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CONCOR

भारतीय कंटेनर निगम लिमिटेड
Container Corporation of India Ltd.
बहुविध संभारतंत्र कंपनी
A Multi-modal Logistics Company
(भारत सरकार का नवरत्न उपक्रम)
(A Navratna CPSE of Govt. of India)

CON/F&CS/IRC/STOCK EX/2019-20/Q4/CC

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Dear Sir/Madam,

Sub: Disclosure under SEBI (Listing Obligation & Disclosure Requirements) Regulations, 2015.

Pursuant to applicable provisions of SEBI (LODR) Regulations, 2015, please find enclosed transcript of CONCOR's Q4/FY- 2019-20 conference call held on 26.06.2020.

This is for your information and record please.

Thanking you,

Yours faithfully,
For Container Corporation of India Ltd.,

(Harish Chandra)
ED (F) & CS

CC :. ED (MIS) for placing on website of CONCOR.

“Container Corporation of India Limited Q4 FY2020 Earnings Conference Call”

June 26, 2020

ANALYST: **MS. BHOOMIKA NAIR – IDFC SECURITIES LIMITED**

MANAGEMENT: **MR. V. KALYANA RAMA – CHAIRMAN AND MANAGING DIRECTOR - CONTAINER CORPORATION OF INDIA LIMITED**
MR. SANJAY SWARUP - DIRECTOR (INTERNATIONAL MARKETING & OPERATIONS) - CONTAINER CORPORATION OF INDIA LIMITED
MR. MANOJ KUMAR DUBEY - DIRECTOR (FINANCE) & CHIEF FINANCIAL OFFICER - CONTAINER CORPORATION OF INDIA LIMITED
MR. RAHUL MITHAL - DIRECTOR (PROJECTS & SERVICES) - CONTAINER CORPORATION OF INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Container Corporation of India Limited Q4 FY2020 Earnings Conference Call, hosted by IDFC Securities. As a reminder all participant lines will be in the listen-only mode. 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 of IDFC Securities. Thank you and over to you Madam!

Bhoomika Nair: Good morning everyone. On behalf of IDFC Securities, I would like to welcome you to the Q4 FY2020 earnings call of Container Corporation of India. We have the management being represented by Mr. V. Kalyana Rama, CMD. I will now hand over the call to Mr. Rama for his initial remarks post which we will open up the floor for Q&A. Over to you Sir!

V. Kalyana Rama: Thank you, Bhoomika. Good morning to all of you. This quarter we had a very tough time. The effect of COVID started impacting the volumes in Q4 because the imports mainly from the Southeastern countries from China and the exports to these places got affected. So there was a drop of almost 9% compared to last quarter in Q4.

The one good thing happened is that we were able to maintain our operating margins at the same levels around 33% - 34% and overall we maintained good balance sheet, good bottomline so there was some write back we could make in this year that also helped us in coming with better PAT compared to last year.

Volume wise we are less in handling around 2.13% on overall if I look at, mainly in EXIM we lost 2.79% in handling volumes. Domestic we picked up a little bit, 1.5% positive. On originating side, there was more because more empty movement happened that is the empty ratios, the empty TEUs moved are at 15% in ISO compared to 13% last year. This is because of more of empty repositioning happened from India back to the other countries where our exports got affected in Q4. However, because of the discount given by railways, 25% of the empty movement, our empty running cost, again, got reduced compared to last year, in 2019-2020 compared to 2018-2019, and the empty running cost has come down by almost 11%.

We lost market share last year because we have not participated in, one, short-lead traffic where the margins are either very low or negative; and two, on a long-lead traffic where people are going for a lot of deep discounts and price cuts, we avoided. We maintained our margins. So instead of picking up volumes, we looked at maintaining our margins. So we lost around 6%. We are very hopeful of picking up these volumes over the coming years because now we are giving the complete end-to-end logistics solution, which we were providing earlier also, but we are working more on that now, providing the end logistics connectivity to the more and more customers, but we are calling it FMLM, First Mile Last Mile logistics.

So this year, our focus, our emphasis is more on this. We are going for more and more digitization. Let me share with you some important developments on the digitization side. We are complete paperless office for the last complete financial year. So we were completely through e-office. That helped us working toward this lockdown period. We never closed even for a single day during the lockdown. All our terminals are working, all our back-end offices are working, regional office, corporate office, we continuously worked and the work-from-home, we immediately switched over as soon as the lockdown was announced even without any gap because we were all equipped with all the necessary things for working-from-home, even though we are not in the software technology sector but because of e-office. All our billing and bill payments are completely automatized and all our ERP systems, now they are all having back-end connectivity. We call it enterprise bus, so it is a single ERP for the entire company.

So with all these developments, the requirement of employees, even if we are adding new businesses, is not there. So the existing employees, we are able to add on new business. As I have referred FMLM, the First Mile Last Mile now already started at 15 terminals in this financial year is a focus area. All of you know that we started coastal shipping and it went on without any break for one year, but with the Coronavirus, with the COVID coming up and the entire lockdown going on, we stopped temporarily these services. We are planning to resume them back at the end of this calendar year, somewhere in November, December, still not decided. We will be adding on Bangladesh. But also that plan was held up because of COVID.

Distribution logistics, even though we started, we could not make much progress but we are going ahead with that so that also will be a focus area in this financial year. Now we are already started and operating now coal agency work for the State Electricity Board, Karnataka State Electricity Board, as we went on and that's started. So these are the new areas we are working on and by providing FMLM, we are able to increase our service quality. So our emphasis is always on improvement of service quality, giving better service.

With that, we want to increase our market share, keeping our margins as far as possible in the same levels. So we are not participating in low-margin businesses.

This year, because of COVID, our expectations are low. We are expecting, against, 3.74 million TEUs, this year, we are looking at 3 million TEUs, even though it is as of now, looks to be tough target, but we are working on it to achieve at least 3 million TEUs of handling this year.

The COVID impact, we hope that it will reduce, and some normalcy will start and things will start moving up in the third quarter and fourth quarter should be a good quarter. That is our expectation as of now. But I cannot say very surely because things are still with Coronavirus and its impact peaking and these things, still, we are waiting for the forecast because nobody is able to tell exactly how will be the situation going ahead. Thank you.

Moderator: Thank you. 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. So what was the EXIM and domestic origination volume in the fourth quarter? What was the lead? Sir, I just wanted the originating volumes in EXIM and domestic in the fourth quarter?

V. Kalyana Rama: Yes. Mr. Sanjay will tell you.

Atul Tiwari: The full year lead distances also, Sir, EXIM and domestic.

Sanjay Swarup: Originating in the EXIM in fourth quarter, it is 451,007 TEUs and domestic was 80,267 TEUs. Total 531,274 TEUs. In fourth quarter, lead of EXIM was 738 kilometers and domestic, 1,367 kilometers.

Atul Tiwari: Sir, full year lead distances, if available?

Sanjay Swarup: Full year EXIM is 725 kilometers, domestic, 1,356 kilometers.

Atul Tiwari: Sir, my last question was on the land that you have on which some of the terminal parks. So we saw the filing on exchange sometimes ago that some of those terminals have been given back to the railway without too much impact on your business. But what about the remaining terminals, which you have decided to keep, how much amount you will have to pay to railways to buy off that land? What will be the corresponding revenue on those terminals and the network?

V. Kalyana Rama: Atul, I can tell you the remaining 29 terminals which we are keeping. We will be paying, as per our calculation as on date around to Rs.450 Crores as LLF.

Atul Tiwari: Rs.2450 Crores?

V. Kalyana Rama: Rs.450 Crores. You are asking about buying the land or paying the LLF?

Atul Tiwari: Yes. Sir, I think there was a discussion to buy this land before the governmental strategic divestment?

V. Kalyana Rama: That is all media speculations. You have read media reports and do not go by media reports. As of now, LLF policy has been changed by the railways, but there are representations from us to Ministry of Railways. That is why we have not given still any notification to exchange and to you. We are writing to railways because of COVID situation. But let me tell you if leasing continues as it is without any relief on that, our calculations are that for the remaining 29 terminals, we will be paying around Rs. 450 Crores land license fee as against Rs. 140 Crores we paid in the last year.

Atul Tiwari: Sir, how much was the amount in last year? Sorry, I missed that.

V. Kalyana Rama: Rs. 140 Crores.

Atul Tiwari: Rs. 140 Crores.

V. Kalyana Rama: Yes.

Atul Tiwari: Okay. So it is a substantial increase in LLF in FY2021.

V. Kalyana Rama: Yes. Let us not discuss things. This is a conference call.

Atul Tiwari: Thank you.

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

Lavina Quadros: Congratulations on very good margins. I just wanted to understand two things. Are there any one-off items in your staff expenses or your other expenses because of which it is down a fair bit year-on-year? That is one. Two, as far as your balance sheet is concerned, what is the status on advances to railways against freight, the arrangement you had last year? Is there any chance of it continuing this year that is not the case? Thank you.

V. Kalyana Rama: You see, regarding the staff expenses, last year, we gave an option for them to encash the leave. There was some pay commission increase, pay commission has come, Third Pay Commission. So these two, actually, last year, there was more. So it is a one-off in the last year. That is why this quarter, there are no one-off regular expenses, it has come down and regarding the advances to railways, this year, we are not paying any advance. Last year, we paid the advance. This year, we are not paying any advance. So there is no advance account payment to railways.

Lavina Quadros: Thank you.

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

Achal Lohade: Good morning Sir. Thank you for the opportunity. Pardon me, if I am repeating the same question, is there any reversal or any adjustment in the operating expenses or rail freight cost in the fourth quarter and if yes, how much?

V. Kalyana Rama: There is no reversal, but we have written back some provisions. So there was little impact on that. Otherwise, there is no reversal for any of these expenses in this quarter.

Manoj Kumar Dubey: There were some adjustments in the other operating expenses.

V. Kalyana Rama: Other operating expenses, we have written back something.

Achal Lohade: Would you be able to quantify, Sir, how much would that be?

Manoj Kumar Dubey: I think around Rs. 30 Crores of reversal in other operating expenses.

V. Kalyana Rama: Rs. 30 Crores.

Achal Lohade: Rs. 30 Crores. My second question is with respect to the market share. Would it be possible for you to kind of give us some idea as to what is the market size in the northeast corridor? Of that, how much is the rail share and our market share in the pocket?

V. Kalyana Rama: Northeast corridor?

Achal Lohade: Northwest. Northwest, Sir. This is catered by the Gujarat and Maharashtra ports?

V. Kalyana Rama: The northwest corridor is normally around 40% of the total volumes moving on the northwest corridor and in this, around rail share is 40%, and our share on that 40% is around 70%.

Achal Lohade: Our share is 70%. What would be the mix for us in terms of this northwest in our total volumes?

V. Kalyana Rama: Pardon?

Achal Lohade: In our total volumes also, it will be 40% of our total EXIM volumes, northwest?

V. Kalyana Rama: 60%.

Achal Lohade: 60% for us. Got it. That is helpful, Sir.

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

Prateek Kumar: My first question is, how the capex move like in current year or like in current situation, like Rs. 1,000 Crores capex, when we target last year, we did, I think, Rs. 750 Crores. So how should we build capex?

V. Kalyana Rama: Around Rs. 1,050 Crores in 2019-2020 we did. 2018-2019 was less, 2019-2020 was Rs. 1,050 Crores.

Manoj Kumar Dubey: 2018-2019 was Rs. 768 Crores.

V. Kalyana Rama: Yes. That is Rs. 768 Crores for 2018-2019. 2019-2020, we did Rs. 1,050 Crores. But this year, capex will be low because we are already two quarters the demand is not there. In fact, assets are idling now. So our capex expenditure will be less this year. We are looking at Rs. 500 Crores of capex expenditure this year.

Prateek Kumar: Okay. So this will be towards new terminal addition or general maintenance?

V. Kalyana Rama: Capex is always on three items. One is the IT and digitization, automatization expenditure. There will be new terminal, and there will be, the rolling stock and the handling equipment procurement so all three will be there this year also.

Prateek Kumar: Okay. Just one question there was this is more operations question. Recently at Mundra Port, there was some increase in rail handling expenses by the company on all rail operators. So is this something which we have faced in Q1 or last quarter and how much?

V. Kalyana Rama: Prateek, your information is not correct. There is no rail operational increase on CONCOR. The other companies, I do not want to comment, but on CONCOR, there is absolutely no increase.

Prateek Kumar: Right Sir, I will get back to the queue. Thank you.

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

Ankita Shah: Thank you for the opportunity. Sir, I want to dwell further on the margin front. Sir, you explained the Y-o-Y decline. But even on a sequential basis, there is a significant drop in employee cost and rail freight expenses. So a reason for high margins, why these costs are lower?

V. Kalyana Rama: In all quarters, you are talking about from Q1, Q2, Q3, Q4, this is sequential.

Ankita Shah: No Sir, Q3 versus Q4.

V. Kalyana Rama: Q3 versus Q4. Yes.

Manoj Kumar Dubey: Q3 versus Q4, if you talk about the rail freight margin, the rail freight expenses is only because of decline in our originating TEUs, which were in the tune of 11% decline and in physical terms, they were around 17,000 TEUs, less. So because of this, railway freight expenses has come down, it is purely because of less originating volume in Q4 vis-à-vis Q3. Regarding the staff cost expenses, as CMD had mentioned in the last question also, there was adjustment in Q4. Actually, what we do, we do provisions in Q1, Q2, Q3, and we take a final call in Q4. So there was substantial attrition in this financial year, which had an impact on provisioning for PRP that is performance-related payments, gratuity and all those things. So those adjustments have come in a huge number in Q4. But if you look at year-to-year, this is not substantial and only Rs. 30 Crores.

Ankita Shah: Sir, you have taken impairment in Fresh and Healthy subsidiary so any more impairment spending? What is the total order of investment in this entity and is there a possibility of more impairments going forward?

V. Kalyana Rama: See, the impairment comes after reviewing of the working of the subsidiary at the end of the financial year. So this subsidiary, we get some business reengineering and after business reengineering, because of, again, the Coronavirus, and other factors, we could not get the performance as we expected. So the impairment has come at the end of the financial year. Going forward, we cannot make any guesswork on this. As far as the plan is concerned, we will be getting the money back from that subsidiary.

Ankita Shah: So what is our total investment here?

V. Kalyana Rama: Total investment?

Manoj Kumar Dubey: Rs. 215 Crores.

V. Kalyana Rama: Yes, Rs. 215 Crores.

Ankita Shah: Rs. 215 Crores. Okay. Sir, just one last. Sir, you mentioned on your pressure on realization?

V. Kalyana Rama: What did I mention?

Ankita Shah: I am asking the reason for pressure on realization?

V. Kalyana Rama: There is no pressure on realization. Actually I said the market share has been dropped by 6% because we are not participating in short-lead traffic where there are no margins or negative margins, in some long-lead traffic where people are trying to give deep discount to get volumes. So we are not picking up. We are not going on number game in the volumes Rather than we are maintaining our operating margin at our healthy level of 32% - 34% and working on service-level improvements to get back these volumes back to us at our pricing. You got my point?

Ankita Shah: Any price hike that we have taken? Or we are planning to take any price hikes?

V. Kalyana Rama: As of now, there is no price hike. So we actually announced a price hike, but then we deferred it till October 1, now.

Moderator: Thank you. The next question is from the line of Ajinkya Bhatt from Macquarie. Please go ahead.

Ajinkya Bhatt: Thank you for the opportunity. Sir, I have two questions. First thing, sir, you mentioned that you expect normalcy on volumes to return sometime by Q3 or Q4. So my question is if there is a surge in volumes in Q3 or Q4 because of some latent demand coming back after the economic activities resume fully, do we have the additional capacity to cater to that surge in volumes at that point of time? That is the first question. The second question, in FY20, you paid about Rs. 4,500 Crores to railways as the advance haulage charge. But if I look at the P&L statement, the rail freight expense is only Rs. 3,500 Crores. So is it fair to say that Rs. 1,000 Crores is still outstanding with railways which you would be able to utilize in FY21?

V. Kalyana Rama: I will answer your second question first. See, last year, we paid only Rs. 3,000 Crores advance to railways.

Manoj Kumar Dubey: We had earlier planned for second tranche.

V. Kalyana Rama: So we have not paid the other Rs. 1,500 Crores, which we should have paid a second installment. We did not pay it. So Rs. 3,000 Crores advance has already been adjusted. Your first question, we had wherewithal to handle all these surges. But there was some surge during the lockdown because entire road traffic got held up. So one or two terminals, we took the patch, and we accommodated. We never refused a single container.

Ajinkya Bhatt: Sir just one follow-up question. As you mentioned, there was a surge in railway volumes during the lockdown period because of disruption to road freight network. Do you think that this will have a positive impact for us after DFC gets commissioned because this would have sort of forced the customers to look at railways and some of them might have started depending on railways?

V. Kalyana Rama: Yes. There is no doubt we will get benefited. The DFC commissioning also is getting affected because of COVID.

Ajinkya Bhatt: No. What I am asking is do you think that now there will be an accelerated move towards railways after DFC gets commissioned because customers would have already been forced to move to railways because of COVID when there was road lockdown situation?

V. Kalyana Rama: That is what I am telling. With DFC coming, definitely, there is a positive impact and people are looking at railway as a good option because of many uncertainties happening on the road side. So these things have to be watched. Now we cannot make any guess work.

Ajinkya Bhatt: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Abhishek Ghosh from DSP Mutual Funds. Please go ahead.

Abhishek Ghosh: Thanks for the opportunity. Sir, the indicative increase in railway land license fees that you spoke about, will that be effective from 1Q FY21 onwards if we start accounting it in the P&L?

Manoj Kumar Dubey: It is from April 1, 2020 as of now. But as CMD mentioned, we have already represented to Ministry of Railways that the old system should continue as we still remain to be a PSU. Also for the COVID times, we have requested for the moratorium for three to six months, and ministry is yet to take a final call on that.

Abhishek Ghosh: Okay. Fair enough. Sir, you also mentioned about this 3 million TEUs kind of a volume for expected volume for FY21, which implies something like a 20% decline. Is it also to do with the fact that you have given away those 15 terminals? Or is it only because of the entire crisis that is going around? Or is it also attributable to?

V. Kalyana Rama: If you followed our first release, what we have given in the exchange information, we clearly mentioned where the business, where we are moving in out of these 15 terminals. So all those terminals, we have not closed any other terminals, losing the business. We moved it to our other terminals. The 20% drop is only because of COVID.

Abhishek Ghosh: Sir, just one last question. The price hike, which you have deferred up to October 1, what is the quantum of that?

V. Kalyana Rama: Yes. It depends. I cannot quantify this price hike, then you have once we give that notification, you have to sit down and quantify each and everything there. It will be something like 3%, overall 3% to 4% it will be.

Abhishek Ghosh: Thank you.

Moderator: Thank you. The next question is from the line of Akshaya Bhor from Premji Invest. Please go ahead.

Akshay Bhor: Sir, congratulations for good set of numbers and great operating performance. Sir, first question, is that Rs. 450 Crores of land licensing fee based on certain formula? Anything you can give a sense in terms of how that escalation could happen in the subsequent years?

V. Kalyana Rama: Let us consider this year if we say that Rs. 450 Crores, then I think at the end of this year, when we will have this conference call, I will explain you how that will be going up. But as of now, now two times, I think we already answered this question. We made a presentation to railway, and we are waiting for the outcome of that. Let it come first. So let this be first settle then we will tell you how it will go up. So without that, even still now, it will be too much of unnecessary information, I think.

Akshay Bhor: Understood, Sir. Just a quick one on over the last two, three months, given that rail would have gained some share, any indications you could give, how much you could have gained over roads?

V. Kalyana Rama: Let me tell you one. I will not give you numbers, future numbers for Q1. That is not correct. But as I mentioned in my TV Byte as well as on the conference call, the actual numbers are low. But yes, the rail share has increased because the road has got affected very badly. The road movement was banned by the government. But railways, they allowed to move the railways. So rail share increased, yes. So our share also increased. But once we look at absolute numbers, definitely it will be less. As such, there is no business. Now I think all of you who are all on the conference, you must be saving lots of money because you are not able to spend the money now.

Akshay Bhor: Thank you.

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

Ankur Periwal: Congrats for the good set of numbers. Sir, one question regarding the opening remarks, you did mention that we had let go the small-lead distances as well as the long-lead ones, wherein there was deep discounts and focus on maintaining our margins and this is despite there being degrowth on the volume front overall originating as well as handling. Would it be fair to say that FY21, when we are still expecting volumes to decline because of the macro, these margins will more or less be stable at these numbers, given the initiatives taken by us?

V. Kalyana Rama: Yes. That is what. Operating margins, we will be trying to maintain at the same level of 32% - 34%.

Ankur Periwal: That is encouraging, Sir. Sir, just second thing, two data points which you can help with. One is the empty running loss you did mention 11% decline from a full year perspective if you can give a breakup between EXIM and domestic? And second data on the port wise share that you typically share across JNPT, Mundra and Pipavav? Thanks.

V. Kalyana Rama: Empty running cost of total Rs. 203 Crores, EXIM cost is Rs.107 Crores, and domestic is Rs.96 Crores.

Ankur Periwal: Just on the port-wise share?

V. Kalyana Rama: Share of total of our volumes, JNPT contributed 33%; Mundra, 31%; Pipavav, 14%; Vizag, 7%; Chennai, 6%; and rest is other ports.

Ankur Periwal: Thank you Sir. All the best.

Moderator: Thank you. The next question is from the line of Bhavin Gandhi from BNP Securities. Please go ahead.

Bhavin Gandhi: Thank you for taking my question. Congratulations on a great set of numbers. Sir, if you can highlight the data in million terms, both for EXIM and domestic. That is the first question.

V. Kalyana Rama: In million tons, this year, we did 40.5 million, in which EXIM is around 32.7, and domestic is 7.8.

Bhavin Gandhi: Great, Sir. Sir, the second question is relating to your comment on the deep discounts in the long-lead segment. Sir, this phenomenon has started occurring during the COVID environment or has been prevailing for some time now, if you can comment on it?

V. Kalyana Rama: It is recurring for some time. There are some markets like Ludhiana, particularly Ludhiana market in Punjab. So there are four, five terminals have come up. So people started offering deep discounts. So we did not go into the deep discounting, but we could get back some good share of the market back to us because of our service levels, that is Dhandari Kalan terminal DDL and so our volumes, we are maintaining our volumes more or less. There was some net dip some two years back, but again, we are picking up our volumes there because now we are providing a complete solution there. We are picking up the cargo right from the customer premises and providing all the services to them. So some customers are very happy with those services. So that's what I mentioned, that this year, our emphasis is to provide more and more end logistics and bringing in a complete, holistic solution to customers. So we are working on a vertical to be there in our company, which is focusing especially on these things this year.

Bhavin Gandhi: Just one last thing. Any update that you can give on DFC timeline that you would have heard?

V. Kalyana Rama: DFC got delayed. So originally, DFC, we thought, July 1, we will start running trains. We are running on some small patch, but that does not help. So unless Mundra and Pipavav ports get connected, real help will not come. So now that looks to be maybe, I do not know something at the end of this calendar year or end of the financial year. It all depends on how the Coronavirus situation will unfold in the next one month.

Bhavin Gandhi: Thank you.

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

Priyankar Biswas: This is Priyankar Biswas from Nomura Securities. My first question is, there is a possibility of the land license fees going up. So like post the DFC when maybe you would have, let us say, momentum in volumes, is it possible that you would be able to largely pass on the increase in costs? I mean what is your thought on this?

V. Kalyana Rama: See, that pricing is independent of these things. Our pricing is basically based on the market conditions, where or what the cargo can bear and where we can get the business. So we work on those pricing models on those things. We do not work on pricing based on input costs. So let us be very clear on that. So our input cost has no bearing on our pricing models. But at the same time, when our pricing models and we work on, we work to maintain the operating margins, as I answered in the earlier question. So we try to maintain the operating margins at the 30%, 32%, 34%. That is what where we are maintaining for the last four, five years. In fact, maybe last two, three years, we brought the operating margins from 25% to 32%, 33% level so we are trying to maintain at those levels. Now once DFC comes, the volume picks up automatically, the land licensing fee costs will get averaged on more and more number of containers. So the impact will come down. So that will help us in trying to get more business and increase our topline as well as bottomline.

Priyankar Biswas: Sir, one more question here. On this land license fee that you told like almost Rs. 450-odd Crores, so is it now calculated based on circle rates of that land on which these terminals are like certain formulas like 6% of the circle rates? Is it something that?

V. Kalyana Rama: Well, I think, I answered this question. Yes, there is no point in repeating these questions. I answered earlier because of railway we represented something railway has to decide on. Let it be decided, then I will explain you the formula how it will be calculated and how it will be going forward in my next conference call at the end of this financial year, okay?

Priyankar Biswas: Okay. Sir, just last question from my side, absolutely. So like during the lockdown, in the absolute volumes, we are seeing, like based on the railway data that is published by the Ministry of Railways, that the decline in rail volumes is something like 10%, 12%-odd for containers. So if this is the trend, don't you think that the volume decline that you are guiding, like 20%, is actually, I mean, quite a big number, I mean, based on what the trend we are seeing?

V. Kalyana Rama: You feel that we are projecting more decline or less decline? What is that? I am not able to understand.

Priyankar Biswas: See, I say, is the decline that you are projecting, like 20%, is it not a very high number because during the lockdown period, the rail container volumes declined just 12%?

V. Kalyana Rama: Please understand this, the absolute numbers are less, but during lockdown, the road is totally closed. There is a lot of movement that happened on rail, which otherwise would not have come to rail, okay? Once the economy opens up, now road is opened up now, but there are some difficulties for road drivers in lockdown. But everything comes normal then the road will take its share. This decrease of 12% and maintaining at that level may not be possible. That is why we have given our estimate is at 3 million TEUs.

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

Aditya Mongia: Thank you for the opportunity. I had two questions from my side. The first question was more on a full year basis. The EBITDA of the company has grown about 12% in a declining market. I just wanted to kind of understand it better. Is it that you are seeing a bigger share of EBITDA from businesses beyond rail? Has that seen an uptick? Or should we kind of think through this as you being able to gain better traction in less competitive rail terminals of yours?

Manoj Kumar Dubey: You see you are very right in looking at those numbers. If you look at the other question, that also happened before there. Two things are very sacrosanct for this company, one that we did not enter into any price war so we maintained our price, which had a little impact on the volumes. Having said that, you look at expenses, we have a very good monitoring of our major variable that is staff cost and admin cost and there we have made a lot of savings. The other thing that happened in last FY that is going to happen in future also that is regarding optimizing the very thin staff numbers. There were already 28 attrition in last FY. We are not taking any new persons and for any new business that we are visualizing, we are going to use 20%, 30% of the manpower, which we visualize as extra for the existing business. By doing multiskilling, we are using them for more topline and bottomline. So that will surely come out as a positive thing in the EBITDA, not only for the last FY, but for the future FY also.

Aditya Mongia: Sure. That explains. The second question that I had was just a clarification. So one other question you had replied that there is a 40% share of rail in Northwest Corridor container volume. Would this be a similar or a higher number if I were to be focusing on long-lead distance volumes?

V. Kalyana Rama: Well, you say that it is a higher number?

Aditya Mongia: Yes. I am just trying to see, if I were to be thinking through the long-lead distance in northwest container volumes, will the share of rail be different than the 40% number that was mentioned earlier?

V. Kalyana Rama: No. This 40% northwest, when we say this, all these statistics, these percentages are based on some base. Now what base we take? Okay. The base is all the containers, which are coming into the hinterland from port towards northwest corridor. So northwest corridor starts from Gujarat right up to Punjab, okay? In that, 40% will come on rail. Now if you take only Punjab containers, the number will increase, rail share will decrease.

Aditya Mongia: So let us say for NCR, would this number be a number that you can comment on?

V. Kalyana Rama: That is your analysis. I am not going to do Partner. I have already told you what my figure is. You can do any number of analysis, is not it?

Aditya Mongia: Got that, sir. Sir, just one more thing from my side, we have come off a five-year kind of period of a good amount of capex. As you kind of see through the next, let us say, three to five years, do you see this number as a run rate coming down meaningfully?

V. Kalyana Rama: No. For this year, it has come down. Otherwise, we have given projections for five years from 2017 to 2022-2023. We said we will spend Rs. 6,000 Crores from our side, anywhere between Rs. 6,000 Crores and Rs. 8,000 Crores, okay? So last year, we spent better. A year before, 2017-2018, we spent around Rs.770 Crores. Last year, we spent Rs.1,050 Crores. Going forward would have increased but because of now this Coronavirus, COVID situation, things totaling down, topsy-turvy everywhere. So we now held back over capex spending and this year, we are only projecting Rs.500 Crores. Now if you ask me what will be next year and after that, wait for another two, three months, how this COVID situation unfolds because nobody is able to understand what will happen tomorrow. America is telling that, again, the second wave started and really getting badly affected, that is today's morning news. So we have to see, wait and watch.

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

Vikram Suryavanshi: Good morning Sir. What was the rail freight margin for this quarter and full year?

Manoj Kumar Dubey: Rail freight margin for this quarter is 31.34% compared to last year, Q4, 27.39%.

Vikram Suryavanshi: For full year, Sir?

Manoj Kumar Dubey: No. Full year, it is 28.94% for FY compared to 27.76% of last year.

Vikram Suryavanshi: Sir, this coastal shipping, since we are not operating ships, will there be concession in terms of or moratorium in the kind of payment we will be paying because these ships are on lead basis?

V. Kalyana Rama: No, we are not paying. There is force majeure clause. So during this time that applies to everyone, so it applies to us also. So we are not making any payments towards any lease in this COVID time.

Vikram Suryavanshi: Just last question, in terms of what is your exactly role in this coal business, what you have talked about for power company, just to get more clarity on the kind of services we can provide to the different players?

V. Kalyana Rama: It is coal management. Coal management means arranging the railway rakes, getting the coal rake loaded and movement of the rail and handing in the ore at the land for the consumption. For that, we will get the fees of our work. So this is an agency work.

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

Deepika Mundra: Good afternoon. Thank you for the opportunity. Sir, firstly, I just wanted to understand on your Rs. 300-odd Crores of staff costs and about Rs. 1,000 Crores in other expenses, how much would you say is fixed versus variable?

V. Kalyana Rama: Fixed versus variable expenses. You are looking at fixed and variable part of this?

Deepika Mundra: Correct. Yes.

V. Kalyana Rama: Rs. 300 Crores staff expenses, fixed cost. It is not variable. I will be paying them.

Deepika Mundra: On the others?

V. Kalyana Rama: Yes, my DF is giving you the answer. Listen.

Manoj Kumar Dubey: Staff cost and admin cost together makes Rs. 600 Crores for it. Other component is land license fees. So these are the three major components of my expenses, apart from the rail freight expenses and road freight expenses, which are variable, linked to my business. So this fixed cost, admin costs and land license fee, land license fee from this year, we stick to the new regime. Had it been the earlier regime, land license fee was also variable cost, as you know, it was linked to TEU, and the kind of TEU we used to handle we used to pay the land license fee according to that. So as CMD mentioned that leaves only with staff cost and admin cost, which are by and large fixed.

Deepika Mundra: Sir, just second question on the DFC you mentioned it will be most likely end of the year. But any update on the feeder line from Mundra to DFC? Or do you think that is on track?

V. Kalyana Rama: Feeder lines from Palanpur to Mundra and Palanpur to Pipavav are already ready. They are running. So there is no work to be done on that. But up to Palanpur, DFC has to get connected.

Deepika Mundra: So, there is no issue with this. Thank you so much.

Moderator: Thank you. The next question is from the line of Abhilasha Satale from Dalal & Broacha. Please go ahead.

Abhilasha Satale: Thank you for the opportunity. My question is again related to DFC. Sir, can you put it in exact terms how much has been the delay in DFC, how much time has got postponed to complete the entire DFC and is there any cost increase because of the delay? How will it be financed?

V. Kalyana Rama: Are we doing conference for Container Corporation or for Dedicated Freight Corridor? How can I answer your questions about Dedicated Freight Corridor? I can tell you what is the information I got when I am expecting DFC to become operational because I will be a user of DFC, your questions are concerned with DFC, so I request you call up DFC organization and ask your questions.

Abhilasha Satale: Okay. Sir, like as per your assessment, just by when this Pipavav-Palanpur, the DFC will get completed?

V. Kalyana Rama: I told you end of this calendar year or end of the financial year, I cannot tell you exact date. That is my guess. So it is three months margin I am giving you either December or March.

Abhilasha Satale: Then after for the entire DFC until June?

V. Kalyana Rama: Let us first start running up to Palanpur then again, DFC that you have to ask DFC organization. There is Anurag Sachan. He is the MD, my colleague in DFC, call him and ask him. I cannot answer this. I am sorry about that.

Moderator: Thank you. The next question is from the line of Susmit Patodia from Motilal Oswal Asset Management. Please go ahead.

Susmit Patodia: Thank you for the opportunity. Just wanted to check any update on SEIS incentive because you have taken a write-off this year, almost the whole amount?

Manoj Kumar Dubey: No, not almost whole amount. Rs.182.5 Crores, we have already got this scrips and we are in the midst of monetizing it. So it leaves us with Rs. 860.8 Crores of amount which DGFT primarily has not given us on some interpretation issue. Of that issue, we already have a clarification from Ministry of Shipping and also the views of Additional Solicitor General of Government of India. Based on that, we have made a representation to Ministry of Commerce. We are waiting for their reply. After that, we'll take up on whether we need to go through Group of secretary or through the legal recourse.

Susmit Patodia: So it is not a complete?

V. Kalyana Rama: It is not written off. It is not written off. We have only provided for it.

Susmit Patodia: Yes. But you provided for the whole thing, right?

V. Kalyana Rama: No. No. Rs. 861 Crores, it is very clear to the explanation of accounts.

Manoj Kumar Dubey: Rs. 182 Crores, worth of scripts, we have already received.

Susmit Patodia: Thank you.

Moderator: Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Good morning. Thank you for the opportunity and good set of numbers in the environment. I have two questions. First, if you could just highlight what will be the double stacking volumes sales that we did target for Q4 and FY20?

V. Kalyana Rama: Yes, Rakesh. Sanjay will tell you.

Sanjay Swarup: Q4, we have done 494 double-stack trains and for FY20, we have done 2,528 trains.

Rakesh Vyas: Great, sir. Second question, is related to the outlook that you have guided for, which is 20% decline. So I am just trying to understand is the environment when rail is gaining market share even when road is coming back they are seeing some challenges. So is not the 20% a very steep number? That is point number. Point number two is, is this 20% it is the originating volumes also likely to be in similar trends or they could have a higher decline than what we are anticipating?

V. Kalyana Rama: Now I will answer, Rakesh, one question. What is the impact on export/import you are expecting this financial year?

Rakesh Vyas: Based on what we are hearing so far, first half is severely challenged. Second half, we will see normalcy. So I think we are anywhere around 15% kind of decline on a blended basis. This is generally what we are hearing from various sources. We have no clue, to be very frank. I will agree with you, Sir. But I am just trying to understand, are we being very, very conservative in our numbers how efficiently we have been operating in this challenging environment as well?

V. Kalyana Rama: No. Rakesh that's a whole thing. See, today, if I look at import/export, it looks as if the volumes will drop by around 30%.

Rakesh Vyas: That is the current trend, Sir. Yes, you are right.

V. Kalyana Rama: If export/import drops, and 30% export/import drops on overall. So 100 will become 70. Then I have to maintain 20% drop. That means I have to pick up almost 20% extra traffic from road whereas it is a really steep thing. Today, it is happening because the road is having a challenge. But when things get normalized, the road will again try to get back their share. I understand road assets are idling, and they will go for marginal costing methods because that is where the real issue comes up. It is a question of survival then.

Rakesh Vyas: Just if you can clarify this 20% decline in handling, could originating volume numbers be different than this decline?

V. Kalyana Rama: Handling also the same almost similar numbers. We will be dropping maybe around 15%, 20%.

Rakesh Vyas: Thank you so much. Good luck.

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

Shrinidhi Karlekar: Thank you for the opportunity. Congratulations on a decent set of numbers. Sir, I just want some database numbers. I want rail position numbers at the major ports in India and CONCOR's market share at the key ports in India?

Sanjay Swarup: JNPT the rail position was 17.1% out of that CONCOR share is 66%. At Mundra, it is 25.8%; CONCOR share, 44%. Pipavav is 67%, and CONCOR share is 49%.

Shrinidhi Karlekar: Great. Sir, I just want some understanding on business. Is it fair to say that typically, import-laden containers will have a significantly higher margin in terms of EBITDA per TEU compared to, say, export-laden containers?

V. Kalyana Rama: I think this question, it is better not to be answered. These are all the business secrets. We cannot give you these things.

Shrinidhi Karlekar: Just last one, sir, if I may. Just one clarification, did we say that we had Rs. 30 Crores of kind of provision write-back in employee costs as well as Rs. 30 Crores provision write-back in some of other expenses?

V. Kalyana Rama: Cost, provision write-back and other expenses.

Shrinidhi Karlekar: The total Rs.60 Crores, right? Is that correct, my understanding?

V. Kalyana Rama: Rs. 30 Crores, Rs. 30 Crores. There is no employee expenses write-back.

Shrinidhi Karlekar: Okay. So is it fair to say that the employee cost trend that we have seen in Q4 is likely to continue next year?

V. Kalyana Rama: Yes. It is a very fair understanding.

Shrinidhi Karlekar: Thank you. Thanks for asking my question. All the very best.

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

Deepak Krishnan: Thanks for taking my question. Just wanted to double check on the empty running costs so the railway was not going to levy any haulage till April 30 so does that still stand or has it been extended due to COVID-related uncertainties?

V. Kalyana Rama: Not extended.

Deepak Krishnan: Okay. So we would get the benefit only for one month in Q1?

V. Kalyana Rama: Already gone and passed.

Deepak Krishnan: Thank you.

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

Ankit Panchmatia: Thanks for taking my question. Congratulations on a good set of numbers. Sir, I had a question regarding is there any possibility of second round of surrendering of terminals? Are we looking out for another round wherein we would be kind of shifting the business to our terminals? Any thought process around the same?

V. Kalyana Rama: No, there is no thought process. We have no second waves. We got only one wave that is finished.

Ankit Panchmatia: Great, Sir. Any indication around improvement in turnaround times because logically, all the passenger trains we were not running during this lockdown?

V. Kalyana Rama: There is huge improvement. Now things are moving very fast. Things are what we planned and are moving very fast.

Ankit Panchmatia: But Sir, this was a precursor to DFC. So we would have kind of realized much efficiencies or experienced maybe much efficiencies, which you would be able to do it post-DFC. So any flavor of improvement in turnaround times, what kind of efficiencies we have derived during this lockdown would be much helpful to understand?

V. Kalyana Rama: Lockdown period is not the period to count on these things, is not it. So this is an abnormal working. There are no much volumes. Things are not moving. Assets are idling. So actually, the assured transit times, what we are talking to railways, railways are also discussing with us. At very high levels, we are discussing all these things. But there are constraints, and without DFC, these constraints, is very difficult to take out. So unless DFC comes, there is no point about going some analysis about the things that happened during this lockdown period where there is an abnormal working going on.

Ankit Panchmatia: Good. One last question, Sir, what is the number of employees as on FY '20, if I can get that number?

V. Kalyana Rama: 1,421.

Ankit Panchmatia: Thank you Sir. This was very helpful. That is all from my side.

Moderator: Thank you. I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments.

Bhoomika Nair: Thank you so much for giving us an opportunity to host the call. On behalf of IDFC Securities, I would like to thank both the management and the participants for being on the call and answering all our queries, Sir. Thank you very much, and wish you all the very best, Sir.

V. Kalyana Rama: Okay. Thank you, Bhoomika. Bye-bye.

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