



“Container Corporation of India Limited
Q3 FY2020 Earnings Conference Call”

February 10, 2020



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Moderator: Ladies and gentlemen, good day and welcome to the Container Corporation of India Limited Q3 FY2020 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: Thanks, Aisha. On behalf of IDFC Securities, I would like to welcome you to the Q3 FY20 earnings call of Container Corporation of India. The management is being represented by Mr. Kalyana Rama, Managing Director. I now hand over to the floor 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. So this quarter, may be the one of the bad quarters of Concor after a long time because of the economic situation, both imports, exports down, the economy has not picked up, but the positive thing is that our margins, we could able to maintain. Our operating margin has in fact, we improved our operating margin. So, as I mentioned last time, we are not participating in some of the price wars, and we are not going for any negative margin business. So that is a conscious decision and that is giving us result as far as bottom line is concerned, but overall volumes are down. So the top line has come down, the profit in absolute numbers has come down compared to last quarter, so we are also keeping our fingers crossed that when the economy will start looking up, many external factors also affecting us, such as the virus in China and so that, again, reduced volumes. So things are really not very good at this moment, but otherwise, the lead increased volumes-wise overall in 9 months, if I look at, we are just minus by some 1.5% on the handling side and somewhere around 3.8% on the originating side and 9 months, when we look at cumulatively, we are positive on operating income and positive on profit side. So hopefully, we will be able to maintain, as we were discussing the same levels as for the last financial year. Otherwise, our new businesses what we are now looking at, they are taking some traction, the movement of bulk commodities in containers, we already did some commercial runs in the food grains and the customers are happy with the results and also that, along with the container warehouse concept is picking up and in the next financial year, that will be definitely a positive outlook for us. So this quarter also, we are expecting to do some volumes in this segment.

Cement, also this quarter, we are trying to start moving in bulk, so that will be an additional stream in the domestic sector, which we are going to pick up in this particular fourth



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quarter, so these are some positive things we are working on. The rest of the thing will depend on the general economic scenario of India. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Akshay Bhor from Premji Invest. Please go ahead.

Akshay Bhor: Good morning, Sir. My first question is on DFC and what kind of traction are you seeing in terms of customers wanting to move to the post DFC, are there any conversations that have already started that customers are showing an inclination that they want to move to railway in 3, 6 months down the line?

Kalyana Rama: Please repeat that, customers showing inclination?

Akshay Bhor: The customers showing inclination to move to rail and are they already having a conversation with you with respect to moving to rail maybe 6 months down the line?

Kalyana Rama: Yes, see once the DFC starts operating, definitely, the customers are interested to come and move on rail because of the transit guarantee, which will be available post DFC operations, so there we can now talk of certain expected traffic in the beginning. It will be a guaranteed transit thing on the DFC, that will be a change in the overall rail transport mode post DFC.

Akshay Bhor: Got it, but would you want to highlight any sectors that have already shown any inclination or are they in conversation with you to see what the post DFC scenario could be?

Kalyana Rama: See, last time around 2 years back, we did some timetable trains running between Delhi and Mundra on the India Railways Network and we could see a lot of traction coming in, particularly the retail segment exports. The American retail chain stores, they were very much interested in using railway services. They normally use 100% by road, they do not move much of their cargo on rail because of the transit guarantees, which they will be looking at, but when we ran this timetable train, a lot of them have switched onto rail, but again, because of these same problems, maintaining these schedules in Indian Railways Network is a problem because of the conditions, we could not adhere to schedule, so they again gone back to road. So these people are ready to switch to rail mode as soon as the DFC comes and minimum guarantees are given to them, so there is interest.

Akshay Bhor: Got it, just second question in terms of your domestic margins for the quarter, is there a reason why Q3 margins should be lower than Q2, because if I go back and see your FY2018 and FY2017 Q3 as well, the margins tend to be significantly lower than Q1 and Q2, so any reason why Q3 margins are lower or how should we read into these numbers?



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- Kalyana Rama:** Our director domestic will answer your question.
- P.K. Agarwal:** See, there is an impact of the economy where that traffic offering is less, so we have to pick up the traffic to retain the existing traffic also we have to reduce certain margins on certain segments, one thing is that and second thing is that overall our margin has some impact because our costal movement, there is pressure on the costal side, we are not able to retain full cost and that has impacted the margin.
- Akshay Bhor:** Understood. Thank you.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citi Group. Please go ahead.
- Atul Tiwari:** Thanks Sir. My first question is more of a housekeeping question, so could you share EXIM domestic and total originating volumes and lead distances?
- Sanjay Swarup:** Yes, originating EXIM for this Q3 is 484816 TEUs and domestic is 70562 TEUs and total is 555378 TEUs and what else do you want?
- Atul Tiwari:** Sir, the lead distances?
- Sanjay Swarup:** The lead figures I have for the 9 months, for EXIM 721 kilometers, for domestic, it is 1352 kilometers and total is 785 kilometers.
- Atul Tiwari:** Thank you, Sir. My second question, could you share some light on how many of your current terminals are on the land leased from Indian Railways and what is the agreement exactly between the Indian Railways as of now and how is it likely to change given the government's divestment move and how long it will take to change those agreements?
- Kalyana Rama:** See, we got 41 terminals on railway land and the agreement is that we pay a land license fee based on the containers handled in our terminals. Divestment for this conference call, it is beyond the scope of this conference, there is absolutely no clarity. Whatever clarity you got, it is already there in the media, so beyond that, we cannot discuss any further on divestments.
- Atul Tiwari:** But Sir, this per TEU base pricing is likely to continue for FY2021 also or is it likely to change?
- Kalyana Rama:** As of now it stands, per TEU basis, so if there is a change, we will definitely let you now.



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- Atul Tiwari:** Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Deepika Mundraj from JP Morgan. Please go ahead.
- Deepika Mundraj:** Good morning, Sir. Thank you taking my question. Sir, firstly, I just wanted to understand on the market share, you mentioned about the short lead distance getting fairly competitive, what is the situation on the slightly longer lead distance segments, and also could we look at this now as a sustainable market share for the company?
- Kalyana Rama:** See, our longer lead distance share is more or less intact. We are not at loss there, so there is some increase in the shorter lead movement on rail. There, we are not participating even though we got our own share there, but our share is very less, so we are not participating with a negative margin side, so now at this moment, our market share is around 68%, which used to be around 73% last year, so we lost around 5% to 6% market share because of these happenings, but in the last 3 quarters, we are maintaining the same market share around 67% to 68% and we are continuing that.
- Deepika Mundraj:** Sir, regarding your diversification efforts, could you guide us as to cement and other types of cargo that you have been mentioning, when does that become a sizable portion that it starts reflecting in numbers?
- Kalyana Rama:** We made a beginning in our moment of food grain by bulk, so we did already some commercial runs last quarter and going forward, there is interest from the customers to do that, so this requires a lot of changes, not only in our efforts, but also the infrastructure available with the customers at both ends, so this is a slow evaluation process. Overnight, it will not be changed. In cement also this quarter, we will be starting this moment. Next year, we could see some movement happening and some revenues coming out of it. I do not want to make a guess when it will have a significant figure, but next 5 years, it will be definitely an interesting journey in this particular thing and from 5 years henceforth from now onwards, this can be one of the very important market segments for Concor.
- Deepika Mundraj:** Got it, Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.



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- Achal Lohade:** Thank you for the opportunity, Sir my first question was, if I look at the operating expenses number, in the second quarter FY20, it was about 225 Crores, which has declined to 160 Crores, is there any one-off item here you have written back or anything of that sort, Sir?
- Kalyana Rama:** See, there is some adjustment in the LLF because we paid something extra in the second quarter, so we adjusted that in the third quarter.
- Achal Lohade:** Would you be able to quantify, how much would that be?
- Kalyana Rama:** Around 45 Crores.
- Achal Lohade:** The second question was with respect to the new business what you talked about, cement, food grains, I was under the impression that this was kind of on a restricted list by Indian Railways, so is there any change or is it being moved in the form of containers, so there is no issue for us?
- Kalyana Rama:** I think your information is wrong. These things are not on the restricted list of Indian Railways movement by containers.
- Achal Lohade:** Sure, and if you could help us with the market share at the different ports, Sir?
- Sanjay Swarup:** JNPT 32.64%, Mundra 31.26%, Pipavav 15.16%, Chennai 5.71%, Visakhapatnam 6.86%, Kolkata 2.19%, so this makes approximately 94%. The rest all are small, small ports.
- Achal Lohade:** And the market share at the 4 key ports, Sir?
- Sanjay Swarup:** Market share, at JNPT the rail share is 17.32%, out of that, we are having 67% share, at Mundra port, the rail share is 26.2%, we are having 45% of that share and Pipavav rail coefficient is 68.73%, out of that, we are having almost 51%.
- Achal Lohade:** And this is for third quarter or 9 months, just a clarification?
- Sanjay Swarup:** This is for 9 months.
- Achal Lohade:** 9 months, got it. Great, Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Sir, just wanted details on empty running charges during the quarter?



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- Sanjay Swarup:** You want that empty running charges?
- Pratik Kumar:** Yes, for both EXIM and domestic segment?
- Sanjay Swarup:** For 9 months for EXIM it was Rs. 83.28 Crores, for domestic Rs. 69.35 Crores, total is Rs. 152.63 Crores.
- Pratik Kumar:** On a quarter-on-quarter basis, there is a sharp decline in realizations on a reported basis, so anything to date there, so have you taken in domestic, as you mentioned?
- Kalyana Rama:** This is no sharp decline, my dear friend, there is no sharp, there is a decline, but the sharp decline I am not sure.
- Kalyana Rama:** You are talking about SEIS?
- Pratik Kumar:** No, I am talking excluding SEIS, quarter-to-quarter decline not year-on-year, so quarter-to-quarter?
- Kalyana Rama:** There is no sharp decline. There is a 2.5% decline quarter-on-quarter compared to last quarter, because of less volume, so there is a little increase in empty running will be there and the loaded volumes have come down, empty volumes are gone up, the margin slightly hit.
- Pratik Kumar:** Right and Sir, regarding the terminals, how we are progressing for current year and next year?
- Kalyana Rama:** Commissioning around 7 to 9 new terminals this year, so maybe we are thinking closing down some terminal, we will come with whatever we will be doing, we are now working on, so we will let you know once we finalize the things, but there will be new terminals, 7 to 9 new terminals will come in this financial year.
- Pratik Kumar:** And you will be clocking to like close to 90 terminals then?
- Kalyana Rama:** Yes, we will be touching 90, maybe but then we are thinking of closing down some old terminals and start new business, the target hundred is there, but it will be reoriented now a little bit. We are working on that in some changed scenarios and then further improvement on our business.
- Pratik Kumar:** Just last question on capex for the full year, we maintained 1000 Crores capex guidance?



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- Kalyana Rama:** Yes, we completed capex of Rs.260 Crores till now, but we will complete Rs.1000 Crores by the end of the year. The things are now already in our pipeline.
- Pratik Kumar:** We have completed 260 Crores till now?
- Kalyana Rama:** Yes.
- Pratik Kumar:** Sure, Sir. I will get back to the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Sir, 2 questions, firstly, if you look at the union budget, what the government has budgeted for freight container revenue from EXIM is a 19% decline year-on-year, can you please explain if this is any reflection of what their expectations from Concor is, because that number seem to be a pretty big decline and it has been tough for us to comprehend why that is the case, would you be able to throw some light on that number, please?
- Kalyana Rama:** These analysis we have not done, so it is better if you do the analysis then maybe send me an e-mail.
- Pulkit Patni:** No Sir, I need to understand it to do the analysis anyway?
- Kalyana Rama:** That decline is not there, 19% is not there, I already mentioned in the 9 months over 9 months, our handling volumes have come down by around 1.5%.
- Pulkit Patni:** No, Sir, this is for year FY2021, the government has budgeted Rs.47 billion as freight container revenue, anyways, I will go to this next question. Sir, somebody asked this question on cement transportation and you mentioned that there was no restriction, any reason why we have not been transporting cement because it is a pretty huge volume, because we were also under the impression that there was some restriction of cement being moved in containers?
- Kalyana Rama:** Let me first explain this. See, I am talking cement movement in bulk in containers now, okay? Cement movement in bulk in containers is allowed. Cement movement in bags is also allowed, but that is at a higher rate, where it will not be a viable proposition for cement companies to move it by containers compared to BC and wagons, it can move in BC and wagons, we did a very good solution to move it by containers. Cement is not restricted commodity for movement by containers. I request all the friends to note this, it is not a



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restricted commodity, it is on a container class rate commodity, which is not viable if we do it in bag condition, but in bulk cement, it is a different rating and it is viable proposition.

- Pulkit Patni:** Thanks a lot for that detailed explanation. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir, my question was on the capex, I mean, given that there is a Y-o-Y decline in volumes and overall, the cargo growth looks muted, so is there a need for 1000 Crores capex to be done and what is the thought process?
- Kalyana Rama:** Capex is not for quarter-on-quarter, capex is for the future and the future, we are working on certain things, which are definitely looking bright as just I have mentioned, the transportation of commodity in bulk using containers as warehouse, which will eliminate two transports and five handling, so these things are going to get traction in the next year and in the next 5 years, so the capex what we are putting on, is for the future and the DFC also will be needing some high-capacity wagons, so they are getting rolled now, so these are the elements, which actually this 1000 Crores is comprised of in this particular year and going forward, in the future, capex will be based on these ideas.
- Ankita Shah:** So, we are confident we will complete 1000 Crores by end of this year, by March?
- Kalyana Rama:** Yes.
- Ankita Shah:** Sir, any advance freight payments are we making to railways at this time again for the next year?
- Kalyana Rama:** As of now, no. If anything happens, we will let you know.
- Ankita Shah:** Sure. Thank you from my side.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.
- Vikram Suryavanshi:** Sir, can you share the number of double stacking train in this quarter?
- Sanjay Swarup:** So in this quarter, we have around 602 double stacking trains.



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- Vikram Suryavanshi:** And what was the rail freight margin during this quarter and 9 months, if you can share?
- Sanjay Swarup:** Yes, rail freight margin in this quarter, it was 27.46% and for 9 months, it has been 28.19%.
- Vikram Suryavanshi:** Sir, last question, about this costal shipping, how is the experience, because looking at the domestic number, we see some pressure on the profitability, so how is the outlook and so we looking to expand it on East Coast, so how is that plan going on?
- Kalyana Rama:** There is competition, because we are new entrant, we are also now working on that. Yes, we are facing competition there, but we are participating in the competition, trying to get our market share, because our model is to come back to the hinterland, so we are working on those things and the East Coast, yes, we will be starting very soon on East Coast also.
- Vikram Suryavanshi:** Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Shrinidhi Karlekar from HSBC Securities. Please go ahead.
- Shrinidhi Karlekar:** Thanks for the opportunity. Sir, I just wanted to know on the pricing side, so if you remember last year, we had come up with the constant trade policy for entire FY20, just wanted to know is that pricing policy likely to continue and are there any freight rate increases that you have already communicated to the market for entire FY21?
- Kalyana Rama:** See, we are still continuing in FY2019 and FY2020. This is only the third quarter we are doing now, is not it, so our policy still continues till March 31, 2020, before end of the financial year, we will be definitely coming out with our strategy for the next FY.
- Shrinidhi Karlekar:** That was my only question. Thank you.
- Moderator:** Thank you. The next question is from the line of Aman Madrecha from Concept Investment. Please go ahead.
- Aman Madrecha:** Question was, can you give me the numbers of EXIM domestic originating volumes, the total volume and I want to understand, like how is that double stacking?
- Kalyana Rama:** You have not noted?
- Aman Madrecha:** Sir, I wanted to know the handling volume?



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- Kalyana Rama:** What is the next question?
- Aman Madrecha:** My next question was, I wanted to understand how double stacking helps you in reducing the empty running charges, because I am not really able to understand that?
- Kalyana Rama:** I think, many times I explained this, when we do double stack, we can address the imbalance on any one side, so there will be imbalance, traffic on one side like in import/export, India imports are more and exports are less, so we are while exporting, we do single stack, while importing we will be in double stack that will reduce empty running.
- Aman Madrecha:** Thank you.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investments. Please go ahead.
- Bharat Sheth:** Good morning and thanks for the opportunity. On these again, I am sorry, but this food and cement, now we are evaluating and food we have already started, so we are moving these in container and that need a special kind of a container, is that correct understanding?
- Kalyana Rama:** The bulk movement, what we are planning in containers is in a regular general purpose containers, that is our USP. We are not putting any special type of containers, wherever we go for special type of stocks, there will be an empty running involved in it, inherent empty running, so we are doing in GP containers, that is our USP, so we can use these in our normal circuits.
- Bharat Sheth:** But earlier, there was a thought process that, we will require a special kind of a container or handling?
- Kalyana Rama:** That was the normal idea, so we have never worked on that, so we are always working on this idea, and now we are successful. Even cement also, we completed our trials. Only thing is we have to start our commercial runs in that. Commercial trial runs, let me say that, so once we start, we are sure that we will be successful even in cement movement also in bulk in containers, but in GP containers.
- Bharat Sheth:** That's fine. Sir, second thing, how that will improve our domestics conduit that we wanted to build and with additional freight coming from domestic market, with cement and food grain, so how that will really empty running and in domestic side will reduce?



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- Kalyana Rama:** No, this will be an additional business in domestic and also here, for commodity it will reduce to intermediate warehousing and five handlings, so there will be saving for the customer, so it is a win-win situation for the customer as well as for containers and the container as a warehouse we are offering.
- Bharat Sheth:** And Sir, my last question on this MMLP that we were looking to start with the value-added service as well as last mile connectivity and we have developed, so what is the status on that and where do we see?
- Kalyana Rama:** The distribution logistic has not yet gotten traction, still things are under execution stage, let me say, planning and execution stage. Last mile thing, we are working on that maybe, but we will be trying to do our app is already implemented, and we are working on that, so these things will take time sometime. Distribution logistics also, maybe next year only we could see some traction in that, rest of the MMLP, our MMLPs, we are continuing with our commissioning, and this year, we will be commissioning maybe around new 7 to 9 MMLPs.
- Bharat Sheth:** Sir, on DFC side that we were expecting that up to Palanpur, one phase to start, I mean, so what is the status, do we expect any period that happens, how it will qualitatively improve our business?
- Sanjay Swarup:** Yes, actually, this DFC for Mundra, Pipavav, likely to be ready by June of this year, so we are hoping to have a full commissioning of DFC line up to Mundra to Pipavav ports and for Nhava Sheva it will be taking some more time.
- Bharat Sheth:** So once, I mean, that Pipavav and Mundra will start, so how that will change, now the way we were saying, the right time scheduling so that we can?
- Kalyana Rama:** That is what we expect Mr. Bharat, let us see. Once it starts, it is a prime corridor, so there will be no differential space on that, so there is every possibility of transit time assurances, which we can offer because railways will be offering that, that will change the way the rail logistics are looked at.
- Bharat Sheth:** And any thought process on haulage rate side from the railway?
- Kalyana Rama:** Already, that has been clarified. It is same. There will be no change in the haulage policy between IR and DFCCIL.
- Bharat Sheth:** Thank you very much, Sir. That is all from my side. All the best.



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- Moderator:** Thank you. The next question is from the line of Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** Good morning, Sir. Firstly, on this double-stacking train, I think from a peak number that we had reported sometime last year of 800 trains, they had come off quite significantly to 600, so could you explain what is happening?
- Kalyana Rama:** The imports are coming down and the volumes are coming down.
- Bhavin Gandhi:** So, is this volume and there is nothing else that has changed?
- Kalyana Rama:** All double stack is volume led, because when there is imbalance, then we can pick up, now the exports decline is around 2%, import decline is around 9%, so when the imbalance is less, obviously double stack will come down.
- Bhavin Gandhi:** Got it, Sir. Also, could you share the tonnage number separately for EXIM and domestic, the tons handled?
- Sanjay Swarup:** For domestic for 9 months 5.61 million tonnes and for EXIM, it is 25.27 million tonnes. Total is 30.88 million tonnes.
- Bhavin Gandhi:** Got it, Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Thanks for the follow up opportunity. Firstly, is there any update from DGFT on SEIS income?
- M. K. Dubey:** This Rs.182 Crores that was allowed by them out of our total claims of nearly Rs.1000 Crores, that money will be coming within 15 days as has been indicated by them and once they officially refuse our claims for rail traffic, then we will be going for arbitration with them, first we will make an appeal, and this appeal goes up to Honorable Minister, then we will see how it comes out and so that is around, Rs.863 Crores that we have kept as disputed liability. So Rs.182 Crores, we are going to make very soon.
- Pratik Kumar:** Right and Sir, any specific reason for the cut in dividend versus previous year's, last year, we did not give an interim dividend, but this year, generally the interim dividend is slightly higher?



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- Kalyana Rama:** No, interim dividend last year we gave one time, but otherwise, we give one interim dividend, so this time also, we again declared interim dividend. In fact, one year back, there was no interim dividend declared.
- Pratik Kumar:** But the run rate is expected to be expected to similar like the way Rs.0.75 or it would have been?
- Kalyana Rama:** The profit has been dipped because of SEIS, we accounted for SEIS, so that is why the dividend is less this quarter, the interim dividend, whatever you have, let us see once we complete our fourth quarter, then we will come out with that also.
- Pratik Kumar:** Right and just one question, on locomotive ordering, so we had large capex related to new orders, when is that...
- Kalyana Rama:** We do not do locomotives.
- Pratik Kumar:** Sorry not locomotives, trains, rakes, I mean.
- Kalyana Rama:** Rakes, yes, we are ordering. The review is going on. This quarter, we added 1 new rake, so now our rakes are 311 of BLC high speed rakes.
- Pratik Kumar:** The once which are suited for DFC and the advanced ones, so are they expected to hit before June when the DFC starts?
- Kalyana Rama:** Yes, definitely I think they will be coming out in this month.
- Pratik Kumar:** And that is part of the Rs.1000 Crores capex, which you are doing this year and the pending capex, which you have to do?
- Kalyana Rama:** Yes, it is part of the Rs.1000 Crores capex.
- Pratik Kumar:** Thanks, Sir. I will get back in the queue.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thank you for the follow up opportunity, Sir. I just wanted to check with respect to DFC, in terms of the benefit, would you be able to give some idea as to would we see a substantial



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improvement in terms of profitability or cost reductions and if possible, if you could quantify?

Kalyana Rama: I do not want to do that work right now, but DFC will bring in a transit assurance business into rail logistics, so that will be a game changer as far as the transportation by railway is concerned, so it will be a big boost for this sector, so the remaining things will be a consequential things, so let us start this and then we will give in the followup calls what will be the financial side of it.

Achal Lohade: Sure, and just a clarification, last time, you had mentioned about 40% to 45% of volume actually originates or is actually for this particular corridor, is that right, Sir?

Kalyana Rama: Yes.

Achal Lohade: Just if you could indicate with respect to the Western Coast, what has been the growth at the aggregate level for the industry for the container train operator?

Kalyana Rama: I do not have those figures right now with me.

Achal Lohade: I will come back for any further questions. Thank you.

Moderator: Thank you. The next question is from the line of Priyankar Biswas from Nomura. Please go ahead.

Priyankar Biswas: Good morning, Sir. My question is regarding a news report that we had recently read as well as on Concor Twitter handle regarding the development of an Integrated Logistics Manufacturing Zone in Machilipatnam Port in AP, so can you shed some color on that like what can be the capital commitments and some time lines on that?

Kalyana Rama: This MOU signed with AP government and recently again, we had some meetings with AP government and this has been reiterated, so we are waiting for the Machilipatnam Port to be developed. Without the port, the ILMZ will not be a real beneficial thing there, so it will be concurrent development along with Machilipatnam Port. Machilipatnam Port is supposed to go for development, I think, last year, but something happened and it did not start, so we are waiting for that and ILMZ concept is an industrial park with 3 dimensions.

Priyankar Biswas: So essentially, anything on our side will only start once the port comes under development, so nothing before that?



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- Kalyana Rama:** Absolutely, it will be concurrent development with the port.
- Priyankar Biswas:** Sir, one more question on the domestic volumes, as you had mentioned that, of course, there you were not able to recover the full cost from the coastal, but other than that, was there any, maybe some big incentives or rebates of past quarters that would have been accounted in this quarter because of which your margin has come down?
- Kalyana Rama:** No, otherwise we maintained our margin. Actually, coastal has slightly dipped our margins because coastal, intense price war is going on as of now. People are trying to give a lot of discounts, so in one sector where we are competing with the market and trying to establish our presence there, is coastal because that recently, we started a year back, we want to establish ourselves. We are now there. We have been going for some discounts and then in the rail business, we are very clear about the market, what we will choose and the sectors where we want to operate.
- Priyankar Biswas:** So excluding the coastal, maybe the profitability would be in the same range?
- Kalyana Rama:** In coastal, we have maintained our margins, okay.
- Priyankar Biswas:** Okay. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Krupa Shankar from Spark Capital. Please go ahead.
- Krupa Shankar:** Good morning, Sir and thank you for the opportunity. My first question was on the first DFC, so given that the tender is expected from June 2020, when can Concor provide its first scheduled rail services post the commissioning of phase I or is it expected to be after the full completion of it?
- Kalyana Rama:** I think I mentioned this in my earlier conference also, we are ready even today, so if June 1, 2020 is the first train run, then the first train will be of Concor train. We are absolutely ready with all our systems to run our trains on DFC and as intended to run on DFC.
- Krupa Shankar:** I understand that Sir, but on the scheduled timetable train services, because if we assume that some few volume would come from Tughlakabad and Dadri, and it has to get transshipped at Rewari and given that there will be congestion on these specific sectors, is there a time line provided on, first timetable service?



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- Kalyana Rama:** Actually, we did this is timetable services in October 2017 to January 2018, so we have got our experience of running timetable trains from Dadri and TKD into Khatuwas and from Khatuwas onwards to port, so what is your question?
- Krupa Shankar:** So, if Phase 1 is going to be commissioned on June 2020, do we already have a timetable service, let us say, Dadri to Mundra and Pipavav?
- Kalyana Rama:** That does not require real preparation for establishing a timetable train service, that is what I am trying to impose on you, as we already did this, and we know what part we have to choose, it is readily available. We did this thing, and yes, we will again restart those services, what we did in October 2017.
- Krupa Shankar:** I understand. My second question was on the EXIM mix in the northern hinterland markets, so what would be the current portion of export-import ratio, especially in the northern hinterland side?
- Sanjay Swarup:** We do not have that with us at present. We will get that to you.
- Krupa Shankar:** Any broad numbers in EXIM, Sir?
- Kalyana Rama:** No, we do not have figures right now, but imports are more than exports.
- Krupa Shankar:** Sir, any deterioration seen is what I was coming to because imports have traditionally been higher than exports in the hinterland market, so over the last 1 or 2 quarters, have you seen a further widening of gap?
- Kalyana Rama:** Overall in the Indian market, imports have come down compared to exports, if you see the economic figures of India, import is down by around 9% compared to the exports, down by 2% in the corresponding figures in the last financial year.
- Krupa Shankar:** Got it, Sir. So technically, the empty running costs should come down because of this, right?
- Kalyana Rama:** Empty costs have come down a little bit.
- Krupa Shankar:** Fine, Sir. Thank you. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Ankit Panchmukhi from BNK Securities. Please go ahead.



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- Ankit Panchmukhi:** Good morning and thanks for taking my questions. Sir, I wanted to know your view on how big this business could be with related to warehousing, we have been seeing some green shoots from on that business?
- Kalyana Rama:** what is that, warehousing?
- Ankit Panchmukhi:** Sir, I wanted to know how big this business could be or what potentially it has coming FY2022 maybe, so what is your view on this business?
- Kalyana Rama:** Which business?
- Ankit Panchmukhi:** Warehousing business?
- Kalyana Rama:** Warehousing business?
- Ankit Panchmukhi:** Yes, Sir.
- Kalyana Rama:** Warehousing business, we already said that we are looking at developing 20 distribution NODES with a warehousing capacity of 15 million square feet there, that program is on and in addition to that, we are now trying to promote container warehouse for these commodities, which will be transported in bulk in containers, so these 2 things put together, there is a good potential in warehousing business.
- Ankit Panchmukhi:** And Sir, any update on the arbitration case, how are we approaching that, any time lines to that?
- Kalyana Rama:** Which one, arbitration with?
- Ankit Panchmukhi:** GARHI
- Kalyana Rama:** This is a one-off case, so this is beyond the conference call, so once if there anything comes, we will let you know.
- Ankit Panchmukhi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.



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- Vikram Suryavanshi:** Sir, I just want a clarification on this tax for this quarter provisioning seems to be much higher, particularly the deferred tax amount also high, so can you give a specific reason for this quarter tax rate for full year, what will be the effective tax rate?
- M.K. Dubey:** We reversed the capex benefit that we are getting under 35AD, right, so we have chosen to be in a new regime, where our effective tax rate comes out to be 25 point something compared to our 34 point something in the old regime, so till September, we had gone by our old system of taxation, so if you can see in this quarter, there is effectively Rs.53 Crores of deferred tax liability, which has impacted PAT also, but this is one-off. In the Q4, we will have a regular benefit of a low tax regime and things will be at a formal side. The 35AD and 80IA these two benefits that we were earlier getting, now we have decided to forego it and go to the new regime, which is going to be profitable for us.
- Vikram Suryavanshi:** So, it will be around like 25% in that range?
- M.K. Dubey:** Absolutely and from Q4 onwards, there will not be any adjustment for deferred tax, which we have enjoyed in the last quarter.
- Vikram Suryavanshi:** Got it. That was helpful. Thank you. Sir, just on this empty running cost for EXIM growth, can you repeat if possible?
- Sanjay Swarup:** Empty running cost for 9 months for EXIM has been Rs.83.28 Crores.
- Vikram Suryavanshi:** 83.28 Crores and domestic was 59.3?
- Sanjay Swarup:** Rs. 69.35 Crores.
- Vikram Suryavanshi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sarika Thorat from Union Mutual Fund. Please go ahead.
- Sarika Thorat:** Thank you for the opportunity. I wanted net cash position as of December 31, 2019, please?
- Kalyana Rama:** Net cash position?
- Sarika Thorat:** Yes.
- M.K. Dubey:** It is around Rs. 2800 Crores that we have.



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- Sarika Thorat:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** Thanks for the opportunity. I am sorry I joined the call a bit late, so pardon me if I am repeating any of the questions. First question, you had mentioned that the lead distances overall have been stable on a quarter-on-quarter basis, but if I look at the realization, there has been a dip while probably we should not compare quarter-on-quarter, but there has been a significant decline Q-on-Q, so if you can put some light on that?
- Sanjay Swarup:** You are comparing Q3 to Q2?
- Ankur Periwal:** I am comparing exactly, Q3 of this year versus Q2 of this year, so 16400 odd declining to 15300 roughly.
- Sanjay Swarup:** You must be seeing that the volume has also come down. That is a basic reason not the lead, because volume, you must be seeing, it is coming down from Q2 to Q3, that is the basic reason of less realization.
- Ankur Periwal:** Sir, but my sense was that even while volume is coming down and lead distance would have determined the realization, higher lead?
- Sanjay Swarup:** Lead distance has also come down from overall lead of 795 kilometers in Q2, in Q3, it is 784 kilometers.
- Kalyana Rama:** See when volume is coming down, a little more empty container running will pick up. It will not reflect in your empty running figure, but whatever we mentioned as empty running, is empty flat running, but there will be some empty container running will be going up, so the empty container running is definitely not of the same margins as load running.
- Ankur Periwal:** Sure, due to which the realization as well as the margins, although we are still on the margin...
- Kalyana Rama:** Margin we maintain because of various things, but overall, realization per container will keep coming down because of empty container running.



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- Ankur Periwal:** Sure, that is helpful and adjusted for this because of the higher proportion of empty running, there is no change in the absolute realization that we have been charging, and this number is expected to continue the same maybe for the next year as well, is that right understanding?
- Kalyana Rama:** We are not changing any of our rates. We already declared price stability, and we are maintaining that, still we are in the same financial year, and our policy is still continuing, so we are not changing any of our prices, neither we are reducing nor we are increasing.
- Ankur Periwal:** Fair enough, Sir. Any port-specific divergence or volume traction you are seeing, maybe Gujarat Port performing better or JNPT losing some bit of market share there or the decline in volumes is a fair bit sort of similar across all the ports?
- Kalyana Rama:** Port volumes have picked up a little bit compared to the last year because of maybe some transshipment handling they are doing some other things, but in rail share, our share in the long-lead transport is same more or less, but in short leads, we are not participating in price wars. There is some short-lead traffic moving on rail where there are no margins, negative margin, we are not doing.
- Ankur Periwal:** Sure, and Sir, lastly if you can help with the tonnage volumes for the 9 months versus Y-o-Y numbers?
- Sanjay Swarup:** EXIM tonnage for 9 months is 25.27 million tonnes, domestic 5.61 million tonnes, total is 30.88 million tonnes.
- Ankur Periwal:** Sure, and Sir, if you can help with the Y-on-Y comparable number as well?
- Sanjay Swarup:** EXIM last year was at 26.77, domestic 5.76, total 32.53 million.
- Ankur Periwal:** That is very helpful. Thank you and all the best.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments.
- Bhoomika Nair:** On behalf of IDFC Securities, I would like to thank all the participants for being on the call and for the management for giving us an opportunity to host the call. Thank you very much, Sir, for answering all the queries.
- Kalyana Rama:** Thank you, Bhoomika.



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Moderator:

Thank you. On behalf of IDFC Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.