



“Container Corporation of India Limited Conference
Call hosted by DAM Capital Advisors Limited”

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MODERATOR: **MS. BHOOMIKA NAIR, DAM CAPITAL ADVISORS LIMITED**



*Container Corporation of India Limited
May 24, 2021*

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Container Corporation of India Limited Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you and over to you, Madam.

Bhoomika Nair: Thanks Janice. Good Morning everyone, I would like to Welcome you to the Container Corporation 4Q FY '21 earnings call. We have the Management today being represented by Mr. V. Kalyana Rama, Chairman & Managing Director. I will now hand over the call to him for his initial remarks post which we will open up the floor for Q&A. Over to you, Sir.

V. Kalyana Rama: Thank you Bhoomika. Morning to everyone. I am here with my full team, all the Directors are with me to attend to all your questions and to clarify things to all of you. Let me give the brief regarding the operations for the financial year, so I request everyone to listen carefully because we can avoid lot of questions repeatedly on this.

Our operations I can rate them very well, one of the excellent operations for the financial year despite all the pandemic and the lockdown, your company has never closed down for even a single day, operations continued for all the 365 days and at the end of the year, we ended up flat compared to last year. Originally, we took the guidance that we may be losing around 20% but on the revenue front, we are almost there only around 80 crores less and in the volumes, in originating volumes in fact we ended up that higher compared to last year. We picked up 2-3 percentage points in domestic and EXIM also we picked up around 0.5 percentage points and our market share we maintained, in fact we picked up on the positive side compared to last year a little bit on to around (+66%). We are having market share both EXIM and domestic combined, and doing an apple-to-apple comparison, in fact we did much better than last year. Our operating margin has increased to 36% in this quarter and overall for year also, we ended up 1 percentage higher compared to last year. That is for the one-off payments and the change in land licensing fee, it would have been more, bottom line would have been better than last year, it would have increased may be around 60%-64%. A lot of one-time payments will count on one, first is the land license.

The principal has changed from per TEU basis to 6% of the market value. The 6% of the market value also there was some difference in calculation, we banked on a calculation where we calculated it to be around 450 crores, but Minister of Railways and other calculation, so ultimately in the month of March, we could settle on a principal that we have to pay 6% of the current market value, so that has come to around 580 crores of land license fee for the whole year and additional difference amount is booked in this quarter. Also we cleared off some old dues which we are under discussion, but preparing for the divestment, we cleared off the dues,



so in total we paid around 680 crores of land license fee, so that is in addition of almost 640 crores over the last year, so in this quarter it is on land license fee basis itself is at around 200 crores extra and another one-time payment we did is for the post retirement medical scheme of the employees. As per the requirement, we were contributing into that fund. If we would have continued a PSUs, that would have been continued but looking at the strategic divestment scenario, we cleared off entire liability to be given to that fund that is around 70 crores we contributed in this quarter.

Another one-time provisioning what we did is for the assets we have to leave in the 16 terminals we surrendered to railways. They are non-recoverable assets, the book value of 77 crores we gave a provision, because we will not be able to recover so that is one-time provision. This three one-time provisions have in fact reduced the profit in this quarter very much, otherwise, this quarter let me share with you friends is the best ever quarter for CONCOR with quarterly revenue of 1950 crores and in fact our H2, second half of the financial year was the best of our H2 in the history of the company and in month of March, we did extremely well that is the first time for a monthly income of we carried more than 700 crores, so things are moving on the positive side. Now, there is a clear clarity on land license fee, it is 6% of the market value, so we know what is our land license fee liability for this current financial year because we know what are the market value of the land which we are holding as of April 1, 2021, so this time it is calculated and I can share that figure with you, this will be 450 crores.

In addition to that as all of you must have seen that we know the fact that we are going for a short-term loan exploring the possibility of taking a loan. This is for planning a long-term agreement with the Railways for the railway ICDs where we are operating on railway land. Today we are operating 26 terminals on railway land and we intend to sign a long-term lease agreement for 24 terminals that is for 35 years, so that will also put complete clarity on the land licensing fee. It is now 6% of the market value, but then revision maybe after five years, 10 years but once we sign these long-term lease agreement, paying the market value to the Railways that is we have to say 99% then there is a complete clarity on the land license fee or the expense what we have to bear in because that will be the, we will be taking a short-term loan and with cash availability, we will be signing this and that will give a clarity on the land licensee fee front and everything is now become like we own the entire land, for next 35 years there will be no uncertainty. For the current year, let me give you the guidance also in the beginning. We expect this year to be good year, so the initial guidance what we are giving here is the top line, we may grow by around 12% and coming to bottom line, it will be 100% growth. CRB ended up somewhere around 500 crores of that, next year we expect of that to reach the levels of 1000. Thank you.

Moderator:

Thank you very much. Ladies and Gentlemen, 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: Sir, thanks a lot, it is quite to good to know that finally this LLF issue has been resolved, just one clarification, some of the numbers that you spoke were slightly unclear, so in FY '21 Concor has paid 680 crores for LLF, is that number right and compared to your earlier guidance of 4.6 billion, why is there is so much deviation, so what explains that deviation and why this 680 should go down to 450 crore in FY '22 again?

V. Kalyana Rama: As I told you Atul, we were calculating the market value based on formula of calculation and we were discussing with Ministry of Railways. With that formula, the market value used to be calculated based on the base year of '99 and 2005, but the principal ultimately what is adopted and it is good for the company also in case of it is divested also then the principal will be remaining the same, so there will be no further increase here, so it is 6% of the current market value, so the current market value of that year will be taken and 6% is calculated. In that against 450, we paid around 520 crores, we have given some old dues which we were discussing for last few years, so these discussions would have continued but because in the scenario of divestment again, Ministry of Railway decided now this is to be paid and we also cleared those dues, so it is more of cleaning of the balance sheet for the divestment and there was some service tax liability which was not accounted for in the earlier years, suddenly railway realized and so that is the liability, so we have to provide for that, so that is also provided for, all this put together let me correct the figure, it is 6.46 billion. Total payment done is 646 crores against last year we paid 38 crores, there was again one adjustments in that 38 crores.

Atul Tiwari: Out of this 646, 520 is LLF and the balance amount relates to this service tax and other dues which you owed to Railways it has been cleared?

V. Kalyana Rama: Some old one time clean off items, we cleared off everything. Now, the second thing you asked is how it will be 450 crores this year, because if we give away 16 terminals, the 16 terminals were given during the course of the year so there was some part period LLF payments for that and also we are giving away some more land in the 24 terminals which we thought we can rationalize, so this right sizing now the current market value we calculated and based on the current market value, our estimate is this year due to 450 crores because the principal is now settled, there is no further surprise.

Atul Tiwari: Great, quite good to know, and Sir just one follow up on that, so that news that we have been hearing that cabinet needs to take a decision finally, so now obviously that none of that is needed, so the dispute between you and railway is settled and no higher authority needs to decide on it and we should not expect any kind of further decision by Government or the cabinet on this issue of LLF?

V. Kalyana Rama: In LLF there will be no further decision is required, but as I mentioned in the opening remarks, then I am repeating for the benefit of everyone that we are working on signing a long-term lease agreement with the Railways. Out of 26 terminals, we will keep 24 and two will be



further surrendered during the course of this year or next year, because we are building our own terminals at those locations, so looking at the 24 terminals what we are working on to sign the long-term lease, there is further certainty in the issue of land license fee because this today as I said principal is 6% of the market value. Now, market value is notified by the revenue authorities, so revenue authorities sometimes they decrease the, like in Delhi it was decreased. It is now less than last year rate, but with the payment of the current market value, there is a complete certainty to the issue, so this liability whatever we take now, that once we clear up it is like our own land for next 35 years.

Atul Tiwari: But Sir why is the loan needed to sign the long-term lease agreement, you are kind of buying off this land from Railways or?

V. Kalyana Rama: Whether we have to pay every year land license fee of 6% of the market value or for 35 years you pay the 99% market value, so in any financial calculation paying 99% for 35 years is much better than paying 6% and which will be varying depending on the revenue authorities notification of the market value.

Atul Tiwari: So you will frontload that payment completely and in future you will not have to pay 4.5 billion or 6% of the market value?

V. Kalyana Rama: Once we pay this long term lease the 99% market value, we will not make any payment for the land license fee, everything will go away, there will be no further any increase, decrease so it is one for all fee for 35 years.

Atul Tiwari: How much that amount would be any idea at this point?

V. Kalyana Rama: The figures now, we are working on that, so that is why we notified the exchange that we will be doing.

Atul Tiwari: Sir, my last question is on originating volumes, so can you share EXIM and domestic originating volumes for fourth quarter?

Sanjay Swarup: Originating volume for EXIM it is 5,55,106 TEUs and for domestic it is 96,586 TEUs, total is 6,51,692.

Moderator: Thank you. The next question is from the line of Ankur D. from Axis Capital. Please go ahead.

Ankur D.: Sir, thanks for the opportunity, just continuing with the land license fee first, the payout that we will be doing the accumulative payout will that be factoring in the 6% or 7% escalation or it will be the annual number which will be paid let us say FY '22 number in to 35 years is what payment will be made?



Manoj Kumar Dubey: If we pay one time it has to be paid one time at the current market value of this year only without an escalation, so if we are going for all the land parcel for long-term lease, what we will do, we will take the land rates on April 1, 2021, on that rate fixed will be paid, that way 99% of the land value will be paid forever, so that will take care of next 35 years and no further payment will be made. If that does not materialize what CMD mentioned, even if that does not materialize for the year '21-22, our liability at the rate of 6% of the current market value will be around 450 crores only, I think I am clear.

Ankur D.: That is right, thanks for the clarification. Sir second thing on the overall trade volumes now as you mentioned the numbers on the originating side pretty impressive performance here, if you could highlight how is the mismatch between the export and import cargo and the empty running cost there for the quarter?

Sanjay Swarup: Port import has shown a very good growth from Q4 and they are keeping in trend with the economy that is moving in that direction. For empty also, there has been some reduction; for the financial year in EXIM it was reduced by -7.8%, it was 98.37 crore for the entire year, for the first time it was below 100 crore. For domestic it was 133.81 crore, total empty running was 232.19 crores for the financial year.

Ankur D.: Sir, just a clarification, domestic you said was 133.81 crores?

Sanjay Swarup: Yes.

Ankur D.: Sir just one thing on the realizations or the EXIM front for this quarter, now we see the numbers are largely flattish on a QOQ basis, so the TKD price hike that we had taken has been completely passed through or it is still a work in progress and probably we will get implemented from April?

Sanjay Swarup: That price rise actually is from that we have introduced from April 1st, but TKD actually it is there, because license fees they have to take care of most of that 5000.

Ankur D.: Okay, so it is from April 1st and it is has been fully passed through, it has been fully implemented?

V. Kalyana Rama: No, we have not passed through anything, in fact what you mean by pass through.

Ankur D.: No not pass through, pass through is a wrong word, but has been implemented, so all the revise contracts that we are having are on the revised rate?

V. Kalyana Rama: Maybe if you have followed CONCOR, we gave a press notification also we gave a new scheme that we are giving now 50% discount on the empty movement from gate way ports to the hinterland ICDs, so this has given 266% additional movement of empties in this first 45



days compared to last year, so this in fact is a very good thing and we expect that the gains will be much more compared to the discount what we are offering.

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

Prateek Kumar: Thanks for the opportunity, Sir first question is on employee cost, you mentioned that one-off related to medical expense for retiring employees, so is that ex of total one-off what is the employee cost for the quarter, like how much we have to exclude from because there is some mention of actuarial impact also in the notes to account, so is 90 crore a sustainable number for next quarterly first half?

V. Kalyana Rama: It is a one-time payment of 70 crores we made to that, otherwise yearly liability is only around 1% of the salary, we made only 5 crores contribution to PRMS before this. Now, we paid this 70 crores and next 25 years the calculations is total there will be further addition of another 55 crores into this fund that will be around 2 crores per year.

Prateek Kumar: No, I mean the reported employee cost is 128 crore for the quarter, if we remove 78 from that 50-60 crores that looks like?

V. Kalyana Rama: I am telling you one-off payment is 70 crores in the employee cost.

Prateek Kumar: Sir, just a question on buying off land which you talked about, so a simplistic calculation like 450, simplistic value of land which you mentioned like 6% of market value, so this should come at the tune of like 7000 to 8000 crores I think which was also discussed a couple of years back, so that would bring depreciation and interest on our balance sheet?

V. Kalyana Rama: Yes, while there will be a depreciation, there will be amortization, tax benefits will be there, those depreciation will come into the balance sheet automatically and there will be interest expenses for some time till we clear of the debt, so the total value of the land will be we are working on it, it may be less than what you are mentioning, it may be less than that.

Prateek Kumar: Just final question on your port wise market share?

Sanjay Swarup: JNPT 34.46%, Mundra port 33.86%, Pipavav 11.33%, Vizag 6.35%, Chennai 6.62%, Kolkata port 2%, and Vallarpadam 2%.

Prateek Kumar: Sir, I was also asking your market share at port?

Sanjay Swarup: Our market share we calculate for all individual ports also we do not calculate, but from only three main containers handler port we have calculated, so JNPT it is 64%, Mundra it is 44%, and Pipavav it is 50%.



- Moderator:** Thank you. The next question is from the line of Dipika Mundara from JP Morgan. Please go ahead.
- Dipika Mundara:** Sir, just two questions from my side, firstly when you are planning to pay this advance to Railways for the land, basically it will be based off this 450 crore number or basically that 450 crores is subject to change when once you sign the 35 year lease?
- V. Kalyana Rama:** Once we sign 35 years lease agreement, we will be paying 99% of the market value as on date, so that is one-time payment, so we will be paying that capital amount and then that will be cleared off from our own reserves, our this thing and our earnings, so then there will be no land license fee payable any further.
- Dipika Mundara:** Sir, what I am trying to understand is that basically once you do that based on current value but you are saying that the current value is decided with Railways at 450 crores, right?
- V. Kalyana Rama:** 450 is 6% of the market value.
- Dipika Mundara:** Sir, secondly can you give us an update on DFC and your volume outlook after that?
- V. Kalyana Rama:** DFC as of now I think it is expected to start in September/October, that is what we are hearing, part of it connecting to Mundra and Pipavav, so that once it comes we are expecting volumes to increase but clearly forecast I have given you that we will see an increase of 12% on top line so we are expecting 10% to 12% growth in our volumes also.
- 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, the first question I have is with respect to our volumes of the total originating volume, how much would be the northwest region and number two, would it be possible for you to give us some sense in terms of what is the market share in NCR and Punjab region, Sir?
- V. Kalyana Rama:** We do not calculate that.
- Achal Lohade:** In terms of volume on the Northwest corridor where the DFC will have?
- V. Kalyana Rama:** We do not do those analysis on the conference and we do not share those analysis, a rough estimate is 40% is on the Northwest.
- Achal Lohade:** 40% of our originating or handling Sir, just a clarification on that?
- V. Kalyana Rama:** It is same, originating and handling there will not be much variation, it is percentage here and there, it is 40% of both the things.



- Achal Lohade:** In terms of the rebates, would it be possible to give us some sense what was it for FY '21 rebates discount, what was the amount for EXIM domestic?
- V. Kalyana Rama:** 97.23 for financial year is the total rebate given and the quarter is 30.45 crores.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from Philip Capital. Please go ahead.
- Vikram Suryavanshi:** Sir, can you share what is the current cash balance on the balance sheet and how is the CAPEX program planned given that there is a possibility that we may have to pay upfront money to land license, so we will have impact on such?
- V. Kalyana Rama:** For cash balance will be roughly around 2500 crores and the CAPEX for this year is around 500 crores we are planning, so we will be taking a short-term loan for payment of the upfront payment to Railways for 35 years lease.
- Vikram Suryavanshi:** Okay got it and Sir can you comment on how is the profitability on domestic side of our business because for this quarter particularly lot of one-off, it is difficult to understand the profitability impact on the domestic business, so how is that given?
- V. Kalyana Rama:** If you do apple-to-apple comparison, profitability on domestic has slightly increased so the profitability the margins are in the range of around 3800-4000 operating margin for the domestic, if we do not take the one-off. Vikram, the domestic margins are slightly increased because we are moving higher loads.
- Vikram Suryavanshi:** Sir, last question about how is the progress on distribution logistic or bulk solution given the kind of investment we are doing in container acquisition and opportunities we are getting in domestic?
- V. Kalyana Rama:** Bulk we started moving, food grains are moving now, bulk cement also now in container we are doing experiments, but in tank containers this may start maybe the end of this financial year or by the next financial year beginning. For distribution logistics as of now, I can say little bit because of the divestment scenario, we are working on that. We will let you know once we have got clarity on the divestment and then we will work on that.
- Vikram Suryavanshi:** Any plan to restart coastal side also?
- V. Kalyana Rama:** Coastal yes we will restart at the right opportune time.
- Moderator:** Thank you. The next question is from the line of Aditya Makharia from HDFC Securities. Please go ahead.



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- Aditya Makharia:** Congratulations on resolving the LLF settlement gives lot of comfort to the markets, just a couple of question, initially the 6% land value was being spoken at about 1100 to 1200 crores, so I was just wondering now that it has been settled at 450 crores, how many terminals do we have of Railways and how many are we giving up?
- V. Kalyana Rama:** I already told this, you are not listening to my initial comments, we have given away 16 terminals, today we got 26 and we will be keeping 24, two more terminals we will be giving away during the fourth of this financial year or maybe next financial year because we are building our own terminal, so final count will be 24 terminals will be on railway land for which we are working out a long-term lease agreement with the Railways.
- Aditya Makharia:** Sir, the total terminals which we have as of today including ours and railways will it be about 75 to 80?
- V. Kalyana Rama:** No, it is 64. We are now commissioning some new terminals; I think around eight more terminals we are working on so that will be 72 terminals.
- Aditya Makharia:** Sir, will we be giving up any land at TKD by an chance because you said we will also be surrendering some excess land within the terminals?
- V. Kalyana Rama:** Yes, TKD also we are giving away some piece of land, we are right sizing TKD also.
- Aditya Makharia:** Sir, just last question, this 83 crores exceptional expansion mentioned is because of the write-off on the ICD equipment right?
- V. Kalyana Rama:** Yes, structures left out at the 16 terminals which are non-recoverable, the permanent structures, the book value of the structures we own at the terminals, basically we provisioned this year that write off will be a procedure, so it is a provision we have made in the balance sheet.
- Moderator:** Thank you. The next question is from the line of DevarajK., Individual Investor. Please go ahead.
- DevarajK.:** Good Morning and thank you for the opportunity, Sir I just want to know that in the DFC from Palanpur, that rear line is going to Viramgam or it will come to Sabarmati junction?
- V. Kalyana Rama:** It will go to Mundra and Pipavav port.
- DevarajK.:** No, but since Palanpur to Sabarmati or Palanpur to Viramgam?
- V. Kalyana Rama:** I do not know yaar, why you require Viramgam or Sabarmati, I have no depots there, my interest is from Palanpur it will get connected to Mundra port and will be connected to Pipavav port.



- DevarajK.:** Okay but Sir right now existing network is from Palanpur to Sabarmati, right?
- V. Kalyana Rama:** That question I am not going to answer, Palanpur it will be connected to the port, whether it will connect to Sabarmati or connected to Viramgam, why it is interest, you ask those companies where you want interest your question. This is not the question for CONCOR conference call.
- Moderator:** Thank you. The next question is from the line of Ajinkya Bhatt from Macquarie. Please go ahead.
- Ajinkya Bhatt:** Sir thanks for the opportunity, Sir two questions first is I believe you mentioned the exceptional loss is on account of structures left on the surrendered terminals, apart from that the cashflow statement also shows an increase in non-current provision of about I think 89 crores, if you could just clarify what it is, that is question one? Second question is on the bulk food grain opportunity, you said it has started, now has it moved from pilot projects to actual commercial service to food corporation and which States are you servicing in the first phase or initial at the moment if you could clarify on that?
- Manoj Kumar Dubey:** Our CMD already mentioned there is one-time provision of 77 crores of some cost for the capital expenditure that will be made on the railway ICDs, the land we have already surrendered, so 77 crores is towards that and 5 crores of hit we have taken towards third party impairment case that we did for FHEL, so last year these amount was 20 crores, this year company FHEL that is fully owned subsidiary, we have done better despite this Corona thing and pandemic thing and the Kisan andolan, so only 5 crore is supposed to be impaired, so we have taken that hit also, that totals to around 82 crores.
- Ajinkya Bhatt:** Sir, so that is the exceptional item right, apart from that is there any additional provision booked in the other expense which is not exceptional because if I look at the cash flow statement, there is an increase in current provision?
- V. Kalyana Rama:** Do not waste time for others, I have given you one time what we have done in my initial remarks itself, there is nothing more than that and if you have got still some doubts, send an email to our finance department.
- Ajinkya Bhatt:** Okay Sir and on the food grain opportunity on the second question?
- V. Kalyana Rama:** Food grain opportunity now it is a commercial run, these are not trials. We are doing for FCI, so movement started and this will slowly pick up during this financial year and as I mentioned in cement in the containers what like food grains what we are doing, that is still our trials are going on, we are doing some testing, but in tank containers, we will be starting that movement maybe by the end of this financial year or next financial year so there bulk cement movement also will start very soon with the company.



- Moderator:** Thank you. The next question is from the line of Nidhi Chavla from SBI Mutual Fund. Please go ahead.
- Nidhi Chavla:** Good Morning Sir thank you for the opportunity, Sir I had two questions on LLF when you say that the land license fee has been finalized with the Railways, are you implying that the land value has been finalized with the Railways and is my understanding correct that when they were trying to give a demand of 1300 crores for that 6%, the land value implied would have been somewhere 17000-18000 crores and when you today are talking about that 450 crores amount, even if I give up certain land parcel would be somewhere around 8000 crores, so has the Railways agreed to this fall in the land value or is that still under discussion?
- V. Kalyana Rama:** You had my opening remarks?
- Nidhi Chavla:** Yes Sir.
- V. Kalyana Rama:** Am I not clear?
- Nidhi Chavla:** I am just trying to clarify in terms of the...
- V. Kalyana Rama:** furthering when I am telling that it is now finalized and for this financial year it will be 450 crores, when I am making a statement either you take the statement or then otherwise you keep on having your doubts.
- Nidhi Chavla:** No Sir, my basic question was when you were taking 450 crores, the land value implied?
- V. Kalyana Rama:** Obviously, 6% of the market value of the land is the land license fee, so that is finished, there is a clarity on that.
- Nidhi Chavla:** Got it Sir, thank you so much, and second question Sir when you will decide about this giving the land upfront fee or the land license fee?
- V. Kalyana Rama:** It is work in progress on a very fast pace and working with Government I cannot give you 100% guarantee on what will be the outcome on these things, but from our side and from discussions between CONCOR and Ministry of Railways, this is on a very fast pace because this is one of the steps towards divestment.
- Nidhi Chavla:** Sir but is it fair to assume that which means that the policy is not in thinking of reducing this 6% because you are willing to upfront the entire part for 35 years?
- V. Kalyana Rama:** No comments on that, 35 years we will be paying 99% of the market value, whether reducing license fee by the Cabinet or not, I have no comments on that.



- Nidhi Chavla:** Sir, it impact us negatively right because we would be paying an upfront payment on the base of that 6% and incrementally if it actually reduces to 3% then we would have actually benefited out of it, so clearly the policy is, there will be?
- V. Kalyana Rama:** You are financial background or what, tell me?
- Nidhi Chavla:** I am from financial background only yes.
- V. Kalyana Rama:** You calculate it will be beneficial.
- Nidhi Chavla:** Okay, I am sorry to broaden this, but is there any return ratio that you will look when you will look to buy the land versus the percentage that you are implying today?
- V. Kalyana Rama:** I am taking the current market value of 99% of the market value, macro small thing and then you do the detailed calculation, so the inflation even at today's rate in India, the value, money is getting doubled in 7.5 years, if invest somewhere you get in 8 years double, maybe in 8.5 years double people are talking also, so 35 years require four times double, so when I start paying at the percentage of the market value, when you look at inflation it is going to be 2 to the power of 4 that means 16 times it will increase over the life time of 35 years. Now you calculate, when I say 99% right now and I will not be having any increase or anything and this liability I will cover off from my own cash reserves, what is the benefit, you calculate and then send me a mail.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** Good Morning Mr. Kalyana Rama and team Sir and thanks for the opportunity, I want to have this on distribution logistic you said that still I mean so exactly which stage we are in when we really see that start?
- V. Kalyana Rama:** We started and some people shown interest, but because of the pandemic things got halted that did not progress well and meanwhile the divestment in case, so we put a little hold on that because we have to get a clarity on the divestment first.
- Bharat Sheth:** Sir, second question I understand that there is a railroad containers are one train has started about one-and-a-half years back from Chennai to Delhi, so are we running that railroad container where container can be straightway connect to the truck and moved on the road, which can save I mean lot of time?
- V. Kalyana Rama:** This railroad thing you see that is not our thing and we are not interested in that railroad containers, we do not think they are very useful because normal container lifting and putting on a trailer is much beneficial compared to this railroad.



- Bharat Sheth:** Sir, last point I mean we were evaluating of making some investment in other international geography, so any clarity or that has also been put on the hold?
- V. Kalyana Rama:** Yes, as of now we trade one in the Africa but that did not go well because that ultimately that country has decided not to go forward, so as of now nothing moved forward in that and our focus is mostly on domestic because India has got lot of opportunities in logistics still.
- Moderator:** Thank you. The next question is from the line of Pulkit Patani from Goldman SachsAMC. Please go ahead.
- Pulkit Patani:** Sir, thanks for taking my question, Sir my first question is on your guidance of top line, I mean if I look at the first half of '21, where we had almost 21 and about 9% decline in volumes, just the base is too favorable for us to look at just 12% growth in FY '22, so are you just taking a very conservative view or is the trade volume worrying you, just wanted to understand why only a 12% top line for FY '22?
- V. Kalyana Rama:** We did extremely well in H2, if you look at our H2, H1 was bad H1, H2 if you look at we did extremely well, in fact every month we made a new record. We had almost best ever performance never seen by this company like in March we got revenue of 700 crores plus in a month, which is never achieved, so with that scenario now, so that growth part will continue or it will be an average growth, we are not understanding because the pandemic now second wave again we are going through some lockdowns and people are talking of third wave, so in this uncertainty estimating beyond 12% at this stage may not be correct but that should not worry you because last year we started with -20% and we continuously upgraded our guidance and then by the last quarter, I said we may end up flat and we ended up flat, so let us see how these things work out, so there will be no further guesstimate 12%, but as I said, bottom line I gave you a very good guidance we will be growing by 100%.
- Pulkit Patani:** Sure Sir, my second question is clearly this transaction of LLF where you could planning to sort of literally buy that land for 35 years, it is obviously going to be a sweetener for the buyer whosoever comes in to look at CONCOR, now just wanted to understand that this particular transaction if obviously it goes through from a CONCOR point of view if we have to assume what do you think would be the rate of interest that we can borrow this whatever 5000 to 7500 crore money for, I mean what should we assume in our models?
- V. Kalyana Rama:** I can tell you we will get the best lending rate possible in the market because we are rated AAA plus, so I cannot guess on the market rate, whatever market today is going on.
- Manoj Kumar Dubey:** Understanding the lowest repo rate going on in the market and most of the banks are ready to pay repo-linked rate, obviously all of us know that for a company having AAA rating and a Government company having zero debt, we are expecting the best rate available that you can guess.



- Pulkit Patani:** Sir, any other change that might needed to be done to the business before this divestment happens because I think we have cleared a lot of things right now in terms of land license fees etc., anything else that could possibly be outstanding before the marketability of this business?
- V. Kalyana Rama:** Let me tell you one thing having said so much on divestment, actually I am working all these things for the benefit of CONCOR whether it will be divested or it will remain as a PSU.
- Moderator:** Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Fund. Please go ahead.
- Abhishek Ghosh:** Sir, thank you so much for the opportunity, if you can just help us understand that whatever limited trailers that one has had on the DFC whatever section has been opened, if some experiences around what has been the reduction in turnaround profitability because of the double stacking, any if you can share it will be very helpful and how should one look at it?
- V. Kalyana Rama:** Turnarounds, there will be improvement in turnaround around 100%, that is minimum expected once DFC comes. For the section compare, so that if you put on the total moment between the ICD to port, we can take a reduction of around 25% to 30% in the turnaround time and as far as the profitability part is concerned, there will not be much gain in the margins because the rate what is going to be adopted on DFC is same as what is now being followed on IR and we are already doing lot of double stacking, so the benefit is on the turnarounds and because of the turnarounds, there may be additional traffic diversion from road to rail, which today we are not able to capture because of the constraint in the transit time, so that we are expecting maybe that come to 10% to 25% anywhere between that we will gain in this particular corridor, these are the two gains we are expecting from the DFC.
- Abhishek Ghosh:** Sir, is your marketing team already kind of seen some customer enquiry guys who are moving by road kind of coming in any sense there?
- V. Kalyana Rama:** Yes, we are already working on that and we got fair idea.
- Abhishek Ghosh:** Sir, second question is if you can just help us understand the competitive intensity because last time around when the crisis had hit the entire country, we had seen the outperformance of rail and the kind of rail had kind of gained market share, are you seeing similar things around this time also and competitive intensity within the railway players itself, if you can just help us understand on these two accepts?
- V. Kalyana Rama:** I could not follow your question, what is that you are trying to understand? Last year with all that lockdowns, pandemic, and even our people suffered, out of my workforce of 1400, 450 people became positive, even with that we never closed even a single depot on a single day and we never sustained any of the operations anywhere in India, so that is the planning what we do,



so with that experience of one year how to work in this pandemic situations, lockdowns and all, I do not foresee any problem in working in these coming financial year or further.

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, just wanted few data points in terms of market share can you help us with domestic and EXIM market share for FY '21 Sir?

V. Kalyana Rama: We got domestic market share of almost 74% now with us, in EXIM we got around 66% or 67%.

Achal Lohade: Would you have the similar for FY '20 as well Sir in terms of gain or loss of market share?

V. Kalyana Rama: We gained little bit in EXIM, almost was there maybe around 0.3%-0.4% gain. In domestic, we gained around 5%.

Achal Lohade: In terms of like-to-like margin, can you help us like-to-like margin for fourth quarter for domestic and EXIM, you kind of talked about domestic but it was not very clear?

V. Kalyana Rama: We do not calculate those figures right now, that as I said in apple-to-apple comparison we actually improved our margin in domestic.

Achal Lohade: In the EXIM, Sir?

V. Kalyana Rama: EXIM also I think slight improvement that may be it is not much because we moved lot of empties, there is empty movement increase because of import reduction and export increase, there was little imbalance in the Indian trade and obviously our margins on imports are higher compared to exports.

Achal Lohade: If you could help us with the double stack number and the lead distance Sir?

Sanjay Swarup: Double stack, we have done 2574 trains in this financial year.

Achal Lohade: And for the quarter Sir?

Sanjay Swarup: Quarter it is 786.

Achal Lohade: The lead distance, Sir?

Sanjay Swarup: Lead is for EXIM it is 697 kilometers and domestic it is 1378 kilometers.

Achal Lohade: This is for the fourth quarter you are talking about Sir I presume, right?



- Sanjay Swarup:** No, I am talking about the financial year totally, since we do not give for quarter.
- Moderator:** Thank you. The next question is from the line of Dipika Mundara from JP Morgan. Please go ahead.
- Dipika Mundara:** Sir, thanks once again, just the two terminals that you are planning to give up what is the volume impact of those and you mentioned that you will be building two terminals instead so what is the lead time for that?
- V. Kalyana Rama:** Six months.
- Dipika Mundara:** And in the interim Sir was the volume impact for the two terminals that you are giving up, which are these two terminals?
- V. Kalyana Rama:** In fact, we will gain some volumes if we start our own terminal.
- Moderator:** Thank you. The next question is from the line of Aditya Makharia from HDFC Securities. Please go ahead.
- Aditya Makharia:** Sir, there was one article saying that major ports such as JNPT will be allowed to bid for the privatization, so would that be a possibility because earlier we thought it is only the private entities?
- V. Kalyana Rama:** JNPT ...?
- Aditya Makharia:** The major ports basically JNPT and Chennai?
- V. Kalyana Rama:** mediareports I cannot comment.
- Aditya Makharia:** Sir, last question, the fourth quarter payout for LLF was how much you said after total 680 crores how much did we payout in the fourth quarter or we booked in the fourth quarter?
- V. Kalyana Rama:** 292 crores for LLF in the fourth quarter.
- Moderator:** Thank you. We take the last question from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Sir, there is a press release which has been uploaded on exchange on CONCOR, it says that we will be raising 3500 crores on short-term borrowing, so assuming 2500 if you said on your cash and balance sheet, 3500 related to borrowing, so somewhere in the range is 6000 you are looking at the land in terms of acquisition?
- V. Kalyana Rama:** You are an intelligent fellow, why you want to ask me all this.



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- Prateek Kumar:** Sir, just one bookkeeping question, what is the rail coefficient at different ports if you generally give?
- V. Kalyana Rama:** We have given.
- Moderator:** Thank you. Ladies and Gentlemen, that was the last question for today. I would now like to hand the conference back to the Management for their closing comments.
- V. Kalyana Rama:** I think we have clarified each and everyone and I think there is lot of clarity and everybody got a sigh of relief for the land license clarity, I hope so. Thank you for attending the conference call and for the interest shown in the company.
- Moderator:** Thank you. On behalf of DAM Capital Advisors Limited, we conclude today's conference. Thank you all for joining and you may now disconnect your lines.