



“Container Corporation of India Limited
Q2 FY2021 Earnings Conference Call”

November 6, 2020



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Moderator: Ladies and gentlemen, good day and welcome to Container Corporation of India Limited Q2 FY2021 Earnings Conference call hosted by DAM Capital. 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 DAM Capital. Thank you and over to you Madam!

Bhoomika Nair: Good morning everyone and I would like to welcome you to the Q2 FY2021 earnings call of Container Corporation of India. We have the management today being represented by Mr. V. Kalyana Rama – Chairman and Managing Director. I like to handover the call to Mr. Rama for his initial comment post which we will open up the floor for Q&A. Over to your Sir.

V Kalyana Rama: Thank you Bhoomika. This quarter we have encouraging operational performance this in fact aided by major extend by our performance in September. I would be very glad to share with all of you in September we did better than last year. That is very encouraging thing. The demand has picked up. Domestic demand was continuously there of course during the lockdown little problem about the movement but after that the demand really picked up, we are doing well in the domestic sector and from September onwards even the EXIM sector the demands had picking up particularly the exports are very encouraging from India. Imports are also picking up but not to the same level as the last year so with that there is some shortage of boxes for export in India.

Looking at this and to elevate this problem and also taking that as a business opportunity we started providing boxes for export to Iran, this is a new stream we started. During the quarter we supplied around 19 boxes as a trial shipment, and it is picking up. We are also looking at starting some more short services on overseas such as Middle East and Iraq. So, these are the new business opportunities which we are getting in these tough situations and all of you know that Bangladesh we started running trains and that is quite encouraging. Demand is picking up certain initial teething problems we are sorting out there.

Our capex program is intact going on except that due to some restrictions on imports from China we stopped importing our containers which we were otherwise doing, we got around 8500 out of the 12000 order, rest we cancelled. We short closed our contract but we are inducting our rakes, these new rakes are of higher capacity rakes which are DFC compliant so once DFC becomes operational we will be able to run them with higher payloads, payload of 25 tons on these wagons, three of such rakes are already inducted and we may win that thing around 10 Crores rise in this year.

Also, as management is concerned, we are optimistic that the things will look up in the rest of the year and we will be able to cover a lot of ground which otherwise we were thinking that we maybe slipping out but now the things are looking bright. So, a revised forecast we forecasted in the beginning of the year that we may be around 20% less than what we did last year but now we



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are feeling that we may cover some ground and may come up to 10% less than the last year or even better those figures, may be better than 10% even closer to last years figures we maybe able to perform and the future outlook is definitely good for logistics. There is no change in the long-term road story, it is intact and all the other new businesses what we have started we are going as per our plans of course little bit of slowdown happened again in the COVID pandemic times but now we again put them back on to the tracks we are working on them one by one.

Regarding the land license fee, so I think there is lot of concern before number of questions only on the land license being asked to save time, let me share with you, please listen carefully to me about this. Now, today we are operating 28 terminals on railway land. So, the railway land, which is well being used by COCOR, we have to pay the lease charges which we call them land license fee.

As per the rules applicable, as per the circulars of Indian Railways which are invoked today, according to which the calculation is to be done so the management is very confident that we did the calculations, the total liability on that account will be approximately Rs. 450 Crores for the whole year and we are recognising the liability in our P&L statements and balance sheet at that rate only. That is in Q1 as well as Q2. Of course, we do intimate that there is a demand notice, there was a demand notice which was received by us to the tune of Rs. 1280 Crores from Indian Railways for 13 terminals. This is good corporate governance practice which your company always follows.

So, this is a demand notice issued by railways it is not recognised by us and then we are very sure, management is very sure that the calculation which we have adopted and where we are recognising, we will be able to finalise that with the Indian Railways because ultimately the final authority is the Indian Railways in this No authority can take beyond decision which is as per the rules. So, this much I can share with you now, so the Rs. 1280 Crores figure is a good corporate governance practice intimation only.

Our recognition on this head is Rs. 450 Crores. All of you may please note this and I request people not to ask further questions on this, so I have very clearly clarified this issue and again I repeat we are very confident that the total liability on this account will be Rs. 450 Crores for the entire year and we are very sure that we will be able to finalise this with Ministry of Railways without any doubt. Thank you Bhoomika.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari:

Thanks a lot and sir, congratulations on very strong performance in this September month and increasing the guidance for the year that is very encouraging in a tough environment and Sir again though you gave clarity on LLF, I will not ask any question on LLF issue per se but just any comment we read in the newspapers that government is now looking to reset the basis for



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calculation of LLF from 6% of land value to anywhere between 2% to 5% so would you be able to throw any light on that I mean is it true or not true or is it very speculative.

V Kalyana Rama: No comments. These are all media reports so that is why I took time to explain to all of you that as per the present circulars invoked is what will be the liability so there will be lot of reports in the media, they keep coming so we cannot discuss them officially.

Atul Tiwari: Okay Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Lavina Quadros from Jefferies. Please go ahead.

Lavin Quadros: Congratulations on the good set of numbers. Two questions from my end. One is any one of in your other expenses which may be you had some write back or something on that nature which has helped results and secondly I do not want to ask at all about the absolute LLF but in terms of the timeline do you think that whatever the number is gets resolved by this yearend so in terms of timeline. Thanks.

V Kalyana Rama: The timeline is very clear. By the end of the year this will get resolved that we have to close our balance sheet at the end of the year, I cannot keep on contingent liabilities and in recognised liabilities on my balance sheet so it will definitely be resolved by the end of this financial year and I think I made very absolutely clear in my initial remarks. One of the things our DF will answer your question is anything Manoj.

Manoj Kumar Dubey: Nothing to tell, except the enhancement by nearly Rs. 70 Crores in LLF which was the last year there is no other write off this is significantly enough.

V Kalyana Rama: So, there is no one off in this quarter and the LLF is of the same rate what has been taken in Q1, this in Q2 so this is in what is there for this financial year.

Lavin Quadros: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Amit Shah from Bank of America. Please go ahead.

Amit Shah: Hi Sir. The realisation per TEU this quarter has been weak YOY so is that on the back of lead distance issue or something else that play?

V Kalyana Rama: I could not get you. You are asking realisation?

Amit Shah: Sir, the realisation per TEU, this quarter was slightly weaker on a YOY basis so was it on the account of the mix and the lead distance or was it on account something else?



- V Kalyana Rama:** It is because the more of empty boxes we are transporting in EXIM sector, the imports are less, and we are transporting more empty boxes into hinterland. On empties we normally charge less; we do not take full margins on empties so that has actually reduced our realisation little bit.
- Amit Shah:** Okay, so it was a mix issue. So, generally you give these numbers of what was the empties and double stacking etc., can you give this time too?
- V Kalyana Rama:** Yes, if the realisation is less because the LLF is around Rs. 70 Crores more in this quarter compared to the corresponding period of the last year because increase in LLF so last year LLF was charged on the basis of TEU and now it is a fixed percentage of the value of the land and regarding the lead and double stack our Director, Mr. Sanjay will share you the numbers.
- Sanjay Swarup:** Double stack in fact we have increased as compared to Q1, this quarter we have done 673 double stacks whereas last year in the same quarter we had done Rs. 674 only one we had done more but as far as lead is concerned our lead has dropped quite a bit from 786 kms which has gone down to 752 kms in this financial year for the first half.
- Amit Shah:** The lead distance is predominantly on account of inter post movement from JNPT to Mundra or what extent the leads distance cuts Sir?
- V Kalyana Rama:** Actually, we transported because of the problems on the road network we did do lot of short distance movement, very short distance like extension gauge we ramped and we did around 22000 TEU in that Chennai and Mumbai. The distances are something like 20 kms so that actually brought down the lead distances.
- Amit Shah:** Okay, so now as a road is back so should the lead distances improve.
- V Kalyana Rama:** I think two questions per participant I am sorry, but I will answer this, the road is not the issue here. Road there is a problem but now the extension gauge we are not working. Thank you.
- Moderator:** Thank you. The next question is from the line of Rushabh Sharedalal from Pravin Ratilal Share & Stock Brokers. Please go ahead.
- Rushabh Sharedalal:** Thanks for the opportunity and congratulations on a good set of numbers. Just had one question, I understand that the disinvestment part pertains to DIPAM but all I want to know is that let us say if tomorrow DIPAM comes up then if anything pending from CONCOR and to conclude the disinvestment part on the part of the company, all that I wanted to ask? Thank you.
- V Kalyana Rama:** Very hypothetical question, this one. I have no comments on this.
- Rushabh Sharedalal:** I mean all I want to know is whether....
- V Kalyana Rama:** Sorry, we cannot take these questions because we are at the conference calls.



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- Rushabh Sharedalal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** Hi Sir. Congrats for the decent performance. Can you share the originating volumes for this quarter as well as the empty running losses which we give?
- Sanjay Swarup:** Originating volumes for this quarter are in EXIM it is 472428 TEUs, domestic 68195 total 540623 TEUs.
- Ankur Periwal:** Okay and then Empty running losses?
- Sanjay Swarup:** Empty running EXIM which is Rs. 42.99Crores. Domestic Rs. 46.37 Crores total is Rs. 89.37 Crores. Empty running is for half year.
- Ankur Periwal:** Sure, and just a follow up, the reason I was just referring to that was you did mention a mismatch in the availability of containers and hence probably some uptake in the empty running movement, has this problem solved now?
- V Kalyana Rama:** Empty running has come down because we are building some circuits and we did more of double stacking. So, the empty running has come down compared to the corresponding H1 of the last year.
- Ankur Periwal:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Siddharth Gupta from AS Stock Broking. Please go ahead.
- Siddharth Gupta:** Congratulations on posting such excellent results but Sir one immediate reaction in today's interview on CNBC the Secretary of Economic Affairs spoke about the disinvestment being completed by this year. Do you think that the resolution of the land lease policy would be done before the land lease policies picking up and if at all if the land lease policy amounts were charge of Rs. 900 Crores, would the balance sheet be in the next quarter the net contingent provision.
- V Kalyana Rama:** I think I talked about it at length in opening remarks, here two things. As per circulars applicable to CONCOR, the total land licencing fee liability is Rs. 450 Crores. There will be no change in that, now regarding the divestment whatever statements, Secretary Economic Affairs is making, that in his capacity of Economic Affairs he is talking. So let us take it as the authority talking on that. That will not affect the liability after company before divestment, if it is divested the scenario changes so that we will come to know once the divestment in the EOI is released by DIPAM, then these things will become clearer in the EOI. So it will be known to everyone. Once



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the divestment process will start these things will get clarified. Government has the largest shareholder or the company which is trying to sell that share, they will come out with the terms and conditions and what terms and conditions they are selling this company.

Siddharth Gupta: Right Sir but is the management planning on making contingent provisions in the next quarter to account for the worst-case scenario of the LLF rates not falling?

V Kalyana Rama: See, I do not know why you are asking this question, again clarified to you that the liability will be this so I think I have made it very clear is it not?

Siddharth Gupta: Thank you for your opinion.

Moderator: Thank you. The next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra: Thank you so much for the opportunity. Sir, firstly just wanted to get a sense of Rail coefficient at various spots and as roads normalizes do you expect to sustain the market share hence that Rail has made versus roads and the second question on the lease liability just wanted to know what is the current tenure of the lease liability and does it get extended? Thank you.

V Kalyana Rama: Lease tenure of the lands, it varies from terminal to terminal because these terminals on the railway land, got developed over the period and they get extended as an when the lease period is getting expired. That is, many of the places we got sufficient time with us as the lease period, so there is no problem on that account and we have no worry and I also can assure all the investors, their need not be any worry on this lease tenures. Regarding the railway share in the ports, they have very good majors taken by railways in consultation with us. That is introduction of time-table trains and also giving lot of importance to the freight traffic and Indian Railways system. So, the endeavour is to see that whatever the percentage gains we got during this time on the rail mode to maintain that and sustain that increase and see that this traffic continues with railways.

Deepika Mundra: Got it Sir. Just to reclarify for the Rs.450 Crores of the applicable for quite some time given that you have significant lease tenure left on the lease?

V Kalyana Rama: Lease tenure is not an issue at all. The lease liability which we call land license fee is Rs.450 Crores for the whole year.

Deepika Mundra: Okay Sir, I just want to clarify that Rs. 450 Crores persists till the tenure of the lease liability extend and with the escalation clause of course?

V Kalyana Rama: There will be this year Rs.450 Crores, next year we will tell you at the beginning of the year what will be lease liability. Okay, Deepika?



- Deepika Mundra:** Okay Sir. Thank you.
- 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 opportunity. Sir, can you help us with the rail freight margin for the current quarter as well as the last year same quarter?
- Sanjay Swarup:** Yes, rail freight margin for his current quarter is 29.9% and last year same period it was 28.86%, so there is an improvement of 1% in rail freight margins.
- Achal Lohade:** Okay, what would be the rail freight margin for the full year or for next year. Broad indication Sir?
- V Kalyana Rama:** We will be maintaining the rail freight margins whatever we gave last year we will be definitely maintain that or improve on that. As I mentioned two-three times in this conversation that this is because of secured building and also the better utilisation of SS by double stacking and trying to get more in the anti- movement directions.
- Achal Lohade:** Understood, and with respect to the lease terminals in the past they indicated that whatever we wanted to surrender we have already surrendered so, is there a possibility that if required we can move the cargo to other terminals from these lease terminals is there a possibility for any of the terminals.
- V Kalyana Rama:** This business re-engineering is a continuous process it is not that today I decide I will do this. So as the trends are emerging and as the business is emerging, we will be working on these things. When we worked out that our 18 terminals we can surrender, and we can take all that business to other terminals. As of now 28 terminals we are operating and as and when the opportunity comes, we will move the business to our own terminals and try to surrender to reduce that cost. That endeavour will always be there but as of now these 28, we are operating.
- Achal Lohade:** Sure, and just a clarification Sir are other operators allowed to access our terminals the leased terminals or they are not allowed to access?
- V Kalyana Rama:** Everybody can access my terminals at a cost. It is a commercial proposition. Now, this access we have given to all the people whoever wants to access our terminals but that these access will be at a cost to them at an opportune income to us we will charge for accessing our terminals that will be negotiable with the particular operators or it is one and same for everyone whoever are accessing but those things we will be notifying time to time what will be the charges, it is no free access there is free lunch as to anyone.
- Achal Lohade:** And there is no change in the policy with respect to that?



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- V Kalyana Rama:** What policy you are asking for, these are the commercial organizations, commercial rates will be there.
- Achal Lohade:** Understood, that is really helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of James Gen from Principle Asset Management. Please go ahead.
- James Gen:** Thanks. I have two questions, first on the DFC – line what are the key timelines you are looking at it is on the timeline and the second question on the engagement with power operators have we engaged the power operators with the cost to the DFC there a lot of indications that more volumes are coming our way?
- V Kalyana Rama:** Which operators you are asking engagement with?
- James Gen:** The power operators have we engaged with some of the power operators let us discuss about the volume that will come once the DFC is ready?
- V Kalyana Rama:** These other operators, other railway operators. The other what he is asking I am not able to listen to him properly. Regarding DFC timelines I can tell you the expectation is the end of financial year, the western DFC will be operational between Rewari - Palanpur so, the interesting section for us will be from Khatuwas as we got our terminal there. We will be operating on DFC from Khatwas to Mundra and Pipavav ports. The second question I could not understand what you are asking.
- James Gen:** The second question is really, have we had the discussions with the core operators with regards to the demand that they will provide us once the DFC is ready?
- V Kalyana Rama:** We got sufficient volumes with us to run trains and DFC so, we do not require somebody else to come and give us volumes to make trains run on DFC if that is the doubt, because I am not able still listen to you that we got our own volumes and when today we run something like 10-12 double stack trains that DFC if they increase the length of the train as originally planned which is not very clear as on date, these 12 will become 6 trains. So, still we got volumes to do 6 trains in the current scenario and we are working on some business Re-engineering that we may increase in longer trains which are 1.5 kilo meters in length we may be able to run 8-9 trains on our own so, we do not require consolidations to run trains and DFC's.
- James Gen:** Thank you.
- Moderator:** Thank you. The next question is from the line of Shinidhi Karlekar from HSBC. Please go ahead.



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- Shrinidhi Karlekar:** Thanks for the opportunity Sir. I just want some clarification if I refer annual report Sir, the land license fee that we paid in FY2020 annually is Rs.40 Crores which is lesser than we talk about which is in the range of Rs.140 Crores to Rs.150 Crores. I just wanted to know why it was so low in last financial year.
- V Kalyana Rama:** That is because of some one-off adjustments we made because of some receivables were there for us from railways.
- Shrinidhi Karlekar:** Okay, and did it happen in last quarter of FY2020 like we were providing at the rate of Rs.30 Crores- Rs.40 Crores per quarter and in the last quarter we adjusted that is that the right understanding?
- V Kalyana Rama:** For the FY2019-2020 you are asking?
- Shrinidhi Karlekar:** Yes Sir, FY2019-2020.
- V Kalyana Rama:** Two conference of FY2021 when you are asking FY2019-2020 questions not to me.
- Shrinidhi Karlekar:** Just wanted to know from an accounts perspective why it was first because we were guiding
- V Kalyana Rama:** I have already told you it is one off adjustment.
- Shrinidhi Karlekar:** Okay, fair enough and Sir, question I want to ask is that we had taken some price hike and it was deferred till October. So, I just wanted to know has that been instituted and communicated to our client has that been notified now.
- V Kalyana Rama:** We deferred the price hike because looking at the situation and in the Indian market and of course the exporters importers are at a lot of pain, so we decided to extend the thing for further some more time. We are not increasing our charges we got sufficient margins that you have seen from the quarter results we in fact increased our rail freight margins we increase our operating margins in this quarter. So, we are very comfortable with our margins we do not want to further charge that. As of now the price hike has been further deferred.
- Shrinidhi Karlekar:** Okay Sir, last one if I may we talked about diversifying business like generating business from bulk cargo movement I know you touched upon that it has been bit impacted because of COVID but just wanted to know what are our plans in that part of the business that can come to us?
- V Kalyana Rama:** They are very much there so we are working on that as I said that has little slow down because of COVID otherwise all our plans are intact, and we are working continuously.
- Shrinidhi Karlekar:** Okay Sir, thanks for answering my questions and all the very best.



- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Good morning Sir. My first question is you highlight this data on market share at different rail port wise if can you just give that data please?
- Sanjay Swarup:** JPNT 37.3%, Mundra port 30.6%, Pipavav 10.7%,
- Prateek Kumar:** Sir, what is the Mundra number you said?
- Sanjay Swarup:** 30.6%.
- Prateek Kumar:** This is port wise CONCOR volumes you are suggesting, right?
- Sanjay Swarup:** Yes.
- Prateek Kumar:** Yes.
- Sanjay Swarup:** Vizag 6.5%, Chennai 7%, these are the major contributors for volumes.
- Prateek Kumar:** Sir, CONCOR share at these JNPT, Mundra, Pipavav the share which you give data?
- Sanjay Swarup:** JNPT actually out of the total rail volume, our share is 66%, Mundra port it is 42% and Pipavav is 45%.
- Prateek Kumar:** Okay, and Sir rail coefficient data also you gave?
- Sanjay Swarup:** This is for the first half of this financial year I am telling you.
- Prateek Kumar:** Right.
- Sanjay Swarup:** Rail coefficient, JNPT is 23%, Mundra port 25.4% and Pipavav 51.5%.
- Prateek Kumar:** Pipavav is how much?
- Sanjay Swarup:** 51.5%.
- Prateek Kumar:** So, there is a sharp drop in Pipavav?
- Sanjay Swarup:** 10%
- Prateek Kumar:** Sure, and just sir on lead distance you mentioned on company as a whole can you give this EXIM in separately, EXIM & domestic?



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- Sanjay Swarup:** What this one?
- Prateek Kumar:** You mentioned lead distance for the whole company can you give it segment wise Exim and domestic for this quarter?
- Sanjay Swarup:** Yes, lead distance I have for the half year. For half year, the EXIM lead distance is 681 kilo meters. Domestic it is 1328 kilo meters, total 752 kilo meters..
- Prateek Kumar:** Thanks Sir. I will get back to the queue.
- Moderator:** Thank you. The next question is from the line of Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** I just wanted to check if the Rs.450 Crores calculation of ours is contingent on we being a PSU?
- V Kalyana Rama:** One way it is yes, it is not the question of PSU it is the same owner so that implies and ownership changes they can put a new condition.
- Bhavin Gandhi:** Sure, got it Sir. Second is the tonnage data in million tons for EXIM and domestic if you can provide?
- Sanjay Swarup:** Million ton for first half of the financial year. EXIM it is 14.7 million tons, domestic it is 3.63 million tons total 18.33 million tons.
- Bhavin Gandhi:** Sure, got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citi Group. Please go ahead.
- Atul Tiwari:** Thanks a lot. This Rs.450 Crores being contingent on CONCOR being a PSU, does that mean that this demand by Indian Railway if railway just calculating it as per the private parties and you are calculating it because you are a PSU is that right understanding?
- V Kalyana Rama:** It is not the question of PSU or private or anything. It is based on the rules applicable on the land license as per the circulars now in vogue. So, that is a calculation what we are getting demand notices because people are not able to calculate properly that we are now trying to clarify and settle these things with the Ministry of Railways. So, we work at the board levels the demand for us comes from the divisional level. So, the difference adds that so that is a complex Railway system as explained under railway working. Take it as it is that we are now working at the ministry level and the demands at the field is at divisions. There are 74 divisions in our Indian Railways today so wherever we are having our depots, those divisions will raise these things so there is this confusion is going on that we will sort out. But otherwise the liability will be Rs.450 Crores.



- Atul Tiwari:** Okay, so just to clarify because this is crucial issue for this soft drive, so this difference of opinion between CONCOR and Railway is not dependant on treatment of land leased to a private party versus treatment of land leads to a PSU it is not that different?
- V Kalyana Rama:** First of all, there is no difference of opinions here it is a question of interpretation by people working in the offices. So, these are all there will be so many babu's sitting there somebody will work out and send a notice. The second thing is there is no difference the land lease as a PSU or somebody else but the government policy as on date railway land is leased to only PSU's it is not leased to private people.
- Atul Tiwari:** Okay, there is no separate set of rates for the private party as of today?
- V Kalyana Rama:** Atul, I think I have told that there is no policy today by the government railways to lease land to private people. That is, I am answering your question is not it.
- Atul Tiwari:** Okay, Sir got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Kripashankar from Spark Capital. Please go ahead.
- Kripashankar:** Thank you for the opportunity. My first question was on the competitive intensity, can you throw some light on how things have been progressing that based on the long haul there in the earlier indicators that the discount levels are quite high. Can you through some light on that Sir?
- V Kalyana Rama:** Long hauls, what long hauls you are mentioning?
- Kripashankar:** No, Sir discounting on the long hauls there was massive discounts which has been provided?
- V Kalyana Rama:** No, I do not know, what is your question discount on long haul, there is no concept of long haul in container trains. I do not know where from you got this.
- Kripashankar:** No Sir, the discounts on freight rates?
- V Kalyana Rama:** There is no discount on container movements, container movement is based on the haulage charges announced by railways so there was some discount given at the beginning of this year 25% on the empty movements and 5% on the loaded movements that is the discount across the board for all the container movements. That is what you are talking about?
- Kripashankar:** No, Sir on the long lead distance there was indication that there was been the discounting provided, there was a massive increase in the competition and also on the short lead also there was reach?



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- V Kalyana Rama:** No, my request you do not go by these media reports and frame your questions. There is no discount on the container movement, container movement as I said only 5% on loaded traffic 25% on empty traffic across the board where the discount given by the Indian Railways.
- Kripashankar:** Right, my second question is on the LLF assessment which was provided by Indian Railways in June.
- V Kalyana Rama:** I do not want to ask there is any further question and I am sorry, but I am not
- Kripashankar:** No, Sir I am just there is no question on any projection anything I just wanted to check that have we surrendered Okhla and Patna terminal after that circular was provided just wanted to know that Sir?
- V Kalyana Rama:** Yes, obviously after this circular came with renewed results started from 1st of April and we surrendered in May these terminals, 18 terminals we started surrendering from May onwards after the circular came.
- Kripashankar:** Okay, Okhla is surrendered that is what I am talking?
- V Kalyana Rama:** Okhla is?
- Kripashankar:** DCT Okhla has been surrendered?
- V Kalyana Rama:** Okhla is surrendered we already mentioned that the information to the stock exchanges.
- Kripashankar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** My questions are not on LLF. My first question is on rail freights margin we have seen about 100 basis points QoQ jump could you highlight what exactly is driving this margin improvement and how should we look at this margin going forward given that clearly the outlook is looking a lot better for rail freight in general?
- V Kalyana Rama:** While the rail freight margin improves this, we discussed many times again I will repeat that is because we build such routes, we run double stacks and we try to optimise on and cut down on our empty running. So, our empty running cost has come in this quarter so, now you ask me how far we can go there will be some limit to it but we keep on working on how best we can do this. So, the rail freight margins I remember from the time I came on this board and now for four years I am working as CMD. When we started, we used to be around 21.5% now we came up to 29.5% whether we further like this growth trend will go that I can't tell you. But definitely we will be working on if DFC comes we can more double stack we are on longer trains may be the rail



freight margins may further increase and if we can find the logistics always the problem is the return loads whether it is road whether is rail there will be more demand for one side there is a less demand for the other side. For example, North to South there will be more demand on loaded traffic South to North there is a less demand of loaded traffic we used to have to reposition container so we have started coastal and we tried to do some adjustments in that and we keep on working on all these things. So, if we can find some traffic where we can build another triangular circuit or a quadrilateral circuit and cut down on empty running further increase for the margin rails and margin railway always a scope. One is that member and what kind be the trend I cannot assure, I cannot give you any best figures on that.

Pulkit Patni: Sure Sir, but from our perspective at these levels is something we should assume can sustain, right?

V Kalyana Rama: I am doing conference to give you the outlook of the company what will be stock price I am not concerned?

Pulkit Patni: No, Sir I am asking about margin, I am not talking about stock price that is for the market to determine. Anyways Sir, my second question is you can help me understand the growth prospects obviously there has been some market share gain for rail versus road during the pandemic but some of it might also be structural and which could continue. So, some anecdotes or may be some qualitative about what kind of cargo might stake and then what is the medium-term growth I am again not talking about the next six months but say next two year to three years what is the kind of growth for the rail container industry overall that we can envisage?

V Kalyana Rama: Yes, good question. When we look at medium-term, I shared this earlier also we are working on moving the goods in bulk this type of movement which yet to pick up in India and for bulk movement we are not bringing any specialised equipment we are trying to move in the same containers by using flexi bags. So, that is giving lot of flexibility in our operations it will bring in lot of flexibility and if you ask me whether we did this movement, yes, we did this movement. We did this movement in food grains for ITC we almost did around 2000 containers last year. So, we are very confident that this movement can happen, this can happen in food grains, can happen in cement, can happen in industrial falls we are working with the oils also. So, there is a huge potential for this that increases the cargo availability for domestic movement. This is one very important factor which can increase our share which can increase the cargo movement by containers as well as for CONCOR also the market share. The second thing is the rail share whatever has increased I answered in the earlier questions that railways also are in association with CONCOR. We are working on trying to maintain this increase with railways even after the things get normalised. So, there are time tabling of trains, we are now started running around that 10 to 11 pairs of time-table trains which is we did two years back it was very well welcomed by the customers. So, now again when we have started, our customers are very happy, so the running times we are working with railways trying to cut down to giving more of certainty into the operations so that will further increase with the DFC coming up because dedicated freight



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corridor is only for freight operations, there will be lot of certainty so that we can give time assured services. These things will increase the market share of the rail mode as it is that will help CONCOR to get more and we are further giving emphasis on providing end to end service even though we were offering for quite some time but we were not very strong and we do not have the strengths to provide the last mile logistics now we started doing that from last quarter we are giving lot of emphasis. So, that gives a complete solution to our customers that will be another initiative which will help and distribution logistics there is a break but we are going ahead with that after this COVID effect now come down we are now again started moving on the front. There is lot of opportunity in that and as I mentioned there is point to point export which we are one to help our Indian exporter second as a business opportunity we started providing boxes to Iran we are looking at providing boxes to Middle East then Dubai and Iraq. We are already using our boxes to Bangladesh for exports, Nepal, even we do not mind giving it to the little neighbouring countries if required nearby countries. So, this is another new stream which we are working all these things are positive factors that is why we are going at with the capital expansion programme without any pruning down we are going ahead with our plans. I think I have answered your question?

Pulkit Patni:

Yes Sir, very helpful. Thank you.

Moderator:

Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

Vipul Shah:

Sir, can you comment on the competitive intensity means vis-à-vis private train operator?

V Kalyana Rama:

No comments.

Vipul Shah:

Sorry Sir?

V Kalyana Rama:

Thank you.

Moderator:

The next question is from the line of Gautam D from Incarnation Investments. Please go ahead.

Gautam D:

Sir, I had a question on the dedicated time-table a fixed time-table that will come into DFC, so what impact does it have, does it commoditize container real operations in the sense that just like a metro I can choose, if I miss this I can take a next one, so like that does it commoditize rail operations between two players and what impact does it have on the storage demand for ICD and the CFSS because there will be trains travelling. I am not talking about the short-term but over the three year or five-year period and also does it take away power from the freight forwarders because some of these shippers can directly access the trains?

V Kalyana Rama:

Your questions are little confused I am sorry to say this but, I will tell you the freight forward role is totally different from train runs. So, freight forward continue to be there because freight



forward is only is to bring the freight and assess the exporters or the importers in movement of their cargo so, they will be continuous, they will not go out of business. Now, storage of ICDs the storage is of two types, one is storage of cargo in warehouses and then stocking into to containers. Now, container storage is the second one and if you remember CONCOR for last almost three years we giving 45 days as free storage for containers we actually facilitated our customers and we said we do not want any storage charge on storage of containers that is in our view it is not an income stream to look at so, we made our customers very comfortable that they can bring their cargo. But cargo storage we charge not for container storage, that will answer you second question that the ICD storage will not be affected as far as CONCOR is concerned. The other thing that running of trains it is more like, there will be a fixed timetable, there will be a time assured service. So, the exporters or importers can work on their cargo profiles and they can plan for their exports, they can plan for their imports with quite a bit of certainty they need not go on doing an exigency planning for exports and imports.

Gautam D: That is helpful. In such a scenario the player with the highest number of trains and the ability to keep on buying trains would be better placed or is it about getting the best time slots in line with when the ships are coming at the ports?

V Kalyana Rama: Quite obvious yes, definitely CONCOR will get benefited more with that because we have got our volume, we have got our strength.

Gautam D: The third basic question like 25% of the shipping freight into the US is e-commerce right now from China to US and that is why Amazon has gotten into buying ships. So, do you see a place for CONCOR in the domestic e-commerce shipping though it is a bit slower but some seller in North can sell in Mumbai because you can help that?

V Kalyana Rama: We are in hinterland logistics and in e-commerce where we will get associated is in our distribution logistic business. We are starting the distribution logistics centres it can serve even e-commerce players, it can serve agriculture products players, it can serve industrial product players. So, we are entering into that market and as far as transportation is concerned it can be transported once the time table time assured services come even e-commerce containers can move on Railways.

Gautam D: Sure. That is helpful. Thank you.

Moderator: Thank you. The next question is from the line of Koundinya Nimmagadda from JM Financials. Please go ahead.

Koundinya N: Thanks for the opportunity. Sir, my first question is with respect to capex, you did spoke about the containers some parts of capex due to changes restriction so just wanted to understand what the new number would look like?



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- V Kalyana Rama:** We are planning for spend of around Rs. 500 Crores this year.
- Koundinya N:** Sir, my second question is we have got this 5% all haulage charges benefit from Indian Railways so do you pass on the benefit to customers or have we picked a margin from that?
- V Kalyana Rama:** We have not passed it as a freight reduction in our freight charges but we come out with some good schemes, discount schemes which is helping our customers who are loyal customers more so we are getting good volumes because of that.
- Koundinya N:** Sir, just one last question if I may, you did speak about the shortage of containers and all so just wanted to understand how does it impact operationally and also financially, the P&L and the balance sheet?
- V Kalyana Rama:** No, it will not impact us, see when there are no containers we are finding an opportunity so we are also supporting exporters and finding an opportunity in putting our own boxes and trying to get into an NVOCC market sending out boxes to Iran, Dubai, Iraq so and Bangladesh anyhow we are sending our boxes so there is a new business opportunity we could explore in that.
- Koundinya N:** Because you did speak about pollen and if you top about realisations that is why the question has come from.
- V Kalyana Rama:** Yes, pardon.
- Koundinya N:** You did speak about US margins reductions and EXIM realisations is too higher empties so?
- V Kalyana Rama:** Empty repositioning is coming so that is the margins are dropping so instead of imports more of empties are moving from port into hinterland, earlier there used to see India is normally an import excess country now we have become export excess country so we are getting less imports so we are getting more of repositioning boxes.
- Koundinya N:** So, do you see this plans sustaining Sir?
- V Kalyana Rama:** This is a temporary phenomenon I think we are short of time; we will go for any other questions from anybody.
- Moderator:** Sure Sir. The next question is from the line of Lavina Quadros from Jefferies. Please go ahead.
- Lavina Quadros:** Sir, last one from my end, on price hikes there was supposed to be one taken in October that was being discussed 3% to 5%, so I just wanted to know if there is any update on that?
- V Kalyana Rama:** I have already answered this. I think you are not listening.



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- Lavina Quadros:** No, I logged off for a minute and on the future outlook of that, is there any other plans six months later?
- V Kalyana Rama:** As of now there is no guess work on this, as of now we deferred it.
- Lavina Quadros:** Okay Sir. Thank you.
- Moderator:** Thank you. We take the last question from the line of Deepika Mundra from JP Morgan. Please go ahead.
- Deepika Mundra:** Thank you once again. Just on the rail coefficient again you mentioned Mundra port was 25% so there is definitely an increase in JNPT but not at Mundra, any particular reason for that?
- V Kalyana Rama:** Rail coefficient.
- Deepika Mundra:** Yes.
- Sanjay Swarup:** The reason is that in Mundra port, the overall volumes have seen growth due to the major transshipment volume because it seems there were some transshipment. A lot of volume got diverted to the Mundra port for the transshipment purpose so that is why if we remove transshipment their coefficient will remain as compared to last year.
- Deepika Mundra:** Okay got it and Sir I missed your static guidance for the year if you could just repeat that?
- V Kalyana Rama:** We may come to earlier we said 20% less than last year now we are giving fresh guidance of 10% less than last year or even better.
- Deepika Mundra:** Thank you so much.
- Moderator:** Thank you. I now hand the conference over to Ms. Bhoomika Nair for closing comments.
- Bhoomika Nair:** Thank you for taking time out and answering all the queries very patiently and all the participants for being on the call. Wish you the very best.
- V Kalyana Rama:** Thank you Bhoomika.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of DAM Capital that concludes this conference. Thank you all for joining us. You may now disconnect your lines.