

CON/F&CS/IRC/STOCK EX/2018-19/Q3/4/CC

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Dear Sir/Madam,


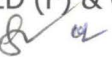
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Pursuant to applicable provisions of SEBI (LODR) Regulations, 2015, please find enclosed transcript of CONCOR's Q2/FY- 2018-19 conference call held on 31.10.2018.

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 & CSR) for placing on website of CONCOR.



“Container Corporation Limited
Q2 FY2019 Earnings Conference Call”

October 31, 2018



ANALYST:

Ms. BHOOMIKA NAIR - IDFC SECURITIES LIMITED

MANAGEMENT:

MR. V. KALYANA RAMA - CHAIRMAN & MANAGING DIRECTOR - CONTAINER CORPORATION OF INDIA LIMITED

MR. SANJAY SWARUP - DIRECTOR (INTERNATIONAL MARKETING & OPERATIONS) - CONTAINER CORPORATION OF INDIA LIMITED

MR. PRADIP K. AGRAWAL – DIRECTOR (DOMESTIC OPERATIONS) – CONTAINER CORPORATION OF INDIA LIMITED

MR. RAHUL MITHAL – DIRECTOR, PROJECTS & SERVICES - CONTAINER CORPORATION OF INDIA LIMITED



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Moderator: Ladies and gentlemen, good day and welcome to the CONCOR Q2 FY2019 Earnings Conference Call hosted by IDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Bhoomika Nair from IDFC Securities Limited. Thank you and over to you Madam!

Bhoomika Nair: Thanks Karuna. Good afternoon everyone. On behalf of IDFC Securities, I would like to welcome you to the Q2 FY2019 Earnings Call of Container Corporation. Today the management is being represented by Mr. V. Kalyana Rama, Managing Director. 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 afternoon, all of you. So here I am with all my management, with: Director, Domestic, P.K. Agarwal; Director, International Marketing and Operations, Sanjay Swarup; and Director of Projects, Rahul; along with my finance team, ED Finance and GGM Finance.

I am happy to share with you that we could be able to give another good quarter. So the things are going good. Even though there are some pain points happening in export/imports, low volumes but we are able to pick up our volumes, and we could take good growth and this is the eighth quarter we are on the growth path. I hope that we will continue to have a growth path. I believe in that growth path because there is either growth or a decline. There cannot be a stable ground where we can keep ourselves safe.

Coming to the numbers. In brief, our operating income has shown a growth of 26% on quarter-on-quarter, even with last quarter, also if I look at, 16%. There is additional income in this quarter we accounted for that is SEIS income. Even I do not look at that, the quarter-on-quarter growth is around 15%, with the corresponding quarter over last year. And in the PAT, it is with the SEIS, it is 62%, and without SEIS it is 28%.

This is PBT growth I am talking of. PAT growth is 47% and 19%, approximately.

And coming to volumes. We have seen in the total throughput a growth of 13.5% and in originating a growth of 10%. And in the leads, yes, a little bit of drop. As I was mentioning earlier to you, the leads will come and stabilize. So this quarter, we have seen lead has come down little bit. And in this quarter, we have seen the lead establishing at 779 kilometers, whereas it was 794 kilometers in the last corresponding quarter. So there was 15-kilometer drop.



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We implemented certain things during this current quarter. We made some adjustments in our charges. Basically, we are providing a lot of quality services to the customers. So we are collecting some charges, let me say this, that we are collecting Rs.1500 for TEU, Rs.3000 for FEU, for each FEU and TEU that are handled in our terminal because they are towards providing a very good infrastructure, providing the continuous cargo visibility. These things we are already providing, well established and customers are very happy. The customer satisfaction is very high. Customer value creation is getting created. So now we are going to collect and realize our expenses on these accounts.

That is giving a good revenue growth and the profit growth to us. And moreover, we introduced a uniform system, a 45 days free time for loaded containers and 90 days free time for the empty containers across all the terminals. This is, again, a move towards our customer value creation so that a customer walking into any of my terminals should have standard experience. He should not worry about what is my free time, what I am looking at, how much I have to pay, what are charges here, so absolutely no hassles. He can walk in, and he will experience the same thing at all the terminals. That is our endeavor so we introduced it just from first of October, and it is well received by all the stakeholders. There is a lot of appreciation for this move and thus we are seeing good volumes and definitely it will be one of the good initiatives. Of course, effect of this will come into the next quarter. And some current developments we were talking of earlier, so the questions will come. So let me brief you. After that, you can ask questions if you got some doubts.

In Coastal, our tender is floated, open and we got bids. And we will be allotting very shortly the coastal tender to one of the operators with the exclusivity clause. And the latest is, today, we floated our tender for distribution, I should say it is the first terminal to come up at Ennore. With that also we already floated the tender. So all the initiatives, what we are talking of, they are now going on in action. The beginnings are made. So I hope these things will definitely give good fillip to our numbers and our performance in the coming quarters. Thank you. Bhoomika, now we take questions.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin with the question session. The first question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Thank you Sir. Sir, can I get your originating EXIM and domestic volume TEU numbers in this quarter?

V. Kalyana Rama: Yes, Sanjay will give you.

Atul Tiwari: And Sir what was the SEIS income incurred in the revenue, what was the quantum?

V. Kalyana Rama: Rs.100 Crores (Approx.).



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- Atul Tiwari:** Rs.100 Crores.
- V. Kalyana Rama:** Rs.100 Crores.
- Atul Tiwari:** Okay. And just to confirm, there was no SEIS income in year ago quarter 2Q FY2018?
- V. Kalyana Rama:** That was already mentioned, Atul.
- Atul Tiwari:** Okay. So the originating volume numbers, please?
- Sanjay Swarup:** In the Q2 the handling, EXIM volume is 848585, domestic 140142. Total 988727 and originating EXIM 557253, domestic 68885, total 626138.
- Atul Tiwari:** Okay, Sir. Just to confirm, EXIM originating was 557253?
- Sanjay Swarup:** Yes.
- Atul Tiwari:** Okay. And the total is 626138? Okay, sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Sir, just a clarification. If I look at other current assets in the balance sheet, that seems to have increased by about Rs.250 Crores. Could you please explain, apart from this Rs.170 Crores towards SEIS income, what is the incremental amount coming from. Meanwhile, if I could ask you, if I assume Rs.100 Crores as SEIS income?
- V. Kalyana Rama:** Where from this figure, you have seen which balance sheet?
- Achal Lohade:** Other current asset in September 2018 as compared to March 2018, Sir?
- V. Kalyana Rama:** Pardon?
- Achal Lohade:** September 2018 balance sheet as compared to March 2018. So we have provided the balance sheet in that there is other current asset, which has increased from Rs.790 Crores to Rs.2555 Crores, Sir.
- Sanjay Swarup:** 1055?
- V. Kalyana Rama:** 1055. Yes, you are right. Will tell you this in a little while, by then let them get the figures, please. Let us go with your next question.
- Achal Lohade:** Yes. So if I assume Rs. 100 Crores as SEIS income, which will be?



- V. Kalyana Rama:** Do not assume anything, wait for the answers. You can go with the next question.
- Achal Lohade:** No, Sir you said Rs.100 Crores is the SEIS income, right?
- V. Kalyana Rama:** Yes.
- Achal Lohade:** Okay, so what I was asking is, if I look at the realization for EXIM, that seems to have increased by about Rs.2500 for TEU, Q-o-Q, as compared to the first quarter. So we have taken Rs.1500 price increase, so how do we explain the increase in the realization? Is it driven by product mix as in the mix in terms of the volumes, or is there any additional charges we have levied as well? And how much of this is sustainable, Sir?
- V. Kalyana Rama:** On the May 15, 2018, and there is Rs.1000 freight increase. And then there is Rs.1500, the service charges. In total, there is Rs.2500 additional we are collecting, compared to last quarter, corresponding quarter.
- Achal Lohade:** Got it. Great. Thank you so much for the clarification, I will come back in the queue Sir.
- Moderator:** Thank you. The next question is from the line of Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** Thank you for taking my questions. So first one, if I look at the rail freight expenses sequentially, that seems to have gone up by about 12-odd percent whereas the volume, handling volume seems to have gone up by about 6%. So what is, that is leading to this sharp increase, sequentially?
- V. Kalyana Rama:** Sequentially went up?
- Sanjay Swarup:** You mean sequentially, quarter-on-quarter?
- Bhavin Gandhi:** It was 1Q over 2Q.
- V. Kalyana Rama:** 1Q over 2Q. Rail freight expenses.
- Bhavin Gandhi:** Yes, that seems to have gone up about 12-odd percent, which is much higher than the volume growth, at least.
- V. Kalyana Rama:** Q2 over Q1. 12%. There is an impact of Ind-AS of around Rs.10 Crores. And there is empty running cars increased by Rs.7 Crores.
- Bhavin Gandhi:** Okay. Sir, can we have the number of double-stacked trains that we have run?
- V. Kalyana Rama:** Number of double-stacked trains in Q2, we have run 809.



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- Bhavin Gandhi:** 809, right. And just one last thing, what was the port-wise market share if you can share?
- V. Kalyana Rama:** Port-wise market shares in JNPT we are at 80.5%. Mundra, we are at 52.5%, and in Pipavav we have 53.8%.
- Bhavin Gandhi:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Good afternoon Sir. Congrats for the good results. Sir just on your logistic parks, so any update on, I mean further commissioning, because we have heard you have commissioned like 81st and 82nd terminal, I guess, on last?
- V. Kalyana Rama:** What is that, 82 or 83? 82, yes, you are right, 82.
- Prateek Kumar:** So 82 we are versus 79 as close of 2018. So we are looking at how many terminals now, and what is the run rate of capex for six months, and whatever expectation for full year?
- V. Kalyana Rama:** Full year capex expectation is Rs.800 to Rs.1000 Crores. Our target is the same, and we are very hopeful of completing and fulfilling the target. So now there are six months, the booking is around 30%, 30-odd percent, the next 70% will happen in the next six months because this is a dry season. And number of terminals, our target for this financial year, as I mentioned earlier, 11 terminals in this year, so it is 90 and by 2020, it is 100, target 100 we are working on.
- Prateek Kumar:** 2020 is FY2020 you always meant?
- V. Kalyana Rama:** Yes FY2020
- Prateek Kumar:** Yes, okay. And Sir, because of this axle load, I mean, we have robust volume growth, both on originating and total basis. So did we witness any pressures from the axle load norms seen in the road sector. There is some increased competition or diesel has been too steep for anything?
- V. Kalyana Rama:** We could not see any competition. I could not see anything specifically coming out of that particular announcement. So I think we had mentioned this in the last conference call also that this more of legalizing the overloading going on.
- Prateek Kumar:** Okay. And Sir, just last figures, bookkeeping question. The lead distance on EXIM and domestic, separately if you can give?
- V. Kalyana Rama:** So this figure 711 km is the EXIM lead and 1429 km is the domestic lead.
- Prateek Kumar:** 1429 km. So domestic lead has increased by some 100 kilometers?



- V. Kalyana Rama:** That is last quarter end of the last year, it was 1418 km. This year it was 1420 km.
- Prateek Kumar:** So Q1, it was around 1320 km or something?
- V. Kalyana Rama:** So Q1 it was 1354 km.
- Prateek Kumar:** 1354 km and Sir, on total basis, how much it would be, aggregate basis?
- Sanjay Swarup:** Total aggregate is Q2 is 779 km.
- Prateek Kumar:** Was it 794 km on a year-on-year basis?
- Sanjay Swarup:** Yes.
- Prateek Kumar:** Sure Sir. I will get back to the queue. Thank you.
- Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** Thanks and congrats for good performance. So two questions; one, you did mention, you know the lead distance going down as well as the empty cost increasing around Rs.6 Crores to Rs.7 Crores. This Rs. 7 Crores is Q-on-Q or on year-on-year basis?
- V. Kalyana Rama:** Q-o-Q.
- Ankur Periwal:** Q-o-Q.
- V. Kalyana Rama:** For the previous quarter of this financial year, not on this corresponding quarter.
- Ankur Periwal:** But Q1 versus Q2, there was an increase?
- Sanjay Swarup:** Yes.
- Ankur Periwal:** Now, so if I put all things together, the improvement in our realization as well as the margin is largely because we have been able to pass through fully Rs.1000 hike, which have taken in the month of May. Rs.1500 hike, which we took in August, has there been some benefit, which has also come through, or that will come incrementally in the quarter going ahead?
- V. Kalyana Rama:** No it has come down because the 45 days already in this quarter.
- Ankur Periwal:** Okay. So that has been immediately passed through to the customer, then?



- V. Kalyana Rama:** It has been collected. From August 15, 2018, it is collected on each TEU and FEU and in all terminals. It is an income generation.
- Ankur Periwal:** Yes, fair enough. Sir, trying to understand how does the road versus rail dynamic help now, because the endeavor was always to take incremental market share from road. And with this hike coming in?
- V. Kalyana Rama:** Road versus rail is a very big debate. I do not think that is a question - I think, we can debate in the conference call. Let me tell you road is not affecting us. In our segment of business, we are seeing strong growth, and we are not seeing any sort of pressure coming from the roadside onto the segment where we are operating. Otherwise, the big debate, road versus rail?
- Ankur Periwal:** No, Sir, where I was coming from was, have we, has the industry been able to take incremental market share from road, whether lightweight or heavyweight cargo?
- V. Kalyana Rama:** Again, to this my answer is, see, we are getting incremental traffic. Now the segment is somewhere it will be from road, we are able to capture. Somewhere, it is the increase in the business. So it is meant that real classification and an analysis, we have not done. Maybe we have to do, sometime, we may take up that exercise. Wherever we are trying to pickup new traffic, there we do this exercise. And there are some places where we picked up some portion of the road on to rail. There are like in Madhya Pradesh, we picked up traffic from road onto rail, and we picked up traffic from road on to rail in NCR region. And we picked up a lot of empty container movement from road to rail out of NCR via our Khatuwas terminal. So these are all isolated pockets happening, and we do that particular stream analysis and we work on that. So in an overall generalized statement, I cannot make on this.
- Ankur Periwal:** Sir, fair enough. And just last one bookkeeping question. Are other expenses, have increased Q-o-Q while Y-o-Y obviously there is an increase. Is this largely because of the land license fee, probably another escalation or is that just a continuation of the same?
- V. Kalyana Rama:** The security expense has increased, custom cost recovery charges increased, the staff cost increased. These are all because of the pay commission happened in the last year. So that effect last quarter, last corresponding quarter of the last year, there was no effect of this. Last quarter it was not there, and land license fee is at the same level. The level of Rs.1125 is the land license fee today. So it was 920 in the last year figure. So there is an increase of Rs.205 in this happened in the first quarter also as well as this quarter.
- Ankur Periwal:** Fair enough Sir. That is helpful. Thanks a lot and all the best.
- Moderator:** Thank you. We move to the next question from the line of Girish Raj from Quest Investment. Please go ahead.



- Girish Raj:** Thank you. A question on domestic revenue, our first half revenue growth was approximately 9%. So is that the rate at which domestic CTO would grow in the near to medium term, or the potential is higher?
- V. Kalyana Rama:** So domestic business, we are seeing good growth. In fact in the Q2, the growth is almost 18.5%.
- Girish Raj:** That was because last year was low?
- V. Kalyana Rama:** Yes.
- Girish Raj:** Last year base was low.
- V. Kalyana Rama:** Not now. Last year, also we had incremental loading also, so it is always, you would see when we had the growth is there, so obviously you see the last year's base will appear to be too low, but there is incremental even this year-to-year, if we see last year. This year also, we are expecting the growth should be around 12% to 13% to be continued.
- Girish Raj:** So 12% to 13% is the right base at which we were gone, right?
- V. Kalyana Rama:** Yes.
- Girish Raj:** Sir just wanted to understand your view on the MMLPs. What competitive advantage does MMLP bring to our operations?
- V. Kalyana Rama:** MMLP, bring in the advantage of aggregation, distribution in the first place. And then we are providing a longstanding warehousing, see, as this, I was explaining earlier also, the whole concept where we were working on is the transit warehousing. Now we are graduating from transit warehousing to a longstanding warehousing also. We have meant to warehouse of goods in our terminal itself. So making a secondary movement to go to warehousing and then go for distribution. It can be distributed right from here. So that is what the distribution logistics is all about, which we are going to enter now. And as I mentioned in my opening remarks, the tender for one-fourth distribution logistic center, which we want to open in Chennai is already out on, as on date. Today morning, we uploaded that regarding the tenders.
- Girish Raj:** Just the last. Rail freight margin for the second quarter, Sir?
- V. Kalyana Rama:** Rail freight margin, it was 28.81%.
- Girish Raj:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.



- Vikram Suryavanshi:** Good evening Sir. Can you share about how is the imbalance now, and separate numbers for empty running in EXIM and domestic?
- V. Kalyana Rama:** Imbalance has gone up in this quarter. That is because the exports are very low particularly in this quarter. So this quarter, the empty running cost for EXIM is Rs.37.8 Crores. And for domestic, it is Rs.27 Crores. And total, it is Rs. 64 Crores. So 64 Crores over last corresponding quarter if you look at in increase of around Rs. 6 Crores.
- Vikram Suryavanshi:** Okay and then the last question, Sir. Just to elaborate on this distribution logistics, so usually third-party people will manage all distribution network from our hub. Can you just explain bit in distribution logistic business?
- V. Kalyana Rama:** In our third-party people, it is our business partner. See it is a PPP model, public, private participation. So CONCOR, along with the developer, will develop the distribution logistic center. CONCOR will be operating the distribution logistic center. However, the developer is a business partner. He is not only infrastructure developer. He is a business partner, partner in business. So he will be carrying out all the activities, all the logistics activities, right, from inward to outward, right up to the doorstep of the customer. CONCOR is providing the quality. The service is being operated through the partner in there.
- Vikram Suryavanshi:** Okay. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Good afternoon team and congrats for a fairly good set of results. Sir, my first question was more from a pricing strategy perspective. I want to get a sense from you that the markup that you put on the rail haulage recorded charge, as you are saying it is about 28%?
- Sanjay Swarup:** What is that?
- Aditya Mongia:** The rail haulage charges, which are there. You put essentially a markup and that yields revenue for you. So you reported 28.8% margin on the rail freight side. As a company, has that been the thought process of reducing that markup or margin and if so, if there is a good elasticity of demand that can cover up for maybe a lower markup?
- V. Kalyana Rama:** This question, I think, not relevant to answer in this forum because that is not a mark-up. First point is, Mongia that is not a markup. Markup may not be 28% in all the places. It comes out of operations. I think I explained this in some earlier conference calls. This comes out of working on some circuits and doing some other things and double-stack running. So markup is not the right word for that 28% ratio. Second thing is, I cannot reveal my strategies now, really what I will be doing with the present.



- Aditya Mongia:** So just putting it differently, is there good elasticity of demand in this business?
- V. Kalyana Rama:** Yes, there is elasticity of demand. If that is a question, yes, I will answer. There is elasticity of demand. and whatever we are going for the corrections in the pricing, what we do is, depending on the service qualities, what we are providing and also at the same time evaluating the customer satisfaction and the customer value creations, what we are trying to achieve and how best we are able to achieve and at what pricing we can do. That is how we can follow the pricing strategy.
- Aditya Mongia:** Got that, Sir. So, the second question was move on the domestic front. Just wanted to get a sense from you that now obviously there is a good growth happening. What is driving this good growth? And how do you foresee the prospect for the domestic segment going forward?
- V. Kalyana Rama:** See, basically in domestic segment, the level of containerization in our country is very, very low. So there is still lot of scope for the goods to be containerized. Now market is slowly understanding the advantage of containerizing the things and they are calculating the total logistics cost. From our side, what the changes we brought in over the last one and one and a half years is that the corporate customers are given the primary importance. So a big customer, corporate customer, with whom we can go on a long-term deals, we are ensuring the fulfillment levels to almost the 100%. They have given the volumes for us, and the trade volumes are automatically getting added to this corporate volumes, it is what actually driving the growth.
- Aditya Mongia:** Thanks a lot. Those were my questions.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Goldman Sachs. Please go ahead.
- Ashish B. Shah:** Thank you Sir and congrats for a good set of numbers. So my question is on the Rs.1500 service charge increase that we have taken from August 15, 2018. Are we providing any additional services against this or it is for the same service?
- V. Kalyana Rama:** See we already provided these services for last one year. If we take August 15, 2018 as the date where we are basing our discussions, you can safely assume that from April 1, 2017 we are providing these services. So more than a year, all these services are provided free of cost. Whatever charges we are now putting on collecting, these services are all provided, and all my customers were very happy with these services. They have all benefited much more than what I am now asking them to contribute. And they are happily contributing.
- Ashish B. Shah:** Sir, can you also explain what are the services, just typically? What the customer look for in the service, which you will be providing?
- V. Kalyana Rama:** I will give you an example. Otherwise, it will take a lot of time, maybe sometime you have to sit with me to understand what is our service, how is the benefit of that. Some services I am giving



continuous cargo visibility. So from the time the container is handed over to me till that time the cargo is delivered at his doorstep, or the cargo picked up from his doorstep till the container is loaded on the ship or delivered at the other end of India, the cargo is completely visible to him. So he can do a lot of planning. See it is not only planning for sale and all that. Even there are many things happening in this market. There will be sales while the things are on the move, so the fellow can make a very good sale, stating that at this point of time, the goods is available for you at this particular location. So he will be able to pitch his sales in a better way. So this is one service. So, such services are there. So I cannot go on explain all those services. It will take time.

Ashish B. Shah: So then it is fair to assume that because you are anyways providing the service, so this Rs.1500 completely passes through to the bottomline?

V. Kalyana Rama: Yes.

Ashish B. Shah: Fair enough Sir. Sir and just one small bookkeeping question. So what would be the percentage of double stacking in this quarter?

V. Kalyana Rama: I already gave that figure, 809.

Ashish B. Shah: Sir, if you can give the total number of double stack, total number of trains then also it will help? There were 809 double-stacked trains?

V. Kalyana Rama: As a rule, the number that are double stacked, I already told you, approximately 10% of the volume, we double stack.

Ashish B. Shah: Okay. Perfect Sir. Thanks a lot.

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

Shrinidhi Karlekar: Congratulation on good set of numbers. Sir, I just wanted to understand how much has been the service charge increase on the 40-foot container, Sir?

V. Kalyana Rama: Rs.3000.

Shrinidhi Karlekar: Rs. 3,000. And Sir how much is typical of 40-foot container in your mix?

V. Kalyana Rama: Typical number?

Shrinidhi Karlekar: Kind of, is it, like, out of 100 containers?

V. Kalyana Rama: There are certain thumb rules. The thumb rule in the shipping industry is 20:40 mix is 60:40.



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- Shrinidhi Karlekar:** Right, that is what I wanted. Just one understanding, the originating volume that you give, are these laden volumes? There are not empty containers that are included in these, right?
- V. Kalyana Rama:** In EXIM, it is including empty containers. In domestic, it is laden containers. EXIM empty container movement we do not count on. In EXIM it is a revenue service.
- Shrinidhi Karlekar:** Okay. So EXIM originating volume includes empty containers, right, in there?
- V. Kalyana Rama:** You have to understand this way. In EXIM, it is a revenue service.
- Shrinidhi Karlekar:** I understood, Sir. I know that you can charge for service.
- V. Kalyana Rama:** Yes. In domestic, it is not – it is a non-revenue service for us. Okay?
- Shrinidhi Karlekar:** I understood, Sir. And Sir, the last one from my side. Sir, these empty running charges that we have from this international business, about Rs.40 Crores. Are these typically repositioning charges or it includes an empty container servicing charge there as well?
- V. Kalyana Rama:** The container charge will be in revenue service for me. I get revenue out of it.
- Shrinidhi Karlekar:** So the Rs. 40 Crores would be predominately rake repositioning, right?
- V. Kalyana Rama:** It is only rake positioning.
- Shrinidhi Karlekar:** Okay Sir. Thanks for answering my questions and all the very best Sir.
- Moderator:** Thank you. The next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.
- Ankit Panchmatia:** Sir, I just wanted the port wise, volume breakup in our total volumes if I can get?
- V. Kalyana Rama:** Yes, Sanjay will give you.
- Sanjay Swarup:** JNPT is 34.4%; Kharagpur, 32.77%; Jakhwada, 14.75%, Chennai is 6.93%; Vizag, 4.91%; Kolkata 1.48%. That breaks out 95.24%. This is I am giving for Q1 plus Q2.
- Ankit Panchmatia:** Okay. So these numbers are for Q2, right?
- Sanjay Swarup:** No, Q1 plus Q2.
- Ankit Panchmatia:** Okay. That would be fine and actually I wanted to know regarding this 45 days fleet period for which we had given. So there would be some sort of revenue loss on that as well. So I just want



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to understand that, is this Rs.1500 price hike would completely compensate our revenues, which have been lost from these 45 days? Or how should I look at this?

V. Kalyana Rama: The 45 days by 90 days is expected to give us a volume growth of around 12%. So this Rs.1500, Rs.3000 forget about it, that is for services what we are providing. That is an additional revenue we are getting. So you can calculate that. That is for each TEU, FEU handle in my terminal I will be charging. Over the 45/90, I will get, 12% extra.

Ankit Panchmatia: Extra volume, right Sir?

V. Kalyana Rama: Yes. So whatever forecast I have given of 12%, so to maintain that, also I have to put in some marketing strategies. So you can understand this as one of the marketing strategy.

Ankit Panchmatia: Right. And Sir, how have you been facing this Rewari-Palanpur section maintenance issue as well, because of which, our empty running?

V. Kalyana Rama: I do not know what you are asking. There is no maintenance issue. We are running trains.

Ankit Panchmatia: Okay. Thank you Sir.

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

Deepika Mundra: Good afternoon Sir. Thank you for taking my questions. Sir, firstly, just on your annual report, recently you stated on long-term targets of 80% market share and about Rs.7 million TEU of throughput in this two-three years' time by 2020. So that is like, practically doubling your volume from FY2018. So what is driving this sharp growth in traffic?

V. Kalyana Rama: I think this year we are already in the first half what we have achieved.

Sanjay Swarup: 1.9 million.

V. Kalyana Rama: So in the first half, we did 1.9 million. So by the end of the year, we are looking at 4 million. So when I said FY2021, I am talking of three years growth in my annual report. I am looking at 7 million. So there is three things in this one is the natural growth, which we had, like, last year 3.5. This year, we are achieving 4, and now this year, we are moving more rakes. We are looking at more volume. India is growing, and we are also growing. The second is, we are starting our distribution logistics business that will add volumes to us. Then we are starting coastal. That will also add volumes to us. So all these three put together we are expecting to touch an ambitious target of 7 million TEUs BY FY2021. That is the three-year growth story what we are talking of. Got it?



- Deepika Mundra:** Okay, understood, Sir. And Sir, secondly, I wanted to check the rail freight margin, does that benefit from the service charges? Or does that not go to the rail freight margin?
- Sanjay Swarup:** That will not go to rail freight margin. See whatever government taxes we collect from customers we pay to the government treasury. The rule is that we cannot get benefited out of government taxes collected from the customers.
- Deepika Mundra:** Okay. And Sir, the last question from my side. If I look at the export incentives, on a per TEU basis of Rs.100 Crores, basically, it seems significantly higher versus the last quarter so any reason for the jump in the income?
- V. Kalyana Rama:** It is 7% now.
- Deepika Mundra:** Okay, 7%. Okay Sir. I understood. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thanks for the followup Sir. I just wanted to check the margin guidance and the growth guidance for the current year?
- V. Kalyana Rama:** Same, whatever I have given we maintain at 12%.
- Achal Lohade:** 12% to 14% for volume growth. And the current quarter margins are sustainable, right, because there are no one-offs as we understand. Is that fair understanding, Sir?
- V. Kalyana Rama:** Yes. See we always maintain our guidance's at the same level, but we work on trying to get an improvement.
- Achal Lohade:** Got it. That is great and just a clarification, the storage income. You said it is for all our terminals. Did you mean for all meaning including the domestic terminals or only for the EXIM terminals?
- V. Kalyana Rama:** See the storage income is only on the EXIM side. There is no great storage income in the domestic side. The domestic side, it is a little bit. It is a deterrent we keep on charging our customers that is a very low. So whatever storage income we were reporting on our balance sheet is out of the EXIM revenues only. So now the storage income will not be there, because we are giving an almost complete free period, 45 days free in a loaded container less than the standard, it is like almost free. Anybody who is bringing in a loaded container, if he is not clearing within 45 days, then there is a problem.
- Achal Lohade:** Is there any charges levied by the shipping line in that case beyond 14%?



- V. Kalyana Rama:** They have their own scale of charges. So there is nothing to do with my free times. However, these are not interlinked, neither in the past nor in the future.
- Achal Lohade:** Got it. Thank you so much for the clarification. Thank you. All the best.
- 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 followup opportunity. Sir just did we get clarity on increase in other current assets, which was discussed in the past?
- V. Kalyana Rama:** The other current assets is because one is Rs.171 Crores is in the SEIS income, and there is the Rs.98 Crores is advanced recoverable.
- Prateek Kumar:** Advanced recoverable from, I mean from customers? I mean, from your vendors?
- V. Kalyana Rama:** From the customers.
- Prateek Kumar:** Sir, there is no visibility on like, I mean, we have being, like, piling up on these incentives now almost Rs.800 Crores, Rs.900 Crores from visibility on receipts from the government?
- V. Kalyana Rama:** Yes, Rs.875 Crores?
- Prateek Kumar:** Yes, Rs.875 Crores. I mean actual cash coming to the company. There is no visibility there?
- V. Kalyana Rama:** There is clear visibility. See this is a receivable. The government has to have money. So when the government feels that they will allocate budget to this particular incentive, there will be incentives. So we are waiting for the government to allocate the budget for releasing these incentives. I understand your question. There is the cash we are also carrying on but it is a benefit, and it is an accounting practice accrual accounting, so we are accruing it.
- Prateek Kumar:** Sure, Sir. And just one question on, I mean, on the price increase in two legs that we have taken. So let us assume, if there is some haulage increase, maybe some nominal, 8%, 10%, haulage increase, which happens now. So I mean, we have now certainly grown in profitability percentage, versus like, let us say, six quarters back. So we will be still looking to pass through that 8%, 10% haulage increase hypothetically to customers? Or we may choose to absorb that also maybe to, I mean, to not let go customers?
- V. Kalyana Rama:** No comments. I do not do guesswork.
- Prateek Kumar:** Sir, I mean, relating to the hikes, which you have taken in two legs. So has competition also taken similar hikes?



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- V. Kalyana Rama:** That you have to tell me. I do not look at market, because my competition is road. I do not have a competition. So road never goes with my increases. They have got their own increases.
- Prateek Kumar:** Okay. And, Sir, rail coefficient. You used to share, like, a couple of quarters back, rail coefficient at ports. Is that data available now?
- V. Kalyana Rama:** Well, we shared with you know. Now somebody else asked, we shared with them.
- Prateek Kumar:** So that you said like your share at different ports like 83%, 50%, 50%, but generally rail share at the ports.
- V. Kalyana Rama:** Rail share at ports generally is at 16.25%, Mundra is 26.25% and Pipavav is 69.1%.
- Prateek Kumar:** Okay Sir. Thanks a lot for all the answers.
- Moderator:** Thank you. The next question is from the line of Aditya Makharia from Motilal Oswal Asset Management.
- Aditya S. Makharia:** Sir just an update, how are you seeing the progress on the freight corridor? And what are time lines expected now?
- V. Kalyana Rama:** Whatever my colleagues in freight corridor have given the targets, I am fully believing in that. If the target what they have given is by next March, they will open up Pipavav and Mundra.
- Aditya S. Makharia:** Okay. And what about the stretch to JNPT?
- V. Kalyana Rama:** Well, have they given some forecast on that?
- Aditya S. Makharia:** By March 2019 is when you are saying Kandla and Pipavav will open up?
- V. Kalyana Rama:** There is Pipavav and Mundra. They are saying, DFC is telling that in March 2019, they will open up, and I am going by that.
- Aditya S. Makharia:** Okay. Got you. Thanks.
- Moderator:** Thank you. The next question is from the line of Shekhar Singh from Excelsior Capital. Please go ahead. As there is no response from the current participant, we move to the next question from the line of Chintan Bandora from Narnolia Financial. Please go ahead. As there is no response from the current participant, we move to the next question to the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Thank you for the opportunity. Sir, just wanted to understand, is there some change with respect to the customs duties, the time by which the customs duties have to be paid at the ICDs? Is there



some change there as well? I mean, as in when the container comes in, does that have to be paid immediately itself?

V. Kalyana Rama: Yes, there were some regulations came in to be filed within 24 hours.

Mukesh Saraf: Okay. Just checking if this is the case. I mean, earlier, obviously, they used to pay the custom duties later, and they could hold the container at your ICDs for maybe 10 days, 15 days. So if this is the case, then the dwell time would anyways would have dropped, if they are going to be paying the customs duty within 24 hours?

V. Kalyana Rama: See, dwell time is different and the bill of entry filing is different. You have to file a bill of entry. So after the bill of entry, the assessment will be done, and then the cargo can re-stopped or they can hold on to the cargo even after paying the customs duty. They will not get it out. So it is not the way, exactly, directly proportional with these activities. But yes, if the customer has paid the customs duty, there is always a commonsense logic that we will take the container faster.

Mukesh Saraf: Right, right. So I am just wondering is this 45-day free period that you have provided, is there any relation to the fact that the dwell time would have anyways dropped? And hence, it really would not have affected our rental income that we get?

V. Kalyana Rama: If that is your reading, I will go with your reading. And if somebody else reads it another way, then I will go with them.

Mukesh Saraf: Right Sir. And in relation to this itself, we have taken this price hike, but we generally have certain long-term contracts with customers. So from August 15, 2018 to now, I mean, have most of the customers have seen this hike? Or given that we have been entering our contracts over time, do we see that over next three months, six months more customers will come under this Rs.1500 hike?

V. Kalyana Rama: I will answer this very straight. I will give you a straight answer to you. Each and every TEU coming into my terminal has been charged Rs.1500.

Mukesh Saraf: Okay. So any contract will not affect this hike in charges. Okay. Right. And lastly, how are we, I mean, how will we be able to easily manage this diesel, this 10-year and older trucks being banned or being restricted from movement within the NCR region, will we be able to manage this by, say, rotating or getting the newer fleet in this route?

V. Kalyana Rama: Is in there a media report you are asking with the question?

Mukesh Saraf: There has been a Supreme Court regulation where 10-year older diesel trucks will not be allowed to ply in the interior region, Sir.



- V. Kalyana Rama:** See, if it is in existence, we will continue with our business so that is already practically we are showing that we can do business with that.
- Mukesh Saraf:** Okay. So that, basically, is not impacting us?
- V. Kalyana Rama:** No it is not. These things will not impact us. We are actually going and I think this time, the question has not come. See, what we are trying to do is, being a PSU, we are following a system of single vendor. We give tender, we select the L1, and we give the job to them, whether it be the transportation, first mile, last mile or whatever activity. Now we are trying to develop a logistics platform, and we are trying to go in for a multi-vendor system. So that gives more flexibility to my customer, more flexibility to me to operate and improves the service levels.
- Mukesh Saraf:** Right Sir. I understood Sir. Thank you so much for this.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from Goldman Sachs. Please go ahead.
- Ashish B. Shah:** Thanks for the followup opportunity, one small clarification. Sir, on SEIS, is it correct that we will have 7% incentive on EXIM for the full year? So we have got a notification for FY2019?
- V. Kalyana Rama:** Is it for the full year? 7% is for the full year? Yes, we have got notification.
- Ashish B. Shah:** So in this quarter, have we returned or have we added any additional charge, which we will get for Q1? Because in Q1, I think we had accounted at 5%.
- V. Kalyana Rama:** Q1 also 7% we accounted for. So 7% should be volume growth at Rs.1700 Crores, that, how that 30 Crores increased, I will ask my finance people to calculate it later, this one.
- Ashish B. Shah:** Okay. Thank you.
- Moderator:** Thank you. The next question is from line of Piyush Khorasia from Crest Wealth Management. Please go ahead.
- Piyush Khorasia:** Thank you for providing me the opportunity to ask the question. I only had one question. When we were talking about double stacking, we were only talking about the diesel trains, which are running. But through some media reports I have come across that Indian Railways started some draft trains, draft containers that are containers of around 6 foot 3 inches or 6 foot and 4 inches or something. And it can be run on the electrified routes. So do you have any sort of idea on it? And are we considering to do that?



- V. Kalyana Rama:** See these dwaf containers are nonstandard containers. They are not the EXIM containers. They are not in the international business. They are non-standard containers, which are suitable only for a particular type of products.
- Piyush Khorasia:** So can we use it for domestic orienting of taxes?
- V. Kalyana Rama:** Domestic, also only some type of product can be used. There are many limitations on that, and then, as an update, the dwaf container is cleared, again, for only one section on Indian Railways, okay. So, do not follow media reports. That you will be reading, so it is my duty to clarify. There is a modification required in the containers itself because the tracks cannot be modified. There are many structures on the tracks like road over bridges, so they cannot be modified. So containers have to be modified. So if the containers are modified further, they have certain problems with loading. The head loads cannot be done in that. A fixed rated container cannot be loaded manually. And the machine also cannot go inside. So there are many limitations on these containers. So they are physically selected, that we used, for now, on an experimental basis in one particular product in one particular route. So we are still waiting. We are continuously following that from our side. And unless we do a complete study, we are not going to go in for this business. That is not the double stack what we talk of.
- Piyush Khorasia:** Thanks for clarifying Sir.
- 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 again. Sir, as you mentioned, I mean, we are agreeing to the deadline of DFC of March 2019 for the Mundra to Pipavav route. So it looks quite low, so I mean, how are we, like, let us say, preparing for in terms of our rakes and containers for running on those routes?
- V. Kalyana Rama:** We are very well prepared. If DFC comes next tomorrow, I am prepared. I got my terminals ready. I got stock ready. I know how to do double stack because as we give figures to you, there is almost 10 double stack trains that we do. So we are absolutely ready with all the minute details of working & how we have to go about it.
- Prateek Kumar:** So whatever trains we are running today on double stack routes will just shift to DFC corridor, and just, I mean basically will be business as usual?
- V. Kalyana Rama:** See, let us understand, DFC is only a corridor where there will be no Passenger traffic. It is a freight corridor. Otherwise, the length of the wagon, the width of the wagon, the size of the wheel, everything is same.
- Prateek Kumar:** How much train size is doubling?



- V. Kalyana Rama:** Train size is doubling, even the trains sizes, double today on Indian Railways; it is called local hauls. It is being done on Indian Railways. These are all technical details. So that is being done today on Indian Railways also at some of the places where we are able to run the trains like that. We combine two trains and run on one path. That is the saving of a path on Indian Railways. So that possibility is there without doing anything on the DFC side. So the same train can be run. It can be run 1,500 meters, train also can be run. We are ready for that also. The stock is available. The same stock will run on that. So we are ready. Our preparedness is there. When it will open up, that is the decision from DFC.
- Prateek Kumar:** Great Sir. And, Sir, just on domestic business, we saw, again, on the domestic business, profitability like swing from Rs.1000 per TEU to Rs.2000 again this quarter, which is great. Any specific benefit, which we got in this quarter?
- V. Kalyana Rama:** See last year, we achieved around Rs.3700 at TEU margin in the domestic business. In the first quarter, why it has come down is because we opened up many new terminals. And the depreciation charges have been accounted for because the capitalization was done on all the terminals. So due the depreciation charges, the margins are shown low, but there is a cash flow into my books. This quarter, also, there is amortization. Otherwise, our margins, we already picked up in the last year, and we are maintaining the prices at the same level, as there was some betterment of realizations. There is an additional benefit out of this.
- Prateek Kumar:** In current quarter, so now, I mean, assuming we maintain terminals. So, I mean, it should continue to remain at, let us say, Rs.2000 per TEU or higher?
- V. Kalyana Rama:** I do not know. Last year we could achieve Rs.3800. So once the volumes increase and then depreciation gets adjusted on the volumes, we can go up to Rs.3800 also.
- Prateek Kumar:** You are talking about EBITDA per TEU or EBIT per TEU?
- V. Kalyana Rama:** EBITDA.
- Prateek Kumar:** Okay Sir. Thanks for the answers.
- V. Kalyana Rama:** Okay. Thank you. I think we completed our time.
- Moderator:** Sir that was last question. Bhoomika Nair, over to you for closing comments.
- V. Kalyana Rama:** As I mentioned, friends, we had a good quarter. And we hope we will be able to continue with our good run we are having. Because we are very hopeful of improving economy in India and every GDP growth of 1% requires 1.5% elasticity in logistics. So we are planning for that, and we are planning for all the future expansions and future new things coming up, like DFC, our



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own ventures like coastal distribution logistics, we are adding rakes. So we are preparing ourselves for bettering things in the coming quarters. Thank you all.

Bhoomika Nair: Thank you very much Sir.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of IDFC Securities Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.