



“Patel Integrated Limited Q2 FY24 Earnings  
Conference”

**November 15, 2023**



**MANAGEMENT: MR. MAHESH FOGLA – EXECUTIVE DIRECTOR, PATEL  
INTEGRATED LIMITED  
MR. AVINASH PAUL RAJ – COMPANY SECRETARY,  
PATEL INTEGRATED LIMITED**

**MODERATOR: MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL  
(INDIA) PRIVATE LIMITED**

**Moderator:** Ladies and Gentlemen, Good day and welcome to Patel Integrated Limited Q2 FY24 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

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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 this conference call, please signal the operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital Thank you and over to you, sir.

**Vikram Suryavanshi:** Thank you, Neerav. Good morning and a very warm welcome to everyone. Thank you for being on the call of Patel Integrated Logistics. We are happy to have the management with us here today for a question-and-answer session with the investment community.

Management is represented by Mr. Mahesh Fogla – Executive Director, Mr. Avinash Paul Raj – Company Secretary.

Before we start with question-and-answer session, we will have opening comments from the management. I will hand our call to Mr. Mahesh Fogla for opening comments. Over to you, sir.

**Mahesh Fogla:** Thank you, Vikram, Neerav for organizing this call. Good morning, everybody and very warm welcome to all who are present in this call.

First of all, very Happy Diwali and the prosperous New Year to all of you. We are entering into the New Year, and we all are with the good hope that think not only in the company, but entire world also get stabilized and we have a very good New Year and next year we will have a very good New Year we all hope.

And now coming back to the company and our result we just now announced our result last Monday Unaudited Financial Results for the quarter and half year ended 30th September 2023. The key financial highlight can be in the quarter 2 income from operation or increase by almost 10%, 9.9% means almost 10% quarter-on-quarter 278.90 crores, including GST and our net profit similarly increased to 1.34 crores as compared to 1.03 crores and immediate last quarter, a rise of 30% quarter-on-quarter.

About further continuing with the operation, our volume increased by 7% quarter-on-quarter to 13,874 ton. We are very pleased to inform all of you that we have launched a mobile app which we call it FreightPILL Mobile App. Our company name is Patel Integrated Logistic Limited in

the short form we call it PILL. That's why the mobile app name is FreightPILL mobile app and it is an enterprise information system software ERP that enabled users to capture operational information in various tactical situations.

Now I would like to explain this app in a little bit. Though, this is the part of our digital transformation journey and for that we prepared the mobile app, endeavor is to make all our operation paperless and at the digital India we are also very much part of digital India. We want to make our operation totally digitalized. We addressed the issue what the issue we addressed it does that by the mobile app.

When we received the load at the airport or at the railway station just before the flight departure we were till now entering data manually in the preprinted E-Way bill and also for transfer of movement of load from one branch to another also we were using the manual waving.

To address this challenge and as a part of the digital transformation journey, we have first of all have upgraded our operational negative software into FreightPILL application which is compatible to all browsing platforms in all the browsing platform it is compatible and it is not that it is dependent on one platform.

As a result, with the mobile app now we can take the load into mobile as well as also not to depend only on laptop or desktop for booking the load. Further, for the ease of operation, we have two mobile app developed. One internally in the organization for movement of good or for tracking or facing or for giving any issue in the operation to be totally make it paperless and people sitting in any because we are a company which has a more than we are present in all the airport, domestic airport wherever they are.

So, we are in fact a Pan India company and widely spread. So, anywhere people are there they can enter data into mobile app and that help us and we are for enhancing the customer experience we have developed a mobile app only for the customer and that help in also giving the customer enhance experience and as a result we are just in the process of we are changing the culture of the organization itself by completely stopping the preprinted E-Way bill profit and completely make our operation paperless.

Definitely by this we will be able to enhance the customer experience and suddenly it will help us in us definitely in increasing our numbers and everything. As a result, we are definitely very hopeful that our coming quarter also will be good only and this time the Diwali came little late. So, if you see the financial number there you will find the compared to last year's turnover was lesser that is mainly because of the Diwali came one month late and although even then also the quarter-to-quarter improvement is there.

But definitely compared to the last year there is a dip in the turnover, which is mainly due to the reason I explained just now, but we will be able to make up all the decrease hopefully in the coming quarter and we are also able to complete one just now after that end of the quarter, we

are able to complete the sale of one non-core asset in Chennai were there which many times you all were asking what is happening in the Chennai land.

So, we are able to close the deal for the Chennai sale of profit sale of Chennai land, land at Chennai. As a result of the profits from this sale will be used for growth capital. Now we want to be in the growth capital, and we are just for the construction of the warehouse we are exploring to construct a warehouse in the Maharashtra region only with that profit.

At the same time this will definitely improve our return on capital employed as till now that property we're not giving that in fact it's not giving us a zero return. Now as we sold and we will use that money for our creating a paying asset, we call it the nonpaying asset we will become a paying asset and improve our capital employed.

And as the economy is improving and everything is improving, and we have a major market share in our area of operation. So, we are definitely expecting the improved performance in the coming quarters and for our other mortgage free non-core assets like building we are in active discussion with the broker and intermediary to utilize the property in the best possible way so that return will improve overall.

We are very hopeful that the things will be improving further only and we will be at the India growing we will also grow and we will be able to generate a significant return so that shareholders can be rewarded adequately. We are keeping our eye also at the same time that not to take any undue risk.

So, definitely we will find some data increase is there compared to the last period, but that also we have to keeping closely watch and we are very hopeful that in this quarter whatever the increase was there, that will also nullify. So, we want to properly allocate the capital and increase the return on capital employed that is all endeavor of people in the company. I am happy to answer any questions which are there once again a very Happy Diwali and New Year greeting to all of you. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Darshit from RoboCapital. Please go ahead.

**Darshit:** So, I needed the value of land bank you have currently?

**Mahesh Fogla:** Yes, it must be in the upward of the triple digit in crores definitely, but right value I will not be able to tell right now to you, but definitely it is more than the triple digit in crores, but just to hurriedly clarify you it's only a not a land only, if the offices are there also the ready warehouse is there also in the Bangalore area, all the time taking into not only the land.

**Darshit:** So, in what proportion would the plain land be in that?



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- Mahesh Fogla:** Right now just to tell you as such we don't keep any empty land like that. We have in the group empty land, but not in the in the company. So, definitely in the company we have a constructed things are there, and which have a high potential of redevelopment because some of them are old also and sitting in the main area of the city and they are very high potential of redevelopment or monetizing in different ways that are there.
- Darshit:** You just said that you're going to sell the Chennai lands. So, what are the estimated proceeds if you can?
- Mahesh Fogla:** Actually, just to clarify if I sold as early as large Friday only I can tell you the profit also the 6.06 crores we got net.
- Darshit:** This is the proceeds that you got or the profit?
- Mahesh Fogla:** No profit.
- Darshit:** We used to make more than 400 crores, 450 crores of revenue. So, when do you think it will come back, any outlook on that?
- Mahesh Fogla:** Definitely just to tell you the turnover to be frank with you in this type of business turnover is not a challenge, but we want to be little cautious and we want to do the business with the little cautiousness that is the reason, but within a two years we definitely able to achieve that milestone.
- What a dare just to clarify also when we are talking about the 400 crores that time the oil prices were more than \$100 because our one of the reasons that is why the volume growth is there that should be looked into because in our case of business 35% to 40% is the oil. So, if you have a \$100 or \$140 one time it was there then definitely it is so artificial jump in turnover, but at the same time the oil is basically a pass on for us.
- So, whatever, neither increase will help us neither increase will affect us or neither decrease affect us. So, as a result a 30%, 40% increase or decrease can give you the turnover higher or decrease depending on the oil prices. So, there can be sometimes oil prices can play a role in increase or decrease in turnover also.
- Darshit:** And where do you see the EBITDA margin, OPM (operating profit margin) margins settling down, do you think that it will go to 4% and can it go higher or 4% would be the limit?
- Mahesh Fogla:** As I am telling you the freight cost EBITDA consists of two things. One is the gross margin which is directly variable, and another is our fixed cost, admin cost, salary cost, all these are there. So, considering all this one when the turnover is not as per our projection then the fixed cost admin, salary cost remains the same which affect the EBITDA, but suppose now anywhere if we are earning in the range of 3% to 4% EBITDA if our turnover increased by now say just giving a ballpark figure of suppose 50 crores.

So, after the interest cost or the working capital requirement, it can go up by 2 crores definitely immediately that is the way of business that is why I'm trying to explain the business that is the way business operates.

**Darshit:** It can stay in the range of 4% you are saying?

**Mahesh Fogla:** It can improve then immediately considering that 2 crores additional if you get that will be suppose 100 crores turnover is there in the quarter, I'm talking about then it will be 1% definitely will improve immediately.

So, that is the way it's there and I don't want to give any projection, but at that time this business is also a volume business also because just the freight cost will remain the freight only and if you can achieve a little higher volume and the economy as economy improving, airports are increasing because our business is also aviation business basically.

And as the government is increasing from 140 airport to 220 airport and by default, we will be there all the airports wherever the airport are there, the domestic airport are there. So, definitely the country is growing by aviation and aviation is the fastest growing sector right now because the base is very low not because of anything else, base is very low. When this will grow our turnover has to grow irrespective of that oil prices and all that is different thing other than that.

**Darshit:** And over say a year or two where do you see the taxation what bracket do we stand in, where do you see that going?

**Mahesh Fogla:** No, actually we definitely plan within the legal framework our income tax and GST. GST definitely the pass on to the customer and input credit we take and we as usual all of us new taxations are coming up as you were talking about administration of tax regime is very difficult now is one of the key areas, but we are presently managing our affairs and we want to pay the rightfully the tax rate, but at the same time we all included our bottom line or top line don't get affected due to the unnecessary taxes issues.

**Moderator:** Thank you. Next question is from the line of Ankush Savaria an Individual Investor. Please go ahead.

**Ankush Savaria:** Sir my question is I'm still not hearing the approximate market value of the entire land parcel that you have?

**Mahesh Fogla:** As I'm telling you about that, if you see our balance sheet also there is already in the historical cost is showing the 50 crores. Just to clarify it right now, it's not that empty land like Chennai was there, it is the offices are there, some of the rented also buildings are there and as I can told you my historical cost definitely the 50 crores as it can be reflected in the books of accounts, but the correct value definitely will be much, much higher. So, I am expecting that it must in the triple digit must be there.



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- Ankush Savaria:** And out of this you have sold you a Chennai in land parcel?
- Mahesh Fogla:** 6.06 crores.
- Ankush Savaria:** As far as the revenue is concerned what steps are you taking to increase the revenue in future?
- Mahesh Fogla:** And that is the topmost priority now and definitely as we were talking about, we want to make our mobile app just not on the advantage of launching also. We have done a soft launch with them. User experience we are testing. So, we are digital transformation journey at the same time we at the number of airports are increasing we will be there definitely. So, our turnover will also will increase and we are all aware of the thing basically more than the turnover we want to increase the volume because as I was explaining our turnover also depend on the oil prices because 30% to 40% component of turnover is the oil prices.
- ATF aviation turbine fuel ATF so because it is basically a pass on for us so it will not affect the margin in anyway and we are all endeavor to increase we are expecting that this quarter will be better than the earlier quarter and we will make all effort to increase our top line that is also in the top most mind of everybody.
- Ankush Savaria:** Regarding the unsubscribed partly paid share there was an intimation from your end that we may again go ahead and issue those, so when do we expect the partly phase period again?
- Mahesh Fogla:** So, we are in the process of preparing the letter of offer already the lawyers are preparing the letter and we are expecting in the next few months that too also to be taken off also in next few months only.
- Ankush Savaria:** Next few months or two months?
- Mahesh Fogla:** Sorry sir.
- Ankush Savaria:** Next few months, you're saying, right?
- Mahesh Fogla:** Yes. Yes. Next few months, I'm telling.
- Moderator:** Thank you. The next question is from the line of Vikram from PhillipCapital. Please go ahead.
- Vikram:** Sir this new warehouse that you were talking about to setup in Maharashtra, is that in Bhiwandi or any other location and what would be the CAPEX for us and it will replace existing warehouse or it will be completely new warehouse?
- Mahesh Fogla:** It will be a new warehouse where we are actually by luck, we are getting all the confirmed LOI from a customer also. We are interested in the process of getting confirmed LOI from customer MNC customer. So, on that basis we will construct, and we will get a pure income from the customer also. So, that we are just in the process of that one, and anytime you can get and luckily



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or with the blessing of all of you we got the profit also from the Chennai land. So we will use entire money for growth.

**Vikram:** So, that whole money will be required for these warehouses or it will be much lower CAPEX?

**Mahesh Fogla:** It can be higher also, but we are not worried about the CAPEX because when we have assured business then only we will do the CAPEX. And CAPEX will be right now we don't want to take any further to be frank with you, we will not take any further debt only. Right now we have got as you know I have just now told you 6.06 net profit we got from the Chennai and the further we have to complete our the partly paid issue from there also we are expected to get some fund. So, we are not going to take any further debt.

**Vikram:** But this warehouse will be part of our supply chain business or standalone requirement of customer, or it will be...

**Mahesh Fogla:** Right now, it will be standalone only because in the supply chain we have right now whatever is there suffice for us and we want to improve our return on capital employed so it will be a standalone and assured businesses.

**Vikram:** Sir, basically earlier used to roadways and all that where now we can start that business, so is there any progress or thought process on restarting road or surface business?

**Mahesh Fogla:** Honestly telling you are still evaluating the thing, but there is nothing that can stop us from doing that business, but we want to use the money for where we can generate the maximum return that is our internal capital allocation that's the way we want to do.

**Vikram:** And in terms of volume, you initially give some volume number I was not able to request, can you say what are the volume this quarter or even for first quarter?

**Mahesh Fogla:** I will give you the number is 13,874 tons for this quarter.

**Vikram:** And what was in the first quarter?

**Mahesh Fogla:** It was 12,964 tons.

**Vikram:** And how is the commission from airlines now, is there any improving the way they are giving commission compared to earlier?

**Mahesh Fogla:** It is nothing much improved to be honest with you, but now the objective more is that they are purchasing new aircraft, and they are Air India and Indigo they are purchasing the aircraft. As a result, the volume will increase because ultimately, they want also to you the capacity to move further. So, we are expecting more business will come instead of commission from them, the structure remains more or less the same.





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- Moderator:** Thank you. The next question is from the line of Nihar Shah from Crown Capital. Please go ahead.
- Nihar Shah:** One small question on the EBITDA margin like we have stabilized around 3.5% EBITDA margin, so can we expect it to be our base going ahead as we see quarter 3 and quarter 4 giving better results?
- Mahesh Fogla:** Going by the current situation I can definitely tell you what a trend I am observing in the last month which is not reflected in the result and all that. The EBITDA is suppose to improve.
- Nihar Shah:** So, around 4% would you like to give a number?
- Mahesh Fogla:** Number will be difficult, but I can tell you it will improve compared to the last quarter.
- Moderator:** Thank you. As there are no further questions I will now hand the conference. Over to Mr. Vikram Suryavanshi for closing comments.
- Vikram Suryavanshi:** We thank the management for taking time out for interaction of the stakeholders. Thank you all for being on a call.
- Mahesh Fogla:** Only one thing I want to add Vikram as a process of transparency and more disclosure we started now although it was not required by legal requirement. We started doing the segment reporting also so you can find our air cargo business result separately and other thing separately. So, we are in the process of disclosing more and more and transparently we are trying to follow it.
- Moderator:** Thank you very much. On behalf of PhillipCapital (India) Private Limited that concludes this conference. Thank you for joining us you may now disconnect your lines. Thank you.