



“Container Corporation of India Limited Q3 FY2021 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Container Corporation of India Limited Q3 FY2021 Earnings Conference Call hosted by DAM Capital Advisors 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 DAM Capital Advisors. Thank you, and over to you, Madam.

Bhoomika Nair: Thank you, Nirav. Good morning, everyone, and welcome to the Q3 FY2021 Earnings Call of Container Corporation. We have the management today being represented by Mr. V. Kalyana Rama. He is the CMD of CONCOR. I will now hand over the call to him for his opening remarks post which, we will open up the floor for Q&A. Over to you, Sir.

Vennelakanti K Rama: Thank you, Bhoomika, and good morning to all of you. First of all, I am very happy to share with you the good numbers we could achieve in this quarter. This is a very good sign that the economy is recovering. So we are getting back our demand, and as my colleague, director, mainly my DF keeps telling me always remind me that this is a V-shaped recovery which government is talking. So this is what I want to share with you that, yes, we are on the V-shaped recovery, not on a U-shaped recovery. This quarter, you must have already seen the numbers. The revenue is much better than the corresponding quarter of the last year, which was pre-COVID quarter. COVID started in month of January. So that way the performance is really good. We had almost 10% plus in originating volumes in both EXIM and domestic. Our margins improved. Rail freight margin improved because more loaded volumes we carried, and also, we had an advantage of 15 days free movement of empties by Indian Railways, which we could utilize very well. It all made our rail freight margin to grow substantially from 27.3% to 33.88%. Our overall operating margin also has grown in this quarter compared to last quarter, but corresponding quarter because we booked some LLF increase so the operating margins are getting subdued as compared to last year, and overall, now at this moment, we are in throughput roughly around 8% less than last year and originating volumes around 6% less than last year. So now our guidance for the entire year is we maybe 5% less than last year. We may close by in the handling volumes and if the things go better in this quarter than expected then maybe we will cover more ground. Our revenues here also as of now, we are around 8% less than last year, but here also, we are hopeful we will come to 5% less than last year or we may try to even cover more ground and our aim is to match last year, at least come to the last year level, it depends on. It depends on how things are going to unfold in the next 2 months, yes we could see good

traction in the month of January as well. So these 2 months February and March if they are good, then we will be able to cover a lot of ground, and we can come with good numbers. That is in this year, particularly where all of our economy, whole country and the whole world is affected by COVID, and still the effects of COVID are not gone, and many countries are in a lockdown. It is good news that in India, we are able to see recovery, and particularly in the domestic sector in your company a V-shaped recovery. One thing which will be from most of the people so let me clarify that position as well as regarding the land license fee, the disclosures what we are giving. That is because of our policy of good corporate governance we always disclose whatever demands which we get. So these demands are quite unreasonable and not having any basis, but as we receive this demand from various divisions of Indian Railways the total sum of it is calculated and given as 1337 Crores, LLF demand. So our calculation of around 450 Crores, we stand by it, and we are providing for it in our balance sheets, in our accounts. So that will be resolved very soon. There will be no doubt in the minds of the management. So I think, please note, everyone, so let us not have more questions on this time and again, that we will be unnecessary wastage of time that is my request to all of you. So our LLF for this year will not be more than 450 Crores. Thank you very much. Now we can open for questions.

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

Ajinkya Dilip Bhat: Sir, 3 questions from my side. Number one, if you could share the outlook on volumes, how you see them panning out in 4Q as well as lead distance and empty repositioning. Second question would be essentially about, we have read in the media report that you have started charging land usage surcharge at Tughlakabad terminals. So if you could explain a bit more about that, what is the thought process, if you are seeing any volume impact out of that? And lastly, regarding the actuarial provision that you have booked in this particular quarter, if you could throw some more light on that in the sense that are any more such provisions expected in the coming quarters, especially considering that the divestment process might get accelerated in the next few months. So is there an exercise to clean up and provide for all the outstanding or future expenses right now? What is the thought process there?

Vennelakanti K Rama: First I will answer your third question. So it is not a clean-up act. So it is actually the employee welfare provision. So we are not providing till now because it was going, as the PSU, you are right, there is a divestment that is announced, and the process is on. This is supposed to be provided from 2003 onwards till 2021, and what the management decided is that whatever is need based we will keep on providing into the medical fund, and because

now the divestment is coming on to give a clear indication of what should be and what will be. So we thought of providing this fund. Instead of keeping in the books of our company, we are transferring it to the medical trust.

Company Speaker: Going ahead sir, it will be quarter-to-quarter only within 1% of the PAT.

Vennelakanti K Rama: Yes. So going ahead, we will be giving 1% of our PAT into, not PAT 1% of the basic?

Company Speaker: PBT only.

Vennelakanti K Rama: PBT, 1% of PBT.

Company Speaker: Based on that actual calculation not more than that.

Vennelakanti K Rama: Based on the actual calculation. Not more than 1% of PBT. We will be providing continuously every quarter. So that will be the policy to be adopted in future also. Now regarding the volume, I already said that we are expecting to cover the ground up to 5% less than last year in handling volumes and maybe in originating it will be better, and if things go better, we may cover more ground we may almost equal last year numbers, but that scenario is very optimistic scenario, but yes. It is good, but we first given our guidance of 20% less than last year, we have come up to now 8%, and we are forecasting now up to 5% less than last year. Tughlakabad, yes, we imposed 5000 and for a TEU, 10000 for FEU. As of now we did not see any effect on our volumes.

Ajinkya Dilip Bhat: Understood Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: My first question was if you could help us with the originating volumes for the quarter?

Vennelakanti K Rama: Originating volumes for the quarter in EXIM they are 536563, and in domestic 77076.

Achal Lohade: And if you could also help us with the empty cost for domestic and EXIM for the quarter and Y-o-Y, Sir?

Mohammad A Shams: The empty cost for EXIM is 32.77 Crores, and for domestic, it is 34.15 Crores.

Achal Lohade: Could you please also give the similar number for the last year, Sir, would have that? 3Q FY2020 as well?

Mohammad A Shams: For last year EXIM it was 22.73 Crores, for domestic is was 28.46 Crores.

Achal Lohade: Understood, and just one question with respect to...

Vennelakanti K Rama: Two questions per participant.

Achal Lohade: It is just a clarification, Sir, if I may? The difference between originating and EXIM is on account of what? Is it only Khatuwas? Or is there anything Sir if you could explain that?

Vennelakanti K Rama: Originating is, Khatuwas is handling. Khatuwas is a hub. Okay. Originating is pickup of traffic everywhere around the country.

Achal Lohade: Right. So the difference is because of what Sir, I wanted to understand that.

Vennelakanti K Rama: Sir, what to say I told you the business grown man. The overall business grown that is what V-shaped recovery we are talking of.

Achal Lohade: Alright Sir, I will take it offline. Thank you.

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

Priyankar Biswas: So my first question is, Sir, when I look at your other operating expenses, and if we, let us say, look at it ex of the land license fee that you have booked like 120 Crores each quarter, then it seems that it has come down substantially, like to almost like 8%, 8.5% of sales, whereas this figure used to be almost like 10%, plus a year back. So what are the initiatives that we have taken that have brought down this other operating expenses to such a level. I mean what are the steps that you have taken so far?

Manoj Kumar Dubey: One major step that we have taken, it was told earlier also in the Q2 that the security arrangement, where we have the mix of the government agency security as well as the ex service security arrangement, and that has a huge cost. So that was optimized in this FY, and we have optimized the cost mainly at TKD, which has come down by 50%, and the similar activity has taken in all my depots, and that has brought down substantially my cost

of security. This is one major cutdown, and the other is on the fuel costs also, there is a cut. So all this together has given me a lot of savings from these accounts.

Priyankar Biswas: Okay, and Sir, one more.

Manoj Kumar Dubey: And this is going to be accrued in all quarters, henceforth also because this cut is permanent cut.

Priyankar Biswas: So these are sustainable effectively.

Manoj Kumar Dubey: Yes, yes. That was the benefit that we took in the pandemic time, and we had a lot of time to discuss things and bring a lot of, I mean, reforms. Also, that we have merged our second tier, and now we are operating in only the depots and the CO. So that also has got so many impact on expenses and where we are going to save not only this quarter but in sustainable manner to the future quarters also.

Priyankar Biswas: And Sir does the surrendering of the low profitability terminals, has that also helped in improving these numbers as well?

Manoj Kumar Dubey: The overhead costs have surely come down without affecting my originating numbers as you can see there is a growth in both. So yes, we have proved what we talked to you in first quarter and second quarter, that these are terminals that we are surrendering, it is not going to affect my business because we have planned in a very meticulous manner to shift these businesses to the nearby or the new depots that came up in the CONCOR lands. So without affecting my volume, we have cut down on overhead. So you were right in those manners that we have optimized our business with the depot that are owned by CONCOR. We have hauled more than what we use to haul in the number same quarters last year, and still, we have cut down overhead. So you are right in those number.

Priyankar Biswas: And so Sir, similarly, the second thing...

Vennelakanti K Rama: Okay, okay, you have to ask 2 questions only.

Priyankar Biswas: Okay Sir, I will come back in the queue.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.

- Vikram Suryavanshi:** Yes, Sir with this improved in volume significantly, how is the, our view now on coastal shippings restarting our routes on that if you can give that? And second question is on basically, we have seen significant impact on global container trade because of imbalance in empty or repositioning and all that. So the containers, what we have bought for domestic purpose, can we use for EXIM route to support this imbalance? Or how is our overall impact are you seeing in coming months because of this global trade imbalance in repositioning and other things?
- Vennelakanti K Rama:** See, because of the container shortage in India, we started providing some of our containers for rice exports to Iran. So we have done work on as because we are not present in this EXIM trade. We can only work from point to point basis because we have to get back our equipment. So we started Iran thing, and we could do around 200 containers as shipment, and now we are going to do some more in this quarter. So we are looking at it in terms of interest. Like Bangladesh, we already started there our own containers go Nepal we do this. In addition to that, now Iran we are doing, and we are looking at other interesting points. So our services will be point to point only, and regarding coastal, during COVID, we suspended it, and then we thought of looking at and making it and reanalyzing the model what we adopted. Even though at the present rates our model will be very quite successfully workable. So we are reassessing the thing, and soon we will come out with our policy on that.
- Vikram Suryavanshi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.
- Ankit Panchmatia:** Sir, if you could provide the volume handled in metric tons, that would be helpful.
- Vennelakanti K Rama:** Metric tons in EXIM, in Q3, we handled 8.85 million tons in domestic 2.46 million tons and total it is 11.31 million. In 9 months, total is 29.64 million.
- Ankit Panchmatia:** Okay, and Sir, leads if you can help me out with some.
- Vennelakanti K Rama:** Lead. Overall lead in this quarter is 790 kilometers, EXIM lead is 709. Domestic lead is 1401.

Ankit Panchmatia: Okay, and Sir, regarding our strategy to come out of the low lead, the low profitable route, has that strategy bottomed? Or are we still undergoing this exercise of analyzing this, the strategy wherein we would continue to come out of the lower lead, low profitable routes?

Vennelakanti K Rama: Lower lead, lower profitable, etc., we are not doing much, so except very few and in fact that is how our lead increased. If you see last quarter, our lead was 680 in EXIM, we got it to 709, and in fact, this is the good lead we got in this year, the 709.

Ankit Panchmatia: Last one Sir, on Capex, your guidance on Capex. That is it.

Vennelakanti K Rama: Around Capex?

Ankit Panchmatia: Yes, Sir.

Vennelakanti K Rama: Capex, we will be doing around 500 Crores this year.

Ankit Panchmatia: And Sir till now, how much it has incurred?

Vennelakanti K Rama: You are asking number of questions.

Ankit Panchmatia: Thank you so much.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Yes. Sir, just one question. Any color on the issue of land license fee, when are we likely to see a resolution?

Vennelakanti K Rama: I told, that is why I, in my opening remarks, I have very clear said there is no further color that can be given on this.

Atul Tiwari: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ankita Shah from Elara Capital PLC. Please go ahead.

Ankita Bora Shah: Yes. Sir, my question is on realization side what led to the improvement in realization both in EXIM and domestic this quarter? And your outlook for full year given the first 9 months,

net realization is down 2% so looking to your outlook for the full year, and second question is on the number of double stack trains handled during this quarter?

Vennelakanti K Rama: And your first question, what is that 9 months what you want to know?

Ankita Bora Shah: No, Sir, realization. So basically, what has led to the improvement in realization in this quarter both for EXIM and domestic?

Vennelakanti K Rama: It is because of more loaded running and increase in lead kilometers.

Ankita Bora Shah: Sir, there is no price hike or anything that is taken?

Vennelakanti K Rama: There is no price hike in this quarter. So overall, in the 9 months, there is a price hike, because we have not given the discount on empty container movement in EXIM, and also in this quarter, there is 15 days window where railways have given free movement of empty. So that helped us improve our margins in domestic.

Ankita Bora Shah: Okay, and number of double stack trains handled?

Vennelakanti K Rama: Double stack trains this quarter we handled 777.

Ankita Bora Shah: Thank you.

Moderator: Thank you. The next question is from the line of Mukesh from Spark Capital Advisors. Please go ahead.

Mukesh Saraf: Yes. So what I was asking is in this quarter, we would have seen a good amount of benefit with respect to turnaround times given that passenger rails were not operational, and we are already doing a lot of double stacking at Rewari. So once DFC is operational, the Rewari-Palanpur route, what added benefits you will get from hereon in terms of, say, profitability or volumes?

Manoj Kumar Dubey: Yes. Domestic business, you are right that we have picked up hugely in this quarter, and there is a lead also as CMD mentioned in the last question, that the lead also is very good compared to the last quarter. So both together has given us a good top line as well as bottom line. Margins have also tremendously improved.

Mukesh Saraf: Sir, my question is that once you start operating on the DFC, what added benefits you can get because our turnaround time probably already is good for you, given that passenger rail was not operational, and in terms of double stacking, we are already doing I think majority of the double stacking that is possible via Khatuwas?

Vennelakanti K Rama: The DFC, some of your voice is not very clear, but DFC advantage is the transit time DFC gives the transit time advantage from Rewari to Palanpur, today they are operating up to Maddur, even Maddur they are connecting the ports. They are operating, their transit time will come down at DFC to 12 hours, and then another 12 hours you add so 24 hours, you will reach the port. So that is the advantage. So more and more cargo will come on to rail more from road, and double stack train running, we are already doing. So it can be done on a massive scale and volumes increase. As on date, there is some constraint because volumes are not coming for a more number of double stack trains. So volumes increase will add a greater number of double stack trains that will increase the margin, so that benefits will accrue to the company. This is the advantage of DFC, and we can introduce more and more timetable trains, guaranteed services. So these are all various things we can bring in with the dedicated freight corridor.

Mukesh Saraf: Right. So when do we plan to introduce these timetable trains, Sir?

Vennelakanti K Rama: We are already running timetable trains. In DFC, the scheduling of services has not yet started, they are still doing trials. Once they do the scheduling, then we will announce more timetable trains. We are already running some timetable trains, which is now given the time window opened by Indian Railways, we are utilizing that.

Mukesh Saraf: Right. and just the final one, what you said, the turnaround time will improve for you on the DFC route. Currently, what is it, Sir, in this quarter given that passenger rail was not operational? We would have already seen some benefits of that turnaround time.

Vennelakanti K Rama: Yes, to some extent, yes, you are right. Because of less number of passenger trains, now the things are moving faster on Indian Railway System, but it will be much more faster on DFC, because DFC is a dedicated freight and everything runs at a uniform speed so that increases asset utilization, our rolling stock utilization, there is so many things. So it is, the advantage.

Mukesh Saraf: And then also a lot about the higher tonnage, the higher axel rates of the 25 ton axel even that will be there once we are allowed?

Vennelakanti K Rama: As of now, they will run with 22 ton axel loads, and when the thing improves, then we will let you know.

Mukesh Saraf: Thank you, I will get back in the queue.

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

Deepika Mundra: Just two things. Firstly, I mean, recently, you have had market share gains for railways with passenger trains not plying and transit time improving. Is that expected to change in the next quarter or so as more passenger trains come onboard? And secondly if you could just talk about the timing of DFC.

Vennelakanti K Rama: See the passenger trains as of now, whatever they are already increasing day by day, but the things are improving on Indian Railway System and moreover DFC started functioning. So the DFC will give some advantage, that will take some load. So the things may improve further than deteriorating, and DFC, as I mentioned, they are already doing trial runs, regular scheduling will be done during this quarter, so we can see the advantage of DFC coming to us from the next financial year.

Deepika Mundra: Got it Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, my first question is on pricing power. Many a times in the past when we have asked you about pricing, you have said that we have to take in consideration the road pricing because there is market share shift, depending on how we price, and now given the fact that we have got good realizations this year, and with DFC, with post-COVID, is it fair to assume that the pricing power for CONCOR is looking a lot better than what it used to? Is that a statement you would agree with? Or you do not think anything gets changed?

Vennelakanti K Rama: First of all, why should I agree for some statements tell me? See, we have got our own pricing power. As I mentioned earlier, pricing power, we always keep things in our perspective when we decide on the market, our pricing, which we can introduce in the market. We are not connected with rail tariff hike or decrease. We do our own pricing. Yes. I agree with you to some extent because of the situation today prevailing in the country, the rail has got an advantage of pricing, but being a PSU with some ethics and with lot of

transparency, we are not taking too much advantage of this situation. So we do not want to harm our economy to boost up our exports and continue. So we have not actually increased any price. Yes, there is a pricing power available today to CONCOR. Going forward with DFC coming into operation, definitely, the pricing power of CONCOR will have better advantage because we will be able to introduce some sort of timetable trains. So one of the pricing power, all of you witnessed is our increase in our land license charges at TKD of 5000 by 10000. So we always go back to the market, tell them very clearly why we are increasing, and market accepts it. So that, because of that reputation of CONCOR that CONCOR never mis utilize the opportunity, market accept increases in a right way.

Pulkit Patni: Sure. Sir, my second question is, are there any other accounting adjustments that one could possibly see before CONCOR gets divested, given that a government company accounting for rentals, etc., could be on railway land or railway properties, etc., or any similar employee-related accounting adjustments that could happen? Or do you think when we transfer this to whosoever is the new buyer, there should not be any major adjustment either ways?

Vennelakanti K Rama: I do not think there are any surprises left. This company is with very good corporate governance.

Pulkit Patni: Sure, Sir. That is what we want no surprises. Thank you. That is it from my side.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial Services. Please go ahead.

Achal Lohade: Can you help us with the market share, Port wise market share and the mix there?

Vennelakanti K Rama: Yes. Azhar Shams will give you, our, Executive Director of Business Development.

Mohammad A Shams: I am Mohammad Azhar Shams, Executive Director, Business Development CONCOR. Actually, the port share of Container Corporation, both at the 3 major ports that is JNPT, Mundra and Pipavav has increased in Q3. You know that in Q3 at Mundra, we increased as compared to last year. From 52% to 58% in imports and 43% to 50% in exports, and this was in Pipavav and in Mundra also there has been an increase in imports from 41% to 45% and in exports from 45% to 47%. So I think the situation is really good, and our share has increased in these quarters, and it is further likely to increase in coming months as well.

Company Speaker: JNPT?

Mohammad A Shams: JNPT, actually, it has increased very marginally. It has from 62% to 63% in import and 63% to 64% in export at JNPT. So increase at JNPT is almost 1%, and both in Mundra and Pipavav it is quite substantial.

Achal Lohade: And these Y-o-Y 3Q figure, Sir is that or 9 months?

Mohammad A Shams: No, no. This I was telling about Q3 only.

Achal Lohade: Compared to last year Q3?

Mohammad A Shams: Yes, compared to last year, exactly.

Achal Lohade: And the port mix, Sir?

Mohammad A Shams: Port mix, again, that is, and overall port share all the major ports in the country. Our share has increased from 0.34% from last year's 10.77%. It has gone to 11.11%.

Achal Lohade: I needed, Sir, in terms of JNPT, what is the market share we have, like, sorry, what is the mix we have from JNPT, Mundra and Pipavav and Chennai port, Sir. Like in 2Q, you mentioned JNPT was 37.3%, Mundra was 30.6% and so on.

Mohammad A Shams: So see that at JN port, April to December last quarter, it is 35.93% from last year's 32.64%, and in Mundra, it has increased from 31.26% to 32.69%, and in Pipavav, from 11% to 15%.

Achal Lohade: Got it, and just a second question. With respect to the other businesses, the distribution management service, what we were talking about, what is the update? And the MMLP, how many do we have currently up and running? And how many can come in, in FY2022?

Mohammad A Shams: Actually, with respect to distribution logistics, you know that we have started our arrangement at Ennore, and that facility is doing the business, and in this current financial year, you know that I cannot give you the number that how many terminal, I mean, MMLP we are going to start, but as a general practice, now we are trying to utilize our all major terminals as a distribution logistics rather than starting a new facility at this point in time. So the new facility is at Ennore only, but we will certainly increase this distribution logistic business at all our major terminals in the existing facilities only because you know it has good space for warehouses and rail connectivity, everything is there. So it does not require any new thinking and new facility. We can start at our existing facility only. So I think that is going to give us a good volume this time.

Achal Lohade: Right. I wanted, the logistic parks what we were commissioning the new logistic parks, how many of them we are expecting to commission in FY2021 and 2022 as a full year number, Sir?

Vennelakanti K Rama: See FY2021, 2022, we may commission maybe 1 or 2. Because of COVID, the works got delayed. So they are getting postponed to 2022, 2023.

Achal Lohade: Thank you so much. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Shrinidhi from HSBC. Please go ahead.

Shrinidhi Karlekar: Congratulations on good set of numbers. I just have a couple of questions. First one is, sir, I want to understand this opportunity that CONCOR is pursuing in the transportation of feed and food grains with Food Corporation of India. First of all, has that already started? And if yes, how has been the response? And more importantly, Sir, how large this market according to you could be in years to come?

Vennelakanti K Rama: See, we are doing transport for Food Corporation, but the transportation in the traditional form of bags. One which you have seen the news item and you are asking is about the bulk transportation, bulk transportation reduces the bagging and debagging. So it saves a lot of logistics cost. First trial is going to happen. It will be done very shortly, and if that trial is successful then if you ask me what is the potential, potential is huge because the bagging and debagging of these commodities is mere wastage, and you can avoid a lot of waste, you can save a lot of cost. So unless you have something which has to be put into a bag, there is no need to put it into a bag. There is good potential for this sort of bulk transportation in India and many commodities, not only in food grain, in cement, in salt, there is in oil. There are so many things we can do. So we are working on these things. So this is one thing which we are doing the trial.

Shrinidhi Karlekar: And just one related question, Sir, is it fair to understand that currently, this market is largely served by trucks, like the food that gets transported from one warehouse to another warehouse of Food Corporation. Predominantly, it could be served by road with truck and which is this?

Vennelakanti K Rama: You are not correct; you are not correct. See, the transportation in bulk is not happening today, except in some specialized wagons manufactured for that purpose. So those wagons numbers are limited, but whereas if we can do it by containers, the flexibility is more. See, wagon if it is moving, it has to move on track, it has to be handled on railway track only.

But the container can move on multi-modal. So it is a more flexible, more versatile way of dealing with the bulk transport. So this bulk transport is not happening today by road.

Shrinidhi Karlekar: Right, right, and Sir, one, if I may, a separate question. Sir, I want to understand how much percentage of your Northern hinterland volume that is NCR, Punjab plus Northern Rajasthan market is actually getting double-stacked currently. I know you give number on double-stack trains, but if you can quantify somehow in terms of percentage terms, it would be really helpful.

Vennelakanti K Rama: This, we are not having the calculation right now, but of the top, I can make a guess, it may be around 60% to 70%.

Shrinidhi Karlekar: Fair enough Sir. Thank you for answering my question and all the very best Sir.

Moderator: Thank you. The next question is from the line of Bhoomika Nair. Please go ahead.

Bhoomika Nair: Sir, I wanted to just understand what is our thoughts on rolling stock addition and particularly for the higher load, what is the status of that?

Vennelakanti K Rama: Now whatever we are going to procure, we are going to procure only the higher capacity rolling stock. That is of 25-ton axle capacity. So that is a policy decision taken, and now we are not going for any other rolling stock, except what with 25 tons. Already 4 rakes of this 25-ton are with us. They have been handed over to us, and they are already running, but they are running at 22 tons because of some technical issues with Indian Railways. This year, we may add another 4 in this year, and these rakes, we have already given orders for 60 rakes. We have already given orders to various manufacturers for this 25-ton capacity. Out of which 4 we received, 4 more we receive in this current financial year, and next year onwards, we will keep getting these rakes.

Bhoomika Nair: And will these be replaced by our old rakes? I mean so will we retire our old rolling stock because of these...

Vennelakanti K Rama: There is no retirement of old rolling stock as of now. Everything will be in use for next 5 years window, I can tell you, there will be no retirement of any stock.

Bhoomika Nair: Okay. Because I was wondering if we are also, because if you are adding rakes so aggressively, the turnaround time is actually improving and will improve further when once the DFC comes in. So will that create any excess capacity of rakes?

Vennelakanti K Rama: DFC is coming in only 1 sector between Bombay and Delhi and that too it is extension between Mundra and Delhi.

Bhoomika Nair: Yes, Sir.

Vennelakanti K Rama: Even Delhi is not covered. It is short of Delhi 130 kilometers to Rewari. So India is very big, has got north, east, south, west.

Bhoomika Nair: Understood. Sir, just I missed the originating volume on the domestic one. If you can just kindly repeat that number for me?

Vennelakanti K Rama: 77076.

Bhoomika Nair: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.

Ankit Panchmatia: I missed on the 9-month Capex, how much we have done? And would we continue with our 1000 Crore Capex mark for the next year as well?

Vennelakanti K Rama: Capex for this year is 500 Crores.

Ankit Panchmatia: Sir, till 9 months. So till now how much...

Vennelakanti K Rama: Yes it is 500 Crores for the whole financial year. In 9 months, we did around 200 Crores. We will be completing 500 Crores by the end of the financial year.

Ankit Panchmatia: Okay and Sir, this LLF, 21 terminals are being kind of recalculated. So is there any other terminal pending at this point of time? Or this is the...

Vennelakanti K Rama: We are having 27 terminals. Our calculation of LLF is 450 Crores for all 27 terminals. As I mentioned, it is good corporate governance we are disclosing what we are getting from railways, but I request all our investors, investment community, analysts, particularly you people not to get worried by these figures. There is nothing to read beyond anything in this. This is only a simple governmental confusion which happens in government departments.

Ankit Panchmatia: That is all from me Sir. Thank you.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: First question is on, Sir, has the rail coefficient like improved further at the ports for industry? Container Rail segment?

Vennelakanti K Rama: The industry at JNPT, yes, it increased at Mundra?

Prateek Kumar: Sir, what would be these numbers, market share rail coefficient at ports?

Vennelakanti K Rama: That you send a mail. Right now, I cannot read out these numbers, looking at all these charts.

Prateek Kumar: And Sir there is one...

Vennelakanti K Rama: Write a mail we will reply you.

Prateek Kumar: Sure and just one question. This was talked about earlier. This export and import share, how has that changed at Mundra Port? I think this was talked about just if you can repeat that one?

Vennelakanti K Rama: Import share of CONCOR or what you are...

Prateek Kumar: Import share of CONCOR.

Vennelakanti K Rama: Share of CONCOR...

Prateek Kumar: At Mundra Port.

Vennelakanti K Rama: I think it was answered to earlier question to someone.

Mohammad A Shams: Actually at Mundra, for this quarter, that is Q3 in import, the share has increased from 41% to 45%, and in export, the increase has been 45% to 47.96%.

Vennelakanti K Rama: That is our share.

Mohammad A Shams: It is our share, yes.

- Vennelakanti K Rama:** This is corresponding quarter of last year to this quarter of this year.
- Prateek Kumar:** Sure.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari:** Yes. Sir, just one clarification. This contribution to the medical fund, 1% of PBT. So whatever provision has been made after assessing the liabilities, so are we done invested or this 1% of PBT amount will be recurring going ahead?
- Vennelakanti K Rama:** That is a policy it will keep going on depending on the actuarial valuations. I have already given you the actuarial valuation, what is to be contributed for the last 17 years. Now based on this the further actual calculations will go on every year, and if there is some more requirement is there, then up to 1%, we can contribute into that.
- Atul Tiwari:** Okay, okay, but cumulative amount till today has been provided for in this quarter, Sir?
- Vennelakanti K Rama:** Yes, cumulative amount has been provided this time.
- Atul Tiwari:** Thanks.
- Moderator:** Thank you. The next question is from the line of Shrinidhi from HSBC. Please go ahead.
- Shrinidhi Karlekar:** Yes. Sir, just wanted to understand, has there been any price hike apart from the TKD cost that we increased?
- Vennelakanti K Rama:** I already mentioned this. There is no price hike during this quarter, and during this time, we do not want to affect the market. We are here to service the market. So we are not taking any price hikes at this point.
- Shrinidhi Karlekar:** Right. Fair enough, Sir, and Sir, one more question is, we have seen a very good performance in rail freight margin. You touched upon that you had a higher, better mix so that has helped, but apart from that, are there any reason that you would like to highlight why the rail freight margin has been so strong?
- Vennelakanti K Rama:** Lead increased, more loaded transport and 15 days window of free movement of empty by Indian Railways.

- Shrinidhi Karlekar:** Fair enough Sir. Thank you for answering my questions.
- Vennelakanti K Rama:** Yes I think we can take last 2 questions.
- Moderator:** Thank you. The next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.
- Ankit Panchmatia:** Sir just wanted your view on this TKD traffic and our dominance in this market. Because despite taking this price hike, we are not seeing any impact on the volumes. Sir, what sort of exporters community or just your view how sticky is the customer base for this market?
- Vennelakanti K Rama:** I cannot give you these details. These are commercial details. We will not disclose them.
- Ankit Panchmatia:** Okay, and Sir, since our last con-call, we also surrendered the Navi Mumbai terminal back. So is there any plan ahead also to surrender or to recalibrate our own...
- Vennelakanti K Rama:** No further surrenders. That was the last surrender we did.
- Ankit Panchmatia:** Great Sir, that is all from my side. Thanks Sir.
- Moderator:** Thank you very much. I will now hand the conference over to Ms. Bhoomika Nair for closing comments.
- Bhoomika Nair:** Thank you so much for answering all the queries and wishing you all the very best, Sir, and thank you to all the participants for being on the call.
- Vennelakanti K Rama:** Thank you.
- Moderator:** Thank you very much. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.