Arshiya
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ARSHIYA – Company update

October 2015





FTWZs | ICD | Rail Infrastructure
Warehouse Supply Chain Management

Abbreviations



- FTWZ - Free Trade & Warehousing Zone
- ICD - Inland Container Depot
- PFT - Private Freight Terminal
- EDI - Electronic Data Interchange
- VOS - Value Optimization Services
- QoQ - Quarter on Quarter
- IDH - Industrial Distribution Hub
- GST - Goods and Services Tax
- IMC - Inter Ministerial Committee
- EXIM - Export and Imports

Arshiya Group – an Overview



Panvel FTWZ

- Owns and operates FTWZ in India – first Company in India to operate FTWZs
  - Located in Panvel, (near Mumbai) spread across ~142 acres of land
- Key services offered include:
  - Warehousing of duty free goods of foreign or domestic clients
  - Trading with or without labeling
  - Packaging & repackaging
  - Re-sale, re-invoice and re-export
  - Assembly of completed and semi knockdown goods

Khurja FTWZ, ICD & Rail Terminal

- Owns and operates FTWZ in India – first Company in India to operate FTWZs
  - Located in Khurja, (near New Delhi) spread across ~127 acres of land
- ICD Located adjacent to FTWZ at Khurja with 65 acres of land along with domestic warehousing facilities too
- Rail Terminal located adjacent to FTWZ Khurja with 6 sidings and state of the art container handling equipment. Private Freight Terminal (PFT) license to give access for Indian Railways Rakes/ Wagons to carry bulk cargo spread across 60 acres of land at Khurja.

Rail Rolling Stock

- One of the largest Private Container Train Operators (PCTOs) in India with major focus on domestic cargo movement and customised container services
  - Acquired pan-India license in 2008 and commenced operations in 2009
- Provides pan-India customized container rail freight services through 20 owned rakes and ~ 4,000 containers

Supporting infrastructure / services includes on-site office spaces, banks, ATM, weigh bridge, fuel station, water & power supply & 100% power back-up using DG sets & CHAs that reduce operating costs

Panvel FTWZ – Turnaround



- **Historical Issues**
  - Various regulatory uncertainties and delays led to stoppage of transshipment of cargo, delays in duty drawback, non-availability of Customs EDI system (Ice-Gate), et al, further leading to business disruptions over past 2-3 years

- **Turnaround Strategy**
  - A strategic decision to scale up activities with clear regulations – transportation, warehousing and value addition of goods for import into and export from India, by quality local and international clients, under developer and self-operating contracts – translating into certainty of revenues and improved cash flows

  - Operational focus of past 2 years lead to turnaround -

    - Acceptance of FTWZ concept/ benefits leading to regaining lost Customer base. DHL Logistics – World's no. 1 logistics player has taken an entire warehouse on a long term lease, justifying our confidence in the long term potential of the business.

    - Increasing Customer base with Marquee clients.
      - Scaling up revenues from a client requires a gestation/trial period of minimum six months

    - Cost cutting initiatives at every possible area of operations.

- **Acceptance / Increased utilization of FTWZ by Global Large / Marquee quality clients is evidence of long term potential of business.**

Update

- *Panvel FTWZ achieved continued growth in EBIDTA QoQ*

Panvel Operations (Arshiya Limited & Arshiya Supply Chain Management Pvt. Ltd.) – Strong EBIDTA margin expansion



Rs. in Crores

Particulars	Q2 FY 16	Q1 FY 16	Q2 FY 15	H1 FY 16	H1 FY 15	FY 2014-15
INCOME						
Income from operations	26.80	27.27	19.37	54.07	36.52	83.45
Other income	0.35	0.16	0.13	0.51	0.35	1.69
Total Income	**27.15**	**27.43**	**19.50**	**54.58**	**36.87**	**85.14**
PANVEL EXPENSES						
Cost of operations	4.24	5.33	3.46	9.57	6.92	16.86
Employees' remuneration	2.64	2.71	1.39	5.35	3.07	6.19
Other administrative expenses	2.78	2.63	2.86	5.41	4.85	9.89
ALLOCABLE CORPORATE EXPENSES						
Employees' remuneration	1.19	1.11	1.10	2.30	2.39	4.95
Administrative expenses	0.92	1.14	1.39	2.06	3.19	6.75
Total Expenses	**11.77**	**12.92**	**10.20**	**24.69**	**20.42**	**44.64**
EBIDTA	**15.38**	**14.51**	**9.30**	**29.89**	**16.45**	**40.50**
EBIDTA as %age of Revenue	***56.65%***	***52.90%***	***47.69%***	***54.76%***	***44.62%***	***47.57%***

Panvel FTWZ - Activity



- Value Optimization Services (VOS) income is inversely proportional to turnaround period for goods and has the potential to be at 1.4x times of Storage Revenue. Thus, lower the turnaround cycle time (days) leads to increase in VOS activities. VOS income depends on the end user industry and nature of goods handled.

- VOS includes utilising warehouse space by stacking efficiently and optimising to clients paying more rent per unit, maximizing EBIDTA margins.

- VOS to Storage Revenue is around 1.0x times as compared to the potential of 1.4x times

- Further, the Company has enough land to build further ~17 warehouses, totalling ~34 warehouses at a marginal cost of construction as the common infrastructure is in place

Update

- *Improvement in Metal & Polymer business with optimum utilisation of space during the quarter*
  - *Successful trial carried out for Global furniture giant - IKEA*
  - *Varied range of new products handled through some marquee Clients.*
  - *Bottling of high-value items such as perfumes, etc., commenced.*
  - *~ 46 new Customers added since last Qtr*

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Marquee Clients – Panvel FTWZ



PETROCHEMICAL COMMERCIAL CO.

CMC
CLASSIC MARBLE COMPANY

capricorn logistics

BOROCHEMIE
International Pte Ltd
A TRADITION OF CONFIDENCE AND SERVICE

CISCO

United Phosphorus Ltd

SANDVIK

HCL

noble resources

Srikaram Prescience
... Power of Foresight

Armstrong

GLENCORE

TRAFIGURA

Henkel
Adhesive Technologies

USHDEV GROUP OF COMPANIES

CWT COMMODITIES

C. Steinweg

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Marquee Clients – Panvel FTWZ



UTTAM
The Best that Steel can be

CSQM
Speciality Plant Nutrition Experts

EVERFLOW PETROFILS LTD
Turning Waste into Wealth

RioTinto

Broekman Logistics

RHENUS LOGISTICS

PLASTOCHEM

DHL

Cadbury

DSV

LIBERTY LONDON

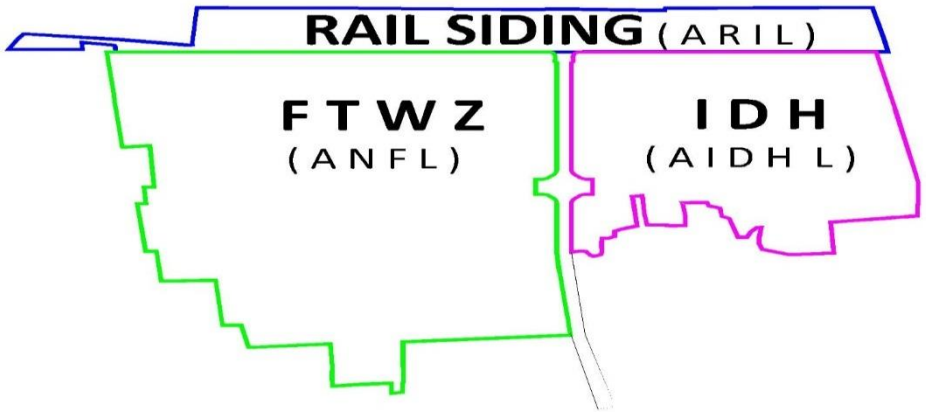
Honeywell

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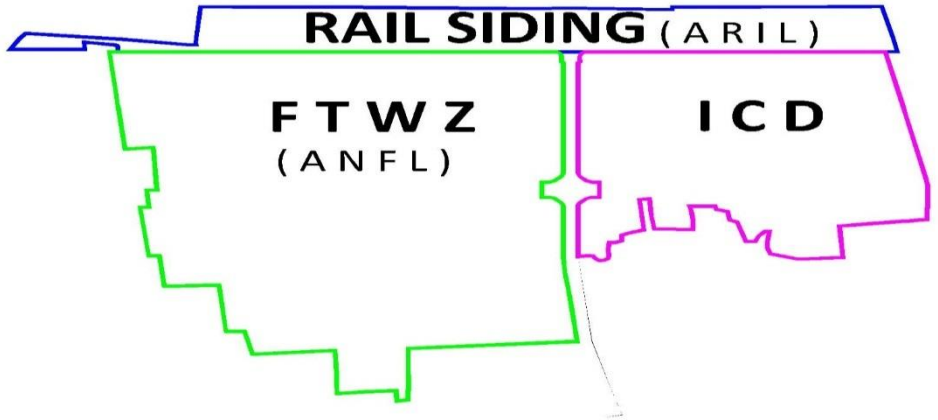
Khurja FTWZ - Project Status and Mitigants



KHURJA YESTERDAY



KHURJA TOMORROW



Issues

- No en-bloc rail movement of container due to non-availability of EDI connectivity as the Rail terminal comes under Ministry of Railways and EDI comes under Ministry of Finance
- No cargo going to FTWZ due to non-availability of EDI connectivity as FTWZ, though an ICD status is available comes under Ministry of Commerce and EDI comes under Ministry of Finance
- Ministry of Finance neither parting with EDI to Ministry of Railways or Ministry of Commerce
- IDH not taking off due to GST delay

- Khurja FTWZ project is complete in all possible manner
- We have converted IDH to an ICD and other permissions such as IMC, etc., are in place. We are expecting to be operational by Q3 FY16 along with EDI connectivity in place.
- With ICD all above issues will be mitigated and EDI Connectivity will be automatic as ICD comes under Ministry of Finance and so does EDI.
- Large ICD is the need of the hour in the NCR region, Dadri, TKD, & Loni are all running at almost full capacity.
- The USP for the ICD is the Rail connectivity, which at other locations is an issue as scalability size of rail terminal is minimal, which leads to congestion.

Update

All permissions including Section 7, 8 & 45 received from Govt. Authorities.
ICD will be operational in Q3 FY16 – progress as per plan to be operationalised by Nov. 2015 nearing Diwali

Khurja FTWZ to revive in FY16



- Conversion of IDH into ICD has provided the necessary EDI connectivity which will help in attracting the EXIM cargo traffic flowing between Ports and Hinterland
- The existing Rail Terminal adjacent to the ICD will ease the movement of EXIM containers and the FTWZ shall be an USP for the project as it would create a pull for cargo requiring specific services, along with fiscal & regulatory benefits.
- Strategic location at the culmination of Western and Eastern Dedicated Freight Corridor and proximity to the planned Dadri-Noida-Ghaziabad Industrial Corridor of DMIC would help to establish strong footing in logistic services.
- Expect Khurja FTWZ to start operations in Q3 FY16 and achieve scale/ profitability similar to current Panvel FTWZ in a year, having a very strong and positive traction in these assets.

Update

Progress as per aforesaid plan

All infrastructure in place

EDI connectivity in place

Rail Infrastructure – Rolling Stock including Rail Terminal at Khurja



(Rs. in Crores)

Particulars	Q2 FY 16	Q1 FY 16	Q2 FY 15	H1 FY 16	H1 FY 15	FY 2014-15
		Rolling Stock including Rail Terminal				
INCOME						
Revenue from Operations	51.55	60.09	59.58	111.64	115.27	238.24
Other income	(0.03)	0.12	0.27	0.09	0.01	1.53
Total Income	**51.52**	**60.21**	**59.85**	**111.74**	**115.28**	**239.77**
EXPENDITURE						
Cost of Operations	44.84	53.70	51.97	98.54	102.05	211.79
Employee Cost	1.93	1.97	1.88	3.90	4.13	7.49
Other expenses	1.38	1.16	1.65	2.53	2.75	7.15
Total Expenses	**48.15**	**56.83**	**55.50**	**104.98**	**108.93**	**226.43**
EBIDTA	**3.37**	**3.38**	**4.35**	**6.76**	**6.34**	**13.34**
EBIDTA as %age of Revenue	***6.54%***	***5.61%***	***7.27%***	***6.05%***	***5.50%***	***5.56%***

Previous year's figures have been regrouped, reclassified, rearranged and recasted wherever necessary to conform to those of the current year.

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Marquee Clients - Rail



DAMCO

vedanta

TATA STEEL

Aarti

MITSUBISHI CHEMICAL

JK Cement LTD

MONNET STEEL

sesa sterlite
a vedanta company

Kirloskar
Enriching Lives

MESCO STEEL

Sona Alloys Private Limited
Gold Standard in Every Pursuit

TATA

TATA METALIKS

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Arshiya Rail – Business Update



Business

- Rail EXIM movement from ICD to JNPT, Mundra and Pipavav ports

- Inked a new Letter of Intent (LOI) with one of the major steel conglomerates for movement of CR Coil on similar lines of existing contract with Tata Steel.

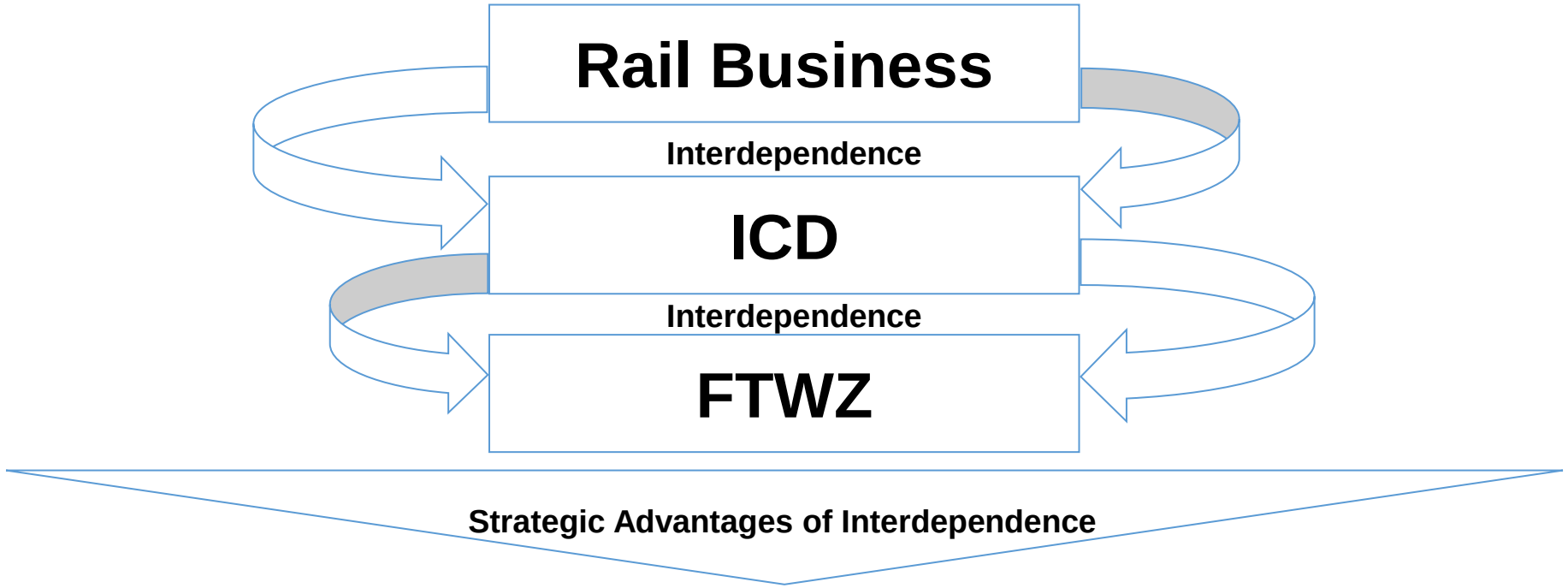
New Market/ Business

- Exclusive new stream of Business of movement of Granite from Rajasthan (Jallore) to East (Kolkata) and South (Bangalore)

- Lease of 20,000 SFT land along with Rail Siding on yearly basis from Indian Railways at Selam, Tamilnadu, which will facilitate container handling/ cargo movement to and fro from North to South.

Future Outlook





The **Rail business, ICD and FTWZ** would be **functionally interdependent** on each other, making each of the function **cost effective** and **economically viable**.

All these components together would help **Arshiya** to add **end-to-end value to the** entire **EXIM Logistic Value Chain**. As on today, **Railway business** is mainly catering to the **domestic market**

Update

Progress as per aforesaid plan

Future Outlook



- Due to the regulatory uncertainties and delays, Khurja assets were not able to meet their obligations towards lenders. However, we are working on revival of these assets. We believe by next year, we will have very strong and positive traction in these assets.

- Now that the EDI is in place, ICD will provide a separate stream of revenue and will be profitable with strong return ratios. Company is in advance stage of discussion with major Shipping lines.

- Rail Terminal business benefits from ICD. Moreover Rail Terminal has also got a Private Freight Terminal (PFT) status. Company has tied-up with 1 large client on a long term basis to move clinkers and working on similar tie-ups to enhance utilisation, which should lead to increased revenue/ profitability.

- FTWZ will act as a pull model for both PFT and ICD. We believe our experience in Khurja should be similar to strong turnaround scene in Panvel and we are already in discussions / negotiations with existing and potential clients.

Update

Progress as per aforesaid plan

Additional Updates



- *Delays in claiming Duty Drawback resolved in view of Circular No. 8 dated January 14, 2015 issued by the Office of Development Commissioner, SEEPZ, Ministry of Commerce and Industry.*

Update

Authorised Official of Customs Dept. and Development Commissioner, stationed at Panvel FTWZ empowered for release of cheques with respect to Duty drawback.

Above regulatory issue since inception of FTWZ, with respect to Duty Drawback resolved, which will attract Export customers and boost revenues.

- *The Company has been able to attract key executives at senior positions from Globally renowned companies who are leading the main Business verticals of the company in line with the proposed plans.*

Additional Updates… contd…



- *Some of the Banks have intimated to the Company that they have assigned their exposure on*
Arshiya Group to Edelweiss Asset Reconstruction Company Ltd. (EARC).

"The primary focus of Edelweiss ARC has been on the revival and turnaround of potentially viable industrial enterprises and towards this end, Edelweiss ARC draws synergistic support from the Edelweiss Group to extend additional need based funding, if any required".
(Source: http://www.edelweissarc.in/)

According to the Company, the above will provide an opportunity to achieve sustainability in its debt restructuring plan, stabilize the cash flows,
and further enable the entire Arshiya Group to revive the project.