

30 September 2024

Mercantile Ports & Logistics Limited
("MPL", the "Group" or the "Company")

Interim Results

Mercantile Ports & Logistics (AIM: MPL), which is operating and continuing to develop a port and logistics facility in Navi Mumbai, Maharashtra, India, announces its interim results for the period ended 30 June 2024.

Financial Summary:

- Group revenue of £1.05 million (H1 2023: £2.69 million)
- Operating loss of £1.02 million (H1 2023: EBITDA of £0.22 million)
- Loss Before Tax of £6.02 million (H1 2023: £5.38 million)
- Net asset value at 30 June 2024 of £68.32 million (H1 2023: £90.99 million)
- Total assets of £124.67 million (H1 2023: £144.47 million)
- A debt-to-equity ratio of 0.77 (H1 2023: 0.47)
- Cash as at 30 June 2024 of £0.94 million (H1 2023: £6.40 million)
- Facility of £15 million remains undrawn

For further information, please visit www.mercpl.com or contact:

MPL	c/o SEC Newgate +44 (0) 20 3757 6880
Cavendish Capital Markets Limited (Nomad and Broker)	Stephen Keys +44 (0) 207 220 0500
SEC Newgate (Financial Communications)	Elisabeth Cowell/ Bob Huxford +44 (0) 20 3757 6880 mpl@newgatecomms.com

Operational Review - Jay Mehta, CEO

The Company's operations continued to build momentum, although this progress was not reflected in revenue growth. As the period progressed, the timing of the handling of significant volumes of container cargo was delayed, beyond the contingency built in by Board. Despite the Facility having the necessary permits to handle containers, unexpected levels of government processes have been encountered and the expected volumes have not, therefore, taken place. Whilst this has been disappointing, this issue has been taken to the highest level of Government and is expected to be resolved shortly.

In addition, a number of contracts have not commenced on their expected timeframe. It has become apparent that the elections in Maharashtra, which are predicted to be very close, have impacted levels of activity on some of the infrastructure projects in the region. In particular, the Company had expected to handle the cement for the largest ever residential rebuild project in Mumbai. However, with major contractors electing to wait for the outcome of the elections and certainty of contract terms, the revenue expected to be generated by the Facility in servicing these contracts has been delayed.

Another example has been seen where the Company identified a replacement for Tata/Daewoo as a tenant but now does not expect that contract to be signed until after the election, which is expected to take place in November 2024. Although the signing of new material contracts has been delayed, the Company remains pleased with the levels of new enquiries and the volumes of coal handling have remained robust and are expected to continue. With a clear view on when the reason behind these delays will pass, and with a strong pipeline, the Board is satisfied that the issues encountered are temporary in nature and that the improvement in volumes that has been seen since the period end will continue.

Period	January to June		January to August	
	2024	2023	2024	2023
Coal handled				

Cargo handled (in tonnage)	660,177	783,457	797,968	862,962
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On 27 June 2024, the Group announced that it had entered into an unsecured loan and credit facility agreement for £15 million with KJS Concrete Private Limited (a subsidiary of the Group's strategic investor, Hunch Ventures) to provide additional working capital headroom to the Company. As a result, the Group remains confident in its working capital position for its current requirements.

Trading Update & Outlook

The Company does maintain a degree of contingency when monitoring itself against market forecasts and, as referred to above, it is pleasing to report that trading levels have improved since the period end. However, whilst the Board is confident that the Company will exceed the performance achieved and reported for FY 2023, the Board has concluded that the improved trading levels will not be sufficient to enable the Company to meet current market forecasts for FY24.

The Company remains grateful for the ongoing support of its major shareholder, Hunch Ventures, which has reconfirmed its continued backing of the Company and endorsed its strategy. With this support, with the election induced slowdown due to ease imminently and with record levels of customer enquiries, the Board is confident of a strong finish to the year and beyond.

Chairman's Statement

Whilst MPL remains well placed to be a beneficiary of what continues to be a vibrant domestic economy. Real GDP growth in the Indian economy was still 6.7% in Q1 of Financial Year 24 (8.2% in the comparative period), with lower levels of growth mainly due to poor performance of the agriculture and services sectors.

The International Monetary Fund ("IMF") raised India's growth forecast for FY24-25 to 7% in July 2024, up from 6.8%, following improving private consumption, particularly in rural India. The IMF left its estimate for the FY25-26 unchanged at 6.5%.

Against this backdrop, the Group's Facility at the Port of Karanja, located in Mumbai is uniquely positioned in the most important State in the country which acts as a gateway to multiple landlocked States.

A significant amount of management's resources have been directed at renegotiating terms with the Group's consortium of lenders. The Company is continuing to work with the lending consortium of state-owned banks in restructuring its debt facility. While this process has taken longer than originally envisaged, the Company continues to have an excellent relationship with its banks and remains confident of a facility with much more attractive terms being put in place. Management continues to engage positively with all three Indian banks at both the Head Office and Branch level and expects a definitive announcement to be made on this shortly. Hunch Ventures is working alongside the Company towards concluding negotiations around the debt facility.

While the Group's existing customers are pleased with the service levels and the overall ease of undertaking business at the facility, the pipeline of new customers looking to use our facility is robust as the Group aspires to increase utilisation levels at the facility. Potential customers with whom we are in discussions include one of India's major Oil & Gas exploration companies, in addition to entities in the industrial users from the private sector. Furthermore, in respect of a variety of bulk commodities, the Company intends to increase the handling of liquids, containers and Oil & Gas cargoes at the Facility. The Company is confident in signing major contracts before the end of the year, which will have a positive impact on the trajectory of the Company.

Notwithstanding the short term challenges in trading conditions the Group has experienced, the Facility is expected to be busier in H2 2024, and the Board remains confident for the remainder of the current financial year.

Jeremy Warner Allan, Chairman

Mercantile Ports & Logistics Limited

30 September 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2024

	Note	6 months ended 30 June 2024	6 months ended 30 June 2023	Year ended 31 Dec 2023
		£000	£000	£000
CONTINUING OPERATIONS				
Revenue		1,050	2,685	5,462
Operating costs		(790)	(1,234)	(2,417)
Administrative expenses		(1,284)	(1,234)	(3,266)
Operating (loss) / profit before depreciation and impairment loss	2	(1,024)	217	(221)
Depreciation	2	(2,360)	(2,803)	(5,581)
Impairment loss	2	-	-	(9,853)
Other income		935	-	590
OPERATING LOSS		(2,449)	(2,586)	(15,065)
Finance income		18	15	25
Finance cost		(3,590)	(2,809)	(6,225)
NET FINANCING COST		(3,572)	(2,794)	(6,200)
LOSS BEFORE TAX		(6,021)	(5,380)	(21,265)

		(£,000)	(£,000)	(£,000)
Tax expense for the period		-	-	-
LOSS FOR THE PERIOD		(6,021)	(5,380)	(21,265)
Loss for the period attributable to:				
Non-controlling interest		(12)	(10)	(43)
Owners of the parent		(6,009)	(5,370)	(21,222)
Loss for the period / year		(6,021)	(5,380)	(21,265)
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss				
Re-measurement of net defined benefit liability		-	-	27
Items that may be reclassified to profit or loss				
Exchange differences on translating foreign operations	5	708	(3,108)	(5,015)
Other comprehensive income / loss for the period / year		708	(3,108)	(4,988)
Total comprehensive income / loss for the period / year		(5,313)	(8,488)	(26,253)
Total comprehensive income / loss for the period / year attributable to:				
Non-controlling interest		(12)	(10)	(43)
Owners of the parent		(5,302)	(8,478)	(26,210)
		(5,313)	(8,488)	(26,253)
Loss per share (consolidated):				
Basic and diluted, for the period attributable to ordinary equity holders		(£0.017p)	(£0.122p)	(£0.105p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2024

	Note	Period ended 30 June 2024	Period ended 30 June 2023	Year ended 31 Dec 2023
		£000	£000	£000
Assets				
Property, plant and equipment	8	104,553	120,256	105,355
Intangible asset		49	14	63
Non-current tax assets		-	2,077	-
Total non-current assets		104,602	122,347	105,418
Inventory of traded goods		-	-	72
Current tax assets		2,995	-	2,114
Trade and other receivables	9	15,953	15,726	16,339
Investments		179	-	173
Cash and cash equivalents		937	6,398	2,881
Total current assets		20,065	22,124	21,579
Total assets		124,667	144,471	126,997
Liabilities				
Non-current				
Employee benefit obligations		24	56	35
Borrowings	7	35,320	36,047	36,399
Lease liabilities payables		1,242	763	1,457
Non-current liabilities		36,586	36,866	37,891
Current				
Employee benefit obligations		128	481	276
Borrowings	7	15,531	4,113	10,672
Current tax liabilities		26	73	61
Leases Liabilities payable		533	1,490	335
Trade and other payables		3,546	10,457	4,131

	2024	2023	2022
Current liabilities	19,763	16,614	15,475
Total liabilities	56,349	53,480	53,366
Net assets	68,318	90,991	73,631
Equity			
Share capital and share premium	152,354	151,949	152,354
Retained earnings	(53,226)	(31,392)	(47,217)
Translation reserve	(30,736)	(29,537)	(31,444)
Equity attributable to owners of parent	68,392	91,020	73,693
Non-controlling interest	(74)	(29)	(62)
Total equity and liabilities	68,318	90,991	73,631

CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2024

	Note	6 months ended 30 June 2024	6 months ended 30 June 2023	Year ended 31 Dec 2023
		£000	£000	£000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax for the period / year		(6,021)	(5,380)	(21,265)
Non cash flow adjustments	6	5,831	5,600	21,548
Net cash generated/(used in) operating activities		(190)	220	283
Net changes in working capital	6	25	651	(224)
Taxes paid		(869)	(46)	(6)
Net cash from operating activities		(1,034)	825	53
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment		(870)	(283)	(1,651)
Sale proceeds of property, plant and equipment		4	-	6
Finance income		14	15	25
Net cash generated/(used in) investing activities		(852)	(268)	(1,620)
CASH FLOWS FROM FINANCING ACTIVITIES				
From issue of additional shares		-	4,368	5,640
Fund raise cost		-	-	(941)
Subscription money received (from the previous fund raise)		-	1,951	797
Repayment of bank borrowing principal		-	(117)	(99)
Interest paid on borrowing		(2)	(759)	(749)
Repayment of leasing liabilities principal (net)		(22)	(160)	(737)
Interest payment on leasing liabilities		(16)	-	(9)
Net cash generated / (used in) from financing activities		(40)	5,283	3,902
Net change in cash and cash equivalents		(1,926)	5,840	2,335
Cash and cash equivalents, beginning of the period		2,881	558	558
Exchange differences on cash and cash equivalents		(18)	-	(12)
Cash and cash equivalents, end of the period		937	6,398	2,881

Note:

- The adjustments and working capital movements have been combined in the above Statement of Cash Flows.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2024

Stated	Translation	Retained	Other Components	Non- controlling	Total
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	Capital £000	Reserve £000	Earnings £000	of equity £000	Interest £000	Equity £000
Balance at 1 January 2023	143,851	(26,429)	(26,022)	--	(19)	91,381
Issue of share capital	9,444	--	--	--	--	9,444
Share issue cost	(941)	--	--	--	--	(941)
Transactions with owners	152,354	(26,429)	(26,022)	--	(19)	99,884
Loss for the year	--	--	(21,222)	--	(43)	(21,265)
Foreign currency translation differences for foreign operations	--	(5,015)	--	--	--	(5,015)
Re-measurement of net defined benefit pension liability	--	--	--	27	--	27
Re-measurement of net defined benefit pension liability transfer to retained earning	--	--	27	(27)	--	--
Total comprehensive income for the year	--	(5,105)	(21,195)	--	(43)	(26,253)
Balance at 31 December 2023	152,354	(31,444)	(47,217)	--	(62)	73,631
Balance at 1 January 2024	152,354	(31,444)	(47,217)	--	(62)	73,631
Loss for the period	--	--	(6,009)	--	(12)	(6,021)
Foreign currency translation differences for foreign operations	--	708	--	--	--	708
Total comprehensive income for the period	--	708	(6,009)	--	(12)	(5,313)
Balance at 30 June 2024	152,354	(30,736)	(53,226)	--	(74)	68,318

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting entity

Mercantile Ports & Logistics Limited (the "Company") was incorporated in Guernsey under the Companies (Guernsey) Law 2008 on 24 August 2010. The condensed interim consolidated financial statements of the Company for the period ended 30 June 2024 comprises the financial statement of the Company and its subsidiaries (together referred to as the "Group"). The Company has been established to develop, own and operate port and logistics facility.

2. General information and basis of preparation

The condensed interim consolidated financial statements are for 6 months' period ended 30 June 2024 and are not the full year accounts. The condensed interim consolidated financial statements are prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU) and under AIM 18 guidelines. They have been prepared on a historical cost basis. They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the EU. The condensed interim consolidated financial statements are not audited in accordance with International Standard on Review Engagements (ISRE) 2410.

The condensed interim consolidated financial statements are presented in Great British Pounds Sterling (£), which is the functional currency of the parent company. The preparation of the condensed interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these, condensed interim consolidated financial statements, the significant judgements made by management applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those applied in the annual IFRS financial statements. The condensed interim consolidated financial statements have been prepared on a going concern basis.

The condensed interim consolidated financial statements have been approved for issue by the Board of Directors on 27 September, 2024.

Operating (loss) / profit before depreciation

The above information is presented separately in the statement of comprehensive income as a supplementary information. This information is a primary measure used by the executive management and the Board to assess the financial performance of the Group, as it provides a more comparable assessment of the Group's year on year performance. It may also be a key metric used by the investor community to assess the performance of our year-on-year operations.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 31 December 2023. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

New standards, amendments and interpretations to existing standards are effective from January 1, 2024

Lease accounting - When measuring a lease liability from a sale-and-leaseback transaction, variable lease payments must be included on initial recognition.

Supplier finance arrangements - New disclosures are required to improve transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows, and exposure to liquidity risk.

Accounting estimates - The definition of accounting estimates is replaced with a definition that clarifies that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

Non-current liabilities with covenants - Amendments improve the information an entity provides when its right to defer settlement of a liability is subject to compliance with covenants.

4. Going Concern

The Directors have considered the application of the going concern basis of accounting.

In making this assessment, the Directors have considered the current and projected cash balance, borrowing facilities available, ongoing debt renegotiations with consortium banks, anticipated future utilisation of available funds, the Company's ability to control the variable costs, Group's capital investment plans and the projected operating performance of the business for the 15 months post the signing of these financial statements.

The group had a cash balance in excess of £900K as at 30 June 2024, and an additional line of unsecured credit from Hunch Ventures amounting to £15 million to mitigate funding risk as well as ensuring continuity in business. The company will continue to use the cash generated from operations as well as the balance subscription money receivable from Hunch Ventures of £2.95 million, to manage the projected costs until December 2025.

The Indian subsidiary and the board is in direct touch with the consortium of lenders to expedite the proposal of restructuring of the term loan facility, which has got abnormally delayed due to extended negotiations over certain terms of the restructuring. The Management expects to achieve a break through with the lenders over the coming weeks and will keep the shareholders informed on the progress to that extent.

The fund raise in 2023 has placed the Directors in a position to believe that it remains appropriate to continue to adopt the going concern in preparing the forecasts.

However, the fact that the debt restructure has not been completed to date represents the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

5. Comprehensive income

The comprehensive loss for the period is calculated after crediting a gain of £ 0.71 million, which arises on the translation of foreign operations to Great British Pounds Sterling (£), which is the functional currency of the Company. (INR/GBP exchange rate at 30 June 2024 of 105.46, 31 December 2023: 106.11 and 30 June 2023: 103.51 are used).

6. Cash flow adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital made to profit before tax to arrive at operating cash flow:

	Period ended 30 Jun 2024 £000	Period ended 30 Jun 2023 £000	Year ended 31 Dec 2023 £000
Adjustments and changes in working capital			
Depreciation	2,360	2,803	5,581
Impairment loss	—	—	9,853
Finance income	(18)	(15)	(25)
Balances written back	(88)	—	(190)
Finance cost	3,590	2,809	6,225
Re-measurement of net defined benefit liability	—	—	(27)
Provision for Gratuity	(14)	3	17
Loss on disposal of PPE	1	—	7
Provision for doubtful advances	—	—	107
	5,831	5,600	21,548
Change in trade and other payables	(196)	705	49
Change in trade and other receivables	155	(150)	*(124)
Change in inventory	72	96	24
Change in current investments (deposits with bank)	(6)	—	(173)
	25	651	(224)

7. Loan facility

The Indian subsidiary has an ongoing term loan facility which was sanctioned a term loan of INR 480 crores (£46.63 million) by a consortium of lenders, the loan agreement for which was executed on 28th February, 2014.

MPL is currently in negotiation with its lenders to restructure the loan, particularly seeking an extension of repayment tenor from 7 years to 14 years amongst other things.

Outstanding balance as at 30 June 2024 are as follows:

Particulars	Amount in INR Crore	Amount in £ Million
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Current	163.79	15.53
Non-current	372.50	35.32
Balance as at 30 June, 2024	536.29	50.85

The Indian subsidiary, had approached the consortium of lenders to reconsider the term loan facility repayment period from 7 years to 14 years, including the moratorium of 2 years on Principal term loan as well as Interest. The proposal is still pending for disposal at the respective HO's of the lenders for consideration. However, the management has prepared a plan B to mitigate the risk of abnormal delay in sanctioning of the facility.

Repayment of schedule of above outstanding loan based on OTR sanction are as follow:

	Repayment amount	
	INR in Crore	GBP in Million
Payment falling due		
Within 1 year	163.79	15.53
1 to 5 years	342.50	32.48
After 5 years	25.42	2.41
Total	*531.71	*50.42

* Loan repayment is stated at gross amount, excluding gain on debt modification £2.68 million (INR 28.26 crore).

The rate of interest is a floating rate linked to the Canara bank base rate (7.40%) with an additional spread of 215 basis points. The present composite rate of interest is 9.55%. Above borrowings are secured by the hypothecation of the port facility and pledge of its shares as well as a personal guarantee by the Nikhil Gandhi. The carrying amount of the above bank borrowing considered as a reasonable approximation of the fair value.

8. Property, plant and equipment

As at 30 June 2024, the carrying amount of facility yet to be capitalized was £16.31 million (30 June 2023: £24.22 million).

During the 6 months ended 30 June 2024, additions to property plant and equipment are £0.61 million and positive impact of £0.88 million was on account of exchange fluctuation as GBP became stronger against INR (INR/GBP exchange rate at 30 June 2024 of 105.46, 31 December 2023: 106.11)

Depreciation on the property plant and equipment is included in the administrative expenses.

9. Trade and other receivables

Trade and other receivable consist of following:

Particular	As at 30-Jun-24 £000	As at 30-Jun-23 £000	As at 31-Dec-23 £000
Trade receivables	945	568	1,883
Deposits	1,034	1,230	1,043
Other receivables (Advances to contractors, prepayment, accrued interest)	13,974	13,928	13,413
	15,953	15,726	16,339

10. Event Subsequent to the reporting period

The Indian subsidiary has successfully obtained a short-term contract with Freight Wings India Private Limited for the storage of steel composite spans for a coastal road project for Government of Maharashtra.

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