



“Container Corporation of India Limited
Q2 FY2020 Earnings Conference Call”

October 31, 2019



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Moderator: Ladies and gentlemen, good day and welcome to the Container Corporation of India Limited Q2 FY 20 earnings conference call hosted by IDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you Madam!

Bhoomika Nair: Good morning everyone. On behalf of IDFC Securities, I would like to welcome you to the Q2 FY20 earnings call of Container Corporation. The management today is being represented by Mr. Kalyana Rama - Managing Director. I now hand over the call to Mr. Rama for his initial remarks, post which we will open up the floor for Q&A. Over to you Sir!

Kalyana Rama: Thank you Bhoomika. Good morning to all of you. The second quarter results are out and in line with the overall economy we could not maintain our forecast guidance.

The volumes are a bit lower now in the first quarter and comparatively first half-yearly the originating volumes have come down by 4% and handling volumes have come down by 1.4%.

Of course, on the revenue side we just kept our head high with a little increase in our revenue topline around 1.8% and the bottomline at 6%. So this is in the overall economy, we still heeded to look up and we expected that in Q2, we will be able to pick up the volumes with the measures taken by the government, but as of now it looks that it might take some more time to things to stabilize and the volumes to come on to the Indian shores. The export-import market is subdued. The positive features are that we could increase our lead distance because we are not getting into the short lead where the margins are in fact negative so we are not really competing on that, even though we are doing some short lead business from Mumbai port that is with margins.

We are not doing negative margin business anywhere so overall share has come down but our lead has gone up little bit and as of now what we expect for this whole year looking at the first six months performance is that we may end up this year on the volume side flat or may be a just a little bit of growth of one to two percent maximum and on the revenue side we may be little positive around 4 to 5 percent and on the bottomline may be around 5 to 8 percent. This is what we are now forecasting and as I always say that we try to improve on



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our forecasts, so let me see how the things work out because the extraneous factors are not helping us this year after eleven quarter this twelfth quarter we could not really come up with the good performance but in this current scenario I think, yes, our performance is good, it is not bad we are able to keep up and keep our head high and float at least in the troubled waters well. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

S Karlekar: Thanks for the opportunity. Congratulations on decent set of numbers in difficult environment. Sir my first question is on I wanted to know out of this 3.8 million volume that we do annually on handling front, on how much percentage of volume do we really pay land license fee and what is currently last contracted method of determining this land license fees and at what rate are this typically go up? Sir my second question is on the rail freight advance scheme, we were supposed to pay something like 1500 Crore second installment on September 30, have we already paid that, whether it does not seen in your current assets on the balance sheet? That is my second question Sir.

Kalyana Rama: Okay, regarding the land license fee, this year we are paying the land license fee at Rs.1175 per TEU per loaded container. Now the second part of the first question what you asked how much we are doing and what will be, see we are not that ready with those numbers but we keep on doing wherever our depots are coming the markets are shifting we normally shift our business to our own land so that where we need not pay any land license fees. So out of the total volume how much is going on the railway land I can give you a ballpark number may be around 40%-45%.

S Karlekar: Okay, 40%-45% on which we are paying this 1175 per TEU?

Kalyana Rama: Land license fee for three years, next year again we will be having a review with the railways, for last three years it is linked to our PAT so if the PAT increases it increases, if PAT decreases it decreases, so from last year because of our PAT increase, good PAT increase it is increased to 1175 this year, last year we paid at around 865 or 1015 we paid. The second question is regarding advance freight, we are not paid and now we got time till November we will decide on that and we will let you know the decision in due course.

S Karlekar: Okay so you opted to not to pay that way, right?

Kalyana Rama: As of now we are not paid.



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- S Karlekar:** Okay, thanks for answering my question Sir and all the very best.
- Moderator:** Thank you very much. Next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir wanted to check what is this discount of 9 Crores for the eligible SEIS income booked in other expenses?
- Kalyana Rama:** If we monetize this and we sell the SEIS in the market we may not get Rs.100 out of Rs.100 so we discounted little bit, so we kept that discount on 5% of the value that means we are expecting 95 paise to come out of the Re.1.
- Ankita Shah:** Okay and when is this expected to receive the scripts?
- Kalyana Rama:** As of now the decision has come but this is we are contesting this. Let me tell all of you that the SEIS as far as we are concerned we are eligible for this we got our legal opinion because now it has been denied by the government department, concerned department we are provided for it. We have not written-off we are just given a provision for this, 861 Crores and now we are going for appeal there is a process for this, first we have to go for the appeal to the Appellate Authority and once Appellate Authority if we get the either/or the result then the next step is to the Committee of Secretary through our secretary and then there is so much of procedure is involved in this, so as of now it is not that we have totally written-off and we are not claiming that, we are still claiming and the legal opinion what we got is we will get it, because there are other people who got it for this services, so that is the position. So whatever we got that we will be receiving very shortly and once we receive that we will go for the monetization.
- Ankita Shah:** Got it. Sir this deferred tax of 250 Crores this is on account of the adjustment for the tax which is paid for the ineligible SEIS income?
- Kalyana Rama:** Yes, exactly whatever has been provided now we cannot get the tax adjustment unless write-off so as of now it will be under deferred tax.
- Ankita Shah:** Okay, any adjustment for shifting to the new corporate tax rate also in this?
- Kalyana Rama:** In the deferred tax it is there I think. So yes, there is we changed to new regime of tax without taking any benefits on other sections we are going for the flat rate what has been offered by the government so there is a tax saving as compared to last Q2 this Q2 we paid only one third almost 97 Crores to 93 Crores.



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- Ankita Shah:** Okay. Sir out of the total terminals, how many terminals are leased terminals out of the 86 terminals?
- Kalyana Rama:** Now 8 are our exclusive terminals, you are asking for railway land lease?
- Ankita Shah:** Yes.
- Kalyana Rama:** Railway land lease is 41 terminals.
- Ankita Shah:** I will come back in the queue.
- Moderator:** Thank you very much. The next question is from the line of Achal Lohade from J M Financial. Please go ahead.
- Achal Lohade:** Thanks for taking my question Sir. Can you help us with the originating volume and the lead distance that is my first question?
- P.K. Agrawal:** For half-yearly the originating volume both for EXIM and domestic is 1169165.
- Achal Lohade:** Could you please split it for the quarter?
- P.K. Agrawal:** It is for the half-yearly and for the quarter it is basically 610223.
- Achal Lohade:** Got it. Split in terms of EXIM and domestic Sir?
- P.K. Agrawal:** This originating of EXIM for the half-yearly is 1033319 and for domestic it is 135846 and for the quarter EXIM is 541375 for domestic 68848.
- Achal Lohade:** Got it. Sir lead distance?
- Kalyana Rama:** Lead distance now this year the lead is 786 compared to 773 of last year.
- Achal Lohade:** This is for the quarter you meant Sir?
- Kalyana Rama:** For the half-yearly.
- Achal Lohade:** With respect to the market share you said you?
- Kalyana Rama:** Market share has come down I told I already mentioned market share this year we are at 67.4% compared to last year 73.1% for the half year.



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- Achal Lohade:** Got it. I will come back in the queue Sir.
- Moderator:** Thank you very much. Next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Good morning Sir. Sir my first question is on this non-participation on the loss making routes when you say it is specific to all ports or it is specific to like the NPT or like select ports?
- Kalyana Rama:** Have I mentioned loss making? I said short hauls.
- Prateek Kumar:** Sir you mentioned some of the industry participants are doing?
- Kalyana Rama:** Short hauls, see when you do short haul, you are doing at competition with road so there is if you do a short haul by rail there is an extra handling involved in the short hauls compared to road because we have to handle at one of the rail points and then take it to the destination so we have to build-in sufficient margins to be competitive there. So there are these short hauls are going at controlled competition that somebody some players are trying to get volume numbers they are doing it negative margins. Those sectors we are participating but we are participating without negative margins this is particularly happening from Mumbai Port. Other ports short hauls are not there.
- Prateek Kumar:** According to loss of market share is also related to some loss of share at Mumbai port the JNPT port?
- Kalyana Rama:** Yes, the Mumbai Port and some may be at Mundra Port compared to last year.
- Prateek Kumar:** Sir regarding this taxes again just a related question to previous participant so on SEIS we have to adjust a tax from the tax rate as there is a loss on 861 Crores, so what is the tax rate we should assume on that?
- Kalyana Rama:** Whatever tax we pay we will get it back, we need not assume any tax rate.
- Prateek Kumar:** No Sir, when we like adjust is 248 Crore of deferred tax?
- Kalyana Rama:** Listen to me and then you can ask your clarificatory questions, whatever we are now given as provision we cannot adjust that tax because it is provision, only when this is written-off then the tax is to be adjusted. So when if that is to be written-off whatever tax is paid at whatever rate that way we will get the credit of that. Am I clear?



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- Prateek Kumar:** Yes, so just asking that rates for SEIS what would be that rate?
- Kalyana Rama:** Whatever they ask we paid, now this rate is may be a 34.18% something is it so it will be the rate. So what this deferred tax around seeing to figure out the deferred tax is that only.
- Prateek Kumar:** It is standard not like 28% which we generally have an overall rate?
- Kalyana Rama:** This year it has come down to 25.63% something earlier it is 34.18.
- Prateek Kumar:** Other taxes we pay at 28%.
- Kalyana Rama:** So that we take provisions that we take different sectional benefits that is not tax rate, see so let us do not get confused on all this calculations, we have given you deferred tax so whatever tax we paid we get back.
- Prateek Kumar:** Correct. Just one question on this port wise share for Concor and I mean rail share of different ports which we generally share?
- Kalyana Rama:** Yes, the JNPT the rail share is 16.67% and our Concor share is 68% and Mundra it is 26.97 rail shares we are 45.4 and Pipavav it is 71.44 we are at 50.86.
- Prateek Kumar:** Correct.
- Moderator:** Thank you very much. Next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** Thanks for the opportunity. First question on the empty, now you did mentioned that there has been any increase because of the EXIM mismatch so if you can share the empty movement cost for both EXIM and domestic for the quarter?
- Kalyana Rama:** Empty movement I can give you for the half-year.
- P.K. Agrawal:** For the Q2 the total empty movement cost we paid is 62.55 Crores as against of last year we have paid 64.84 Crores.
- Ankur Periwal:** Sure and Sir if you can break it up into EXIM and domestic?
- P.K. Agrawal:** EXIM it is a 32.35 domestic it is 20.20, last year Q2 it is 37.80 and 27.04.



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- Ankur Periwai:** Mr. Rama's comment in terms of the gap between export and import the empty increases was more on...
- Kalyana Rama:** 25% drop in empty haulage rates, Ankur. That you have to factor in.
- Ankur Periwai:** Adjusted for that you are saying probably the number obviously this number is not 25% lower year-on-year, so in that net-net has increased for us?
- Kalyana Rama:** Yes.
- Ankur Periwai:** Secondly on the Indian railways overall volume now, will it be possible to share overall Concor's volume in million tons and how it has behaved year-on-year basis for the first half?
- Kalyana Rama:** For the first half originating million tons we did total 1.169 million TEUs.
- P.K. Agrawal:** Tonnes it is first half it is 20.86 million tons as against last year we have done 22.02 million tonnes.
- Ankur Periwai:** Okay fair enough. That is helpful. Sir lastly in terms of your outlook going ahead now has there have been any while the macro has been slightly slow but are we seeing any traction in terms of higher growth at the newer terminals, the MMLPs that we have opened up Khatuwas or the other ones?
- Kalyana Rama:** As such the whole market is going subdued so our performance as far as I mentioned always for the purpose we start this MMLPs we are on traction, but the overall volume growth is low, so it is everywhere, volume growth is low everywhere except for one traffic that is Nepal mount traffic, so Nepal is doing good in imports but our imports and exports are subdued.
- Ankur Periwai:** Okay. Fair enough Sir, that is all from my side thank you and all the best.
- Moderator:** Thank you. Next question is from the line of Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** Thank you for taking my question Sir. Sir firstly going back to the land lease charge that land lease charges now that we are not, atleast for now we are not eligible for SEIS and the profits is reduced is there a scope for downward revision on the lease?



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- Kalyana Rama:** See if my PAT comes down it will come down.
- Bhavin Gandhi:** Okay so there is a provision for downward revision as well?
- Kalyana Rama:** Yes.
- Bhavin Gandhi:** Second Sir, recently the ultra short lead policy which was announced by Indian Railways in the middle of September so will that help us recoup that share that we have lost out?
- Kalyana Rama:** No see, that is what, in short lead we are doing without any negative margins so we are also doing some traffic from Mumbai Port to Karambeli we are running Mumbai Port to Dronagiri Node, we are running but we are not running it negative margins. And we are doing some traffic between Chennai Port to Tondiarpet whenever there is some road strike or some evacuation problems at the Chennai Port that is 8 kilometers stretch, we are doing those like this quarter we have done some may be around 20-25 trains between Chennai port to Tondiarpet Marshalling Yard, our depot at Thiruvottiyur. So all these places we are trying to not to go for negative margins, now the whole issue is the people who are doing this circuits they are doing at negative margins, so that is why even our numbers are less our margins have improved.
- Bhavin Gandhi:** Okay. Thank you Sir. That is it from my side, thank you.
- Moderator:** Thank you very much. Next question is from the line of Abhilasha Satale from Dalal & Broacha. Please go ahead.
- Abhilasha Satale:** Thank you for taking my question. Sir just on operational basis if I see our EXIM margins have improved to around 23% and this is like I am seeing the quarter-on-quarter also there is an improvement so this is in spite of our volume growth has been subdued so what are the major reasons which have contributed and as volume growth improves in H2 is there a further room for margin improvement?
- Kalyana Rama:** Yes, our margins improved because we increased our freight rates, we adjusted 5% on the first of April and also there are additional charges we started collecting last year in the month of August, so this time it started from July for this quarter and expenditure we controlled and our lead increase, lead on EXIM side it increased to 724 kilometers against 704 in the last year, so these are all helping us that is where, when we are not participating in this negative margin business obviously our positive margin business the margins are improving.



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Abhilasha Satale: Yes, Sir, so I mean as you know we see volume improvement in H2, although like it will be slower than what we have been doing but will be is there a further improvement room for margin as our volume improve?

Kalyana Rama: Yes if H2 volumes are good then definitely volume margins will be little better.

Abhilasha Satale: The interest cost has increased during the quarter; however, our borrowings have not increased what is a reason?

Kalyana Rama: The interest cost has not increased may be you are looking at the half-yearly figure H1 to H1, last year to this year. Whatever advance we have taken as a working capital loan that we repaid in two months' time, so that all, as the interest payment has factored in first quarter, so the second quarter there is no interest payment, we are a debt free company. So there is no interest payment in second quarter at all. Last year there was an interest payment in both the quarters.

Abhilasha Satale: Sir current assets have reduced from 4279 to 1492 Crores so I understand this is mainly towards SEIS and advance freight payment so can you just bifurcate how much we have adjusted towards advance freight payment?

Manoj Kumar Dubey: So 1891 is the figure that we have consumed out of 3000 Crores that we have given in H1 and 861 Crores we have adjusted towards SEIS so these two have come out of this 4275 figure.

Abhilasha Satale: Okay fine. Thank you.

Moderator: Thank you very much. Next question is from the line of Ankit Panchamatia from B&K Securities. Please go ahead.

A Panchamatia: Good morning. Thanks for taking my question and congratulations on good set of numbers. Sir a bit of details on the capex side and what was the capex for H1 and the number of terminals if you can share?

Kalyana Rama: H1 we have not started any new terminal but this year we will be targeting to start around 8 terminals that is our target. Pipavav we started, one terminal we started in H1 that Pipavav we started operation so that is we counted in this H1 one terminal we started in Pipavav and seven more terminals we are targeting this year and capex expenditure in H1 we did 124 Crores, is the capital expenditure till September 30, but we will be able to achieve our 1000 Crores capital expenditure by the end of the Q4 that is mostly on wagon procurement this



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time so the wagons start coming from the November, somewhere in the middle of November so we are sure that we will be able to achieve our capital expenditure.

- A Panchamatia:** Sir the ordering of the wagons are already been done right?
- Kalyana Rama:** Yes, ordering is done, see these are new wagons. These are 25 ton axel load wagons which are complaint to the DFC running, so this is the first time we are bringing them on to the tracks, so the first rake we may get around in the middle of November.
- A Panchamatia:** Okay. Sir number of MMLPs active at this point of time and any lever on them?
- Kalyana Rama:** That is what I said, 84 now and seven more we are going to trying to add in this year. Out of which with 8 we were exclusive tie-ups.
- A Panchamatia:** Sir I was asking about this multi-modal logistic parks?
- Kalyana Rama:** Multi-mode logistic parks out of 15, 12 we commissioned and now whatever we are doing in MMLP mode.
- A Panchamatia:** Sir coastal shipping revenue during the quarter?
- Kalyana Rama:** We will give you later as it is not readily available.
- A Panchamatia:** No issues Sir. Sir double-staking number of trains?
- Kalyana Rama:** 674 trains this quarter and half-yearly 1432, compared to last year 1641 and quarter is last year second quarter 812.
- A Panchamatia:** That is from my side. Thank you.
- Moderator:** Thank you very much. Next question is from the line of Bharat Seth from Quest Investments. Please go ahead.
- Bharat Seth:** Good morning and congratulations and good set of number in trying times. Sir you said that we expect the topline growth of around 5%-6% for full year so in first half you have grown by say 1.4% so in second half the growth would be also more than I mean around 6%-7%?
- Kalyana Rama:** See you have to compare apple-with-apple Bharat Ji, so it will be 4.9% in the first year without taking SEIS on both sides.



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- Bharat Seth:** And when you say the PAT also so without I mean factoring I mean SEIS income last year I mean its bottomline growth?
- Kalyana Rama:** Bottomline growth this year it is 16.6% for the H1.
- Bharat Seth:** Okay without.
- Kalyana Rama:** Without the SEIS on both sides.
- Bharat Seth:** Okay, but Sir just to understand I mean so this scheme for current year has not yet been announced correct?
- Kalyana Rama:** No it is not announced.
- Bharat Seth:** Then how do we see Sir I mean this MMLP increasing and we were focusing more on domestic growth, so are we gaining some kind of market share in domestic business and how do we see this EBITDA margin of a domestic business?
- Kalyana Rama:** EBITDA margins in domestic business is slightly improved this H1 to H1 and also we have seen lot of traction in domestic business but then the domestic market is also not good, export import even domestic market as well is slowed down, so that buoyancy is not visible in domestic market as well as of now. We are working on some new streams in domestic.
- Bharat Seth:** Can you elaborate little more I mean which are the new streams that we are working and now is the initial?
- Kalyana Rama:** Last time I mentioned movement of commodities in bulk in containers that is now in food grains our trials are completed now. We have to go ahead with our marketing and we are already started that but these are a very new concepts, these are the path breaking concepts, see once we get this business it will be really a good business. Now postal also we have started we are getting traction again there were some slow down in the entire because of the economic slowdown there also some effect has come and cement is another product which we are trying to bring in movement in bulk in containers in that the trials are going on and we are sure that we will be completing those trials very soon, because we could do some trials successfully. The technicals are worked out now only the practical trials have to go on after that we will work out the commercials and then we start marketing them. So when these streams come the volumes on domestic side will increase.



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- Bharat Seth:** Okay. Sir you said that I mean this food grain trials are over now we are going for marketing so it is successfully completed correct, trial run?
- Kalyana Rama:** Yes, trials have completed successfully now we have to get people, I am ready with the movement in commodity in bulk now my customers also they have to have some arrangements at their consumption end and their procurement ends to do in bulk. So now these things we are working with them, as I said because these are all totally a path breaking moves they will take some time, that is why we are not expecting any great revenues out of that in this financial year and we are not forecasting anything. These are all for the future we are working on and also there is a concept of container as a warehouse which also is getting traction so we will be eliminating lot of handing and intermediate transportations in this.
- Bharat Seth:** Sir last thing, I mean on this subsidiary this cold storage, so when do we expect it to start to I mean making money I mean still in H1 also it has lost good amount of money.
- Kalyana Rama:** We have started making money but the revenues are coming but the expenditure side because we revived it from the complete shutdown stage the expenditure happen so we did the impairment test at the beginning of this financial year so our impairment test it takes ten years to recover the entire money from them.
- Bharat Seth:** Okay. Thank you very much Sir. That is all from my side.
- Moderator:** Thank you very much. Next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Thank you for the opportunity. Firstly, Sir you had mentioned that about 40% to 45% of your current handling volumes is what you are paying a land license fee on, could you give some sense on how this would have been say a couple of years back this number 40% to 45%?
- Kalyana Rama:** We do not have that analysis right now with us.
- Mukesh Saraf:** But is it fair to say that this number is going down, as you are trying to move the volumes to your own terminals, is that a fair assumption that is why it is going down?
- Kalyana Rama:** Yes, that is a fair assumption.



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Mukesh Saraf: Any targets you have in next couple of years, I mean as your new terminals are now getting commercialized say 12 out of 15 and even furthermore eight terminals you are adding, how could this go down further in the next two three years any targets that you have?

Kalyana Rama: No, we have not kept any targets on this but yes it will keep on going down comparatively and more and more volume will be handled, tower places like one market in Vizag where now entire volume is getting handled in our own terminal, it used to be 100% at the railway based terminal and now that terminal we completely stopped. So in Sabarmati also in Ahmadabad we completely moved to our own terminal where we do not pay any land license fee. So these shifts keep happening. In NCR region also the markets it is moving to the outskirts so Dadri we are moving the volume. We have not kept any target but fair assumption what I can say may be in next five years if you asked me the ballpark figure is we may come down to 30% of our volumes at railway terminals.

Mukesh Saraf: That is fair enough Sir. Secondly my question is I think you had mentioned about volumes being weak obviously because of the EXIM activity and we have taken a 5% kind of price hike beginning this year, are there any pressure where discounts going up because we are hearing that some of the players that there is some pressure on pricing so how is Concor looking at it any volume based discounts that we have kind of looking to increase to get some additional market share?

Kalyana Rama: Look, this is an investor conference where I will talk about my results. So no forecasting of the marketing; however, I have mentioned already that I am not participating in negative margin business even though our volumes reduced, our margins are higher, our revenues are better and we could come out with definitely a good balance sheet in these times. That answers your question.

Mukesh Saraf: Yes. Just last one is I mean expect the DFC to start operations soon in the next few months any sense on what kind of pricing could be there in terms of rail haulage on the DFC?

Kalyana Rama: You can tell me when you are starting the DFC operations then I will tell you that.

Mukesh Saraf: In the next one year.

Kalyana Rama: See look, as of now the indication or the decision is what we got in the communication is that the pricing will be same.

Mukesh Saraf: That is fair enough Sir. That gives us an indication. That is it. I will get back in the queue Sir. Thank you so much.



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Moderator: Thank you very much. Next question is from the line of Pawan Parakh from Renaissance Investment Management. Please go ahead.

Pawan Parakh: I just have one question on this SEIS income, one is that the communication to you that is mentioned any reasons why this claim amount is low in what you have considered and secondly your competitor have received this money quite some time back why has been a denied at your end for this?

Kalyana Rama: You answered your own question, second part our competitors have received it and we got denied so that is why I mentioned that we are going for further process. We have not given up our claim and we only provided for this, provision of 861 Crores. Now why they denied it to us and why they paid competitor. I cannot answer this question that the concerned department, the DGFT has to answer this. Regarding the element what has been denied is the SEIS income which they have to given on bonded transportation from hinterland to port and port to hinterland which in their view is not covered under the scheme but which in our view and in the legal opinions what we have taken is covered and for that only our competitors have been paid and we are denied.

Pawan Parakh: But irrespective whether you denied or not any reason why your claims are delayed and your competitors got before you?

Kalyana Rama: How can I answer this question? I already told you, you have to go and ask DGFT this question, why you have not paid a PSU and why you paid competitor and then let me know the answer.

Pawan Parakh: That is it from my side. Thank you Sir.

Moderator: Thank you. Next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Good morning Sir and congratulations for good results in challenging times like these. Sir I had a question, the question was you talked about short lead distance volumes and no negative margin business, I wanted to ask you on the long lead distance volumes, are there any volumes that are today a negative margin whether you would want to take freight hikes incrementally?

Kalyana Rama: No, I do not take negative margin Aditya. See that is what I am telling I do not do negative margin business. Now mostly the negative margin business is happening on the short lead, on the long lead yes, in some means the negative margin business is been done by some of



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the operators. But still we got our own volumes there, because in the long lead even though there may be a negative margin contribution by some operators there are customers who look for the service levels, so we gain those volumes and we never participate in negative margin business to increase our numbers. We made it very clear to our customers, to our competitors and to the market at large that we are not, we only maintain our service levels we will not go for the price cuts and to improve our numbers.

Aditya Mongia: Got that Sir. Sir the second question was on the domestic business do you feel that DFC can actually have a positive impact even in the domestic business or there is no need to be done for domestic business to revive from here on?

Kalyana Rama: DFC can impact domestic business but to some extent because, you see domestic business cannot be only on this corridor, whatever is happening on this corridor so the domestic business happening on the DFC corridor is the movement from Gujarat areas into NCR region and as well as further into the eastern region, so these things there will be a positive effect on that, because the domestic and EXIM combined on double stack because we are into both the things it is possible we did these things earlier combined domestic EXIM clients that again we will work on those circuits and the axle load will go up, it is 25 tons and we are coming out those wagons, as I mentioned to the earlier question this wagons are rolling out in the month of November and we are the first ones to bring those wagons and I do not think anybody else has even ordered these wagons. So we will be able to take advantage of this to that asset, yes, domestic will get a boost because of the DFC operation.

Aditya Mongia: Got it. Sir the last question from my side was more on the results specific to the other expenses, there is an amount of 9.15 Crores that someone else also asking, this amount would also have been there in the previous Q2 FY2019 quarters also because over there the SEIS benefits are even higher or is it only a discount taken.

Kalyana Rama: See the question is we are not provided for this in any of the earlier quarters. We were realizing and recognizing the complete Rs.100 income as it is, so once the SEISs they denied some and they said we will get a part of it we have taken the monetization losses and on the conservative side that 5% we assumed and we provided for it.

Aditya Mongia: Got that. Any other reason why the other expenses would have been higher because even if I adjust for this quantum it still lock 15% Y-o-Y?

Kalyana Rama: I think it is not a materialistic difference is not it? Anyhow what is your exact question?



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- Aditya Mongia:** Essentially your revenues are not growing and your other expenses have been adjusted for this 9 Crore amount at a 15% Y-o-Y, so I just want a get sense as to more color as to why and just a meaningful line item on the cost side for you that is why I was asking?
- Kalyana Rama:** My expenditure has gone down, that is what my DFC is telling me?
- Manoj Kumar Dubey:** HY to HY or even Q2 to Q2 if you take a call my expenses have gone done. If you talk about total expenditure it has come down from 1318.
- Kalyana Rama:** You send a mail Aditya, let see what is the exact question, on what aspect if I can answer on that we will answer you.
- Aditya Mongia:** Thanks a lot Sir, those were my questions.
- Moderator:** Thank you very much. Next question is from the line of Shrinidhi Karlekar from HSBC. Please go ahead.
- Shrinidhi Karlekar:** Thanks for the opportunity once again. Sir what I want to understand is like out of the volume both imports plus exports that we generate north of Khatuwas terminal how much is that volume goes on double stack I mean you give a quantification of double stack in terms of number of cranes, it will be again helpful if you can give in terms of boxes like how many boxes go in second stack?
- Kalyana Rama:** We do not have those figure right now, send us a mail let us see what best we can give you.
- Shrinidhi Karlekar:** I will send that mail Sir. Sir the second question is like 800 to 1000 Crore capex that we typically do every year how much is typically a maintenance capex?
- Kalyana Rama:** There is no maintenance capex, maintenance is opex.
- Shrinidhi Karlekar:** Okay so all the capex is to be typically growth Capex for us that is the way?
- Kalyana Rama:** Absolutely, no maintenance expenditure is booked in capex.
- Moderator:** Thank you. Next question is from the line of Achal Lohade from J M Financial. Please go ahead.
- Achal Lohade:** Thank you for the follow-up opportunity Sir, the other income is there any one off item out here Sir like first quarter we had 28 Crores of interest on the IT refund is there any similar?



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- Kalyana Rama:** No there is no one off item this quarter.
- Achal Lohade:** Secondly the empty, would it be possible to give the mix in terms of the volume, how much of the volume would be empty this quarter like ball-park number?
- Kalyana Rama:** That is not readily available now. You send a mail, we will reply to that.
- Achal Lohade:** Sir just a clarification Sir on the capex part, you mentioned 124 Crores for first half, I was looking at the cash flow statement in the results, it mentions 1080 Crores we have spent so just thought of understanding the clarification.
- Kalyana Rama:** You are talking of what, 1080 Crores in capex side?
- Achal Lohade:** Yes, 1010 Crores as payment made for plant and equipments.
- Manoj Kumar Dubey:** That includes all our Ind-AS changes also where we have taken this operating lease to finance lease calculation that is also a part of it.
- Achal Lohade:** How much would that quantum be Sir?
- Kalyana Rama:** You minus these 128 Crores....
- Achal Lohade:** It starts substantially, okay.
- Kalyana Rama:** Yes.
- Achal Lohade:** Got it. Great Sir. Thank you so much.
- Moderator:** Thank you very much. Next question is from the line of Apur Bahadur from Jefferies. Please go ahead.
- Apur Bahadur:** Hi Sir, thank you for the opportunity. Sir I missed your point where you gave the market share detail port wise, could you please repeat that?
- Kalyana Rama:** Port wise market share in JNPT we got 68% now, in Mundra we got 45.4% and in Pipavav we got 50.8%.
- Apur Bahadur:** Great Sir, very helpful. Sir one more question on your cement trial could you help me to understand which are the regions are we looking at and is this happening basically?



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- Kalyana Rama:** It is all over India, see cement is consumed across India and so the cement trial is basically movement of bulk cement in containers. So once it is really successful then it will be moved across India and many sectors. See there are cement plants in Chattisgarh and Rajasthan so wherever there are limestone deposits there are cement plants in Madhya Pradesh, cement clusters in India are mainly three clusters and one cluster is that four cluster is in Andhra Pradesh, Telengana west side of Andhra Pradesh, Telangana there is one cluster and in Andhra Pradesh Chittoor there is another cluster. So all these clusters they make movement, now this bulk movement when we start this can happen in all these clusters.
- Apur Bahadur:** Okay, got it Sir. Thank you so much.
- Moderator:** Thank you very much. Next question is from the line of Preet from Wealth. Please go ahead.
- Preet:** Could you help me understand what kind of work happens with Transport Corporation joint venture that you have?
- Kalyana Rama:** I think the joint venture working on providing last mile logistics and first mile logistics and a business associate work.
- Preet:** Okay, so how is that part functioned over the last first half?
- Kalyana Rama:** It is not part of this conference.
- Preet:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.
- Shalini Gupta:** During the call you had mentioned your empty running charges, if you could please repeat that?
- P.K. Agrawal:** So half-yearly an empty total cost we paid is 101.45 Crores as against last year corresponding year 122.93 and you want breakup EXIM it is 60.55 and domestic it is 40.90 as against last year it was 67.33 and 55.60.
- Shalini Gupta:** Okay, thank you Sir.



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- Moderator:** Thank you very much. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Hello, thanks for the followup opportunity. Sir first question is can you give volume mix for Concor across ports, which you generally share?
- Kalyana Rama:** I have given you the share of the volume, that percentages I have given.
- Prateek Kumar:** Volume mix of Concor volume like JNPT, Mundra like JNPT we are 33% or something?
- Kalyana Rama:** Okay, that you want...JNPT is 32.26%, Mundra is 32.41, and Pipavav has contributed 15.53.
- Prateek Kumar:** So this for first half or like Q2?
- Kalyana Rama:** First half. I am not giving any quarter figures here it is all half-yearly figures. Chennai port has given 5.63%, Vizag has given 6.54% rest all, and the major ports have given 51.23% so the rest is the other ports.
- Prateek Kumar:** Correct. And Sir just on split on lead distance there was this mention of 18 lead distance of 724 in EXIM what was in domestic?
- Kalyana Rama:** Domestic is 1356.
- Prateek Kumar:** And total is 786.
- Kalyana Rama:** Yes.
- Prateek Kumar:** Understood. Thank you Sir.
- Moderator:** Thank you very much. Next question is from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.
- Girish Achhipalia:** Sir thanks for the opportunity. Just a couple of clarifications, firstly this guidance is excluding SEIS apple to apple?
- Kalyana Rama:** Yes, SEIS discounts income.
- Girish Achhipalia:** Yes, so when you are saying 5% to 8% PAT growth that is excluding SEIS for the base year as well?



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- Kalyana Rama:** Yes.
- Girish Achhipalia:** Sir on this Ind-AS adjustment that has happened so 1010 Crore minus 128 Crores so almost 800 plus Crores what exactly has happened here I mean what line items could impacted in the P&L?
- Kalyana Rama:** See now the lease as per Ind-AS the lease will be taken as financial lease and the depreciation available on the lease.
- Girish Achhipalia:** Yes, so depreciation that we have reported in the P&L now is understated for this adjustment, is that the way one should look at it or had this adjustment not been done would the depreciation been higher?
- Kalyana Rama:** Yes, depreciation must have got an effect of that, expenses have come down depreciation is now whatever has been, so depreciation is more this year. Why are you stating it is understated? Girish it is 253 against 206 for the last H1, there is a 47 Crore increase in the depreciation and quarter-to-quarter also there is 127 against 104, 23 Crores extra.
- Girish Achhipalia:** It is relating to the operating expense right, is just a clarification?
- Kalyana Rama:** Operating expenses will come down because we are doing a capitalization as per Ind-AS so deprecation will go up.
- Girish Achhipalia:** Fair enough.
- Moderator:** The next question is from the line of Abhijeet Mitra from ICICI Securities. Please go ahead.
- Abhijeet Mitra:** Thanks for taking my question. Sir I have two questions, first on the amount of origination volumes that you have handling on the railway land, I think you mentioned the amount in percentage is 40%-45% but just for understanding the profitability of this handling would be much more on overall site that you are generating right?
- Kalyana Rama:** What is that?
- Abhijeet Mitra:** The percentage of profitability that these volumes supply or generate?
- Kalyana Rama:** I do not know where you are doing this analysis, you send a mail with your analysis and I will tell you whether your analysis is correct or not.



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Abhijeet Mitra: Secondly just trying to understand the market share drop, some you mentioned H1 was 73% this H1 is 67% that almost a 6% decline now, what we are seeing is that this decline is quite uniform across ports in terms of your market share, now initially we were thinking probably JNPT is what majority of the short lead traffic is sort of getting access by your competitor but do you see the same?

Kalyana Rama: JNPT the drop is 80% to 68% so the 12% there it dropped.

Abhijeet Mitra: Yes, so if I look from a Y-o-Y market share point of view you are right from almost 80% to 68% but even in Mundra it is like 52% to 45% so is the same trend playing out there also, is it some other form of competitive intensity that you are seeing?

Kalyana Rama: Again competitive intensity is not the question. Somebody asked me is there some negative margin traffic going in the long lead also; there is some negative margin traffic in long lead as well. This investor conference is for Concor I do not want to discuss what other fellows are doing business, you people know the balance sheets you analyze of everyone you understand very well, who is doing what business.

Abhijeet Mitra: Got it. That is all from my side. Thanks.

Moderator: Thank you very much. Ladies and gentlemen due to time constraint that was the last question. I will now hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: I would like to thank everyone and particularly the management for taking time out and giving us an opportunity to host the call. Thank you very much Sir.

Kalyana Rama: Thank you Bhoomika.

Moderator: Thank you very much. On behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.