement. We have mentioned in our press release that, we are strengthening our operations by introducing one ISO tank container division. So can you please throw some light means, on how this will help us in increasing our revenue visibility?
- Management:** Like we had announced, we are forming a new entity, a new subsidiary for handling tank containers. Now we've been doing the handling of logistics of dry containers and now we would like to get into liquid, transportation of liquid cargo. So we are forming a new vertical by which, it's going to be a very separate section, taken care by a separate individual, who will be look after the tank containers.
- So naturally we will be buying tank containers and once you buy and deploy these tank containers, there will be an increase in revenues and the congruent profits will be added to the company.
- Mayur Damani:** Okay. Yes, and my next question means, we have mentioned that, there was a contraction of 10% in exports for the Indian market and for the Q1 FY '24. So, if this normalizes or improves during the course of this last three quarters, can we even increase our EBITDA margin guidelines of 100% or we have discounted that and given the margin guidelines?



Management: I would say something at the moment is the 10% contraction of exports. But what is happening is our containers are keeping on moving. Some containers, because we are not looking after Indian locations only, because these containers, for example, if they are going to Dubai, from Dubai they might be going to Malaysia, so we are not India centric at the moment. It can go from Malaysia, it might go to China also.

So containers keep moving in all the locations that we have agents out there. So, it's not like India, suppose if India is 10% contraction exports, we might be doing exports from China. So wherever there is cargo, we move the boxes, the containers there so that we can get more revenues and more profitability.

Mayur Damani: Okay thank you. Thank you very much.

Moderator: Thank you. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Thank you for the follow up. Sir, first question is our current ROE, ROC profile is very good, but in the earlier comment you were saying that there is a 5 year payback period for the new capex. So, that will hurt our current ROE ROC or how should we think about that?

Management: No, I don't think it's going to hurt anything anywhere, something with that side. We have given you a very, very simple package if you go straight. In the straight line method, the amount of money that we are getting generating on a simple basis it would take us five years, but if you have certain like as I said if you get some good freight rates, freight levels so you can get more money out of it.

Apart from that, detention is also one of the factors in which the container is not being cleared by the exporter or importer and you get a good sizeable amount of revenue. So, your containers, the payback time can be about two years, it can be one year also depending upon how lucky you are on the detention front.

Ankur Kumar: And sir, any dividend plan as in we have not been giving for dividend for last few years?

Management: Since last few years actually we have given dividend once, but actually what we are doing is we are putting the money back into the company. So, if you see the bonus has been declared. So, you could see it as a dividend you could see it as a form of dividend or something.

Ankur Kumar: Got it, sir. And sir one last clarification on growth guidance you're saying 35%, to 40% growth for this year, but since our revenue is so much dependent on freight rates, and which is very difficult to predict how confident are we on that guidance number?

Management: See what we are doing is we are increasing let me tell you is we are increasing the capacity of containers. Now the containers -- suppose if you have 14,000 containers and if I make it 20,000, 22,000 by the year end. You will be finding that it will be compensated out there.

And if you see the capacity of JNPT, it's about, you can say it's on a monthly basis. They're doing about 500,000 containers in a month. So, there is no doubt of scaling up our containers.



- Ankur Kumar:** Got it. And sir on this container addition, do we already have existing clients who will take these containers or we will have to start searching once we add the capacity?
- Management:** See let me tell you we have a capacity of 14,000 which is very, very miniscule compared to the market. For example, we've got 14 offices in India and apart from that I'll tell you as I told you is in JNPT Port itself in a month They're doing about 5,00,000 containers which are being exported and imported out here.
- And we have got only 14,000 containers which are distributed amongst 14 offices in India only and we have got 40 agents. So, if you see the amount of exports that we do in JNPT itself is about 500 containers in comparison to the capacity of 500,000. So, you can make out how much we can scale up and there is no problem about getting parties out here or getting exports or imports.
- Ankur Kumar:** Got it sir. And sir in terms of bigger players who are the bigger players in our industry and how are they doing?
- Management:** See bigger players, I'll tell you is the main lines are the bigger players like Maersk, MSC. These are the big timers & biggest players who have got millions of containers and vessels. You have small timers, about 500 containers or 1,000 containers, 2,000, 3,000 I think we are way ahead of these guys and the way we are expanding, I think we should -- I think we've got plans to become number one in India as far as the capacity is concerned.
- Ankur Kumar:** Sir, great to know. Thank you and all the best.
- Management:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vaishali Parkar Kumar from Vihaan Investments. Please go ahead.
- Vaishali Kumar:** Thank you for the opportunity and sorry to bother you again and again. I wanted to understand that what will be the capex for this adding containers, this thousand containers as well as owning this vessel?
- Management:** See basically I will tell you, I told you the cost of a container, brand new container would be about \$2500. A second hand container would cost you about \$1,200. So, calculating that, if you take about that comes to approximately about capex about 50 crores.
- Vaishali Kumar:** And for owning the container, owning the vessel, sorry?
- Management:** Owning a vessel would cost you approximately about INR60 crores.
- Vaishali Kumar:** Okay and have we plan for this capex?
- Management:** Capex is already – the bankers have already sanctioned the loan we are sitting on the loan that is number one. Number two is the loan part the FCCB that containers are being added from there also. So, if you see there will be a pool of containers which are going to come in. So thinking of that, that is the reason we've given you this number.



- Vaishali Kumar:** Okay, perfect. So I think, you know, in FY'24 itself this whole capacity you will be doing for this adding the container as well as owning the vessels?
- Management:** Yes absolutely.
- Vaishali Kumar:** Thank you so much sir.
- Moderator:** Thank you. Sir, we do not have any further questions. Would you like to add closing comments, sir.
- Management:** No, I would like to say that we are on the path of growth. Company is doing very aggressive, it's got big plans and as I said that in the container section in India we would like to be the topmost. That's it. Thank you.
- Moderator:** Thank you. On behalf of Monarch Network Capital, that concludes this conference. Thank you for joining us. You may now disconnect your lines.