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CONCOR

भारतीय कंटेनर निगम लिमिटेड
बहुविध संभारतंत्र कम्पनी
(भारत सरकार का नवरत्न उपक्रम)

Container Corporation of India Ltd.
A Multi-modal Logistics Company
(A Navratna CPSE of Govt. of India)

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Dear Sir/Madam,

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

Pursuant to applicable provisions of SEBI (LODR) Regulations, 2015, please find enclosed transcript of Post results conference call held on 11.08.2023.

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भवदीय,
कृते भारतीय कंटेनर निगम लिमिटेड

HARISH CHANDRA

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"Container Corporation of India Limited

Q1 FY 23-24 Earnings Conference Call"

August 11, 2023

MANAGEMENT: **MR. V. KALYANA RAMA – CHAIRMAN AND MANAGING DIRECTOR – CONTAINER CORPORATION OF INDIA LIMITED**
MR. AJIT KUMAR PANDA – DIRECTOR (PROJECTS & SERVICES)– CONTAINER CORPORATION OF INDIA LIMITED
MR. SANJAY SWARUP – DIRECTOR (INTERNATIONAL MARKETING AND OPERATIONS) – CONTAINER CORPORATION OF INDIA LIMITED
MR. MANOJ KUMAR DUBEY – DIRECTOR (FINANCE) – CONTAINER CORPORATION OF INDIA LIMITED
MR. MOHAMMAD AZHAR SHAMS – DIRECTOR (DOMESTIC) – CONTAINER CORPORATION OF INDIA LIMITED

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

Moderator: Good day, and welcome to the Container Corporation of India Limited Q1 FY 2023-2024 Earnings Call, hosted by DAM Capital Advisors Limited. 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you and over to you maam.

Bhoomika Nair: Thank you, Dorwin. Good morning, everyone, and welcome to the Q1 FY '24 Earnings Call of Container Corporation of India. We have the management today being represented by Mr. V. Kalyana Rama, Chairman and Managing Director. I'll now hand over the floor to Mr. Rama for his initial remarks, post which we'll open up the floor for Q&A. Over to you, sir.

V. Kalyana Rama: Thank you, Bhoomika, and good morning, everyone. So I'm having all my directors along with me here. So Sanjay, Director International Marketing, Azhar, Director Domestic, Ajit Panda, Director Projects and Director Finance, Manoj Dubey. So this last quarter we had mixed results, the turnover and margins have come down. Even though we were able to start getting traction during the month of May with April little down comparatively because after March that is normal effect, by May we were doing well, but in June we had unfortunate incidents.

The Balasore train accident which affected the running very badly in the whole month in the eastern sector, that put us off the track in balancing of rates, balance of containers and all the things in the domestic business, mainly in domestic business. And in the Exim, the Biparjoy on the west coast has affected us for 15 days. And added to these two incidents, a lot of unseasonal rains across India, that dented demand in domestic and also to some extent the running of trains and other issues.

So these all affected the June and the first quarter we have to end with a muted result. But let me assure you that things are good, that the demand is back and the tailwinds are, we are seeing good tailwinds. And we, at this moment, I don't see any need to revise the guidance which we gave after the first year, the last financial year results. So last conference call, whatever guidance I gave to you, that we will stand by it and we are confident we will be able to come back to the guidance levels by the end of this financial year.

In fact, Q2 itself made the giving good results, this traction goes on except for certain measures and the government policies sometimes do affect the trade like the ban on the rice exports is one such thing which is affecting the traffic in both domestic and Exim. But otherwise the demand is good so we will be able to see the tractions and we are sure we will come back to the normal levels. The DFC operations are very well stabilized. Dadri as we shared with you, the double stack operations on Dadri going on and the traffic times more or less stabilized at 30 hours between Dadri and Mundra, that's a good thing.

So a lot of traffic is getting diverted to Rail from Road. And the discounts what we gave on the upper stack, even though it is reported in media that CONCOR is going for rate cut, it is not rate cut. It is basically a discount we offered to the trade for the upper stack containers moving from the Dadri. That will be, that is helping us. A lot of new traffic has come. And in addition to that, this time reduction to 30 hours is helping in attracting the lightweight cargo back to the rail.

And the new rates which we introduced with the 25 ton axle capacity and now DFC permitting the running of 25 ton axle that is we can load 80 tons onto the wagon. We are operating now even domestic containers into the double stack. As all of you know that we got our hub, Swarupganj, and that was using these two hubs. We are able to put domestic containers back in this. So all these new things are helping and in domestic containers with the efforts what we put in last two, two and a half years.

The container manufacturing in India has picked up some pace, not as required by us but at least we are able to get some 350, 400, 500 containers per month. That's definitely adding and giving us some breathing space for picking up the increased demand in domestic. With all this and with the issue of land licensing fee, settle down, wealth, and without any further ambiguities in that, except that the 7% increase which we keep on taking on. So, the things are more or less set in.

And as all of us know that even though the divestment thing has not been pulled back, but I am not seeing any further movement on that. That also has given good confidence on our customers and things are stabilizing on that front as well. So with this I just conclude my initial remarks that we will be able to maintain the guidance given to you people in our last conference call. Thank you.

Moderator: Thank you very much. The first question is from the line of Deepak Krishnan from Macquarie. Please go ahead

Deepak Krishnan: Just wanted to understand, given that you've given certain discounts on your domestic and Exim for both getting traffic as such, we've seen realization decline about 10% on a full year basis. Is this sort of realization expected to sort of continue? Or we expect certain pricing actions to kind of help us get realization back to last year levels?

Sanjay Swarup: See, actually, the realization drop that you have seen, that is because of the drop in our top line as our CMD just now explained because of the various factors of disruption in services in Western and Eastern part of the country, and certainly, the growth is the increase in the land license fees. These two sectors contributed to a decline in our bottom line. But we are very confident that we will be able to recover the bottom line. And for the end of the financial year, the guidance that initially were given, we'll be able to maintain that.

Deepak Krishnan: Sure, sir. Maybe just a clarification on the land license fee, the increase that we've seen. I think on media, you're still flashing that you'd only be paying about INR430 crores for the full year. So just wanted to understand why the sudden bump up in 1Q?

Manoj Kumar Dubey: So actually, you see, when we started a new regime, if you recall what in '19, '20 and '21, our CMD gave a guidance, that was around INR450 crores per annum, if you recall that. So against that INR450 crores that we had ballpark figures that we have assessed, every year negotiation with the railway for the various land parcels were going on. And last year, we ended up paying INR392 crores, right, for the whole year. One depot. Tughlakabad, which is right in the center of Delhi now. So the rate for Tughlakabad under discussions, and there was a difference of the opinion about what rates would be taken as the base industrial rate.

So finally, with the negotiations, what we have ended up post-COVID is that it is around INR100 crores more than what we have paid in last FY. So nearly 25 point plus impact will come in every quarter so far as LLF is concerned, which is the last year.

Deepak Krishnan: And this rate once fixed for TKD is not going to get changed, right? Now it will be a 7% escalation further on?

Manoj Kumar Dubey: Yes. So whatever we paid in TKD last year, every quarter, we are going to have an impact of it INR22 crores to INR23 crores. So meaning thereby nearly INR100 crores per annum.

Deepak Krishnan: Maybe just one last question. If you could just share the Exim and domestic originating volumes.

Sanjay Swarup: For this quarter, the Exim-orienting volume was 466970 TEU and domestic originating was 104076 TEUs, total is 571046 TEUs.

Moderator: Thank you. The next question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: I have a couple of questions. The first one is essentially an extension of the first participant. If we look at the realization, while you have said that the realizations were due to drop in -- I mean, due to disruption in services, was it also because of increased competitive intensity because we have seen volumes going up in the quarter Y-o-Y. However, the realization has come off. Was it due to the increased competitive intensity and how much it has to do with the discount that you have given to the customer? If you can bifurcate these two, that would be great.

Sanjay Swarup: If you closely see the physical feedback, you will see that originating figures have not experienced an increase. The increase in only handling figures, which is due to the fact that we are handling more containers at hubs because of double stacking. And second thing is that we are fist mile, last mile logistics that we are doing for our customers and logistics. That number also we are adding in our handling figures. So handling figure is seeing a growth, but originating volumes have not seen growth. So if you see the profit per TEU originating volume, then that will be a better indicator for you to compare this year as compared to last year.

Secondly, this has been the company's policy that we don't sacrifice our margins to give discounts whatever savings we do based on our operational better operational management, part of the savings we pass on to customers. For example, that Dadri has come on double-stack, ICD Dadri. So whatever savings that we are having by running direct double-stack train to Mundra, Pipavav from Dadri. Part of that savings we share with our customers, even though the railway has not reduced any rail freight, but that saving or we shared with our customers, an 8% to 9% reduction we had for our rail freight from export from Dadri to Mundra Pipavav. That doesn't mean that we are sacrificing our margin. Our margin will, in fact, increase because we are sharing only part of our savings.

Amit Dixit: The second one is since we have started the double-stacking now from Dadri to Mundra and Pipavav. So just wanted to understand how much the number of double stacking trains in Q1 FY '24?

Sanjay Swarup: Total double stacking train is 1,184 in Q1. Out of that, Dadri itself has handled 238 double stack trains.

Amit Dixit: And how many were for domestic operations?

Sanjay Swarup: That figure, I don't have at the moment. Maybe later on, I can tell you how much domestic and Exim figure we don't have for double stack.

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

Atul Tiwari: Sir, just again, one clarification on LLF. So this year, we should be working with about INR520 crores of LLF factoring in this Tuglakabat impact? Is that a rough ballpark?

Manoj Kumar Dubey: No, Ballpark will be nearly 500 because this quarter, we have got some payments for the last year also. So what we are looking forward to 392, that you said last year, plus 100. So it should end up somewhere around 500 only for the whole year.

Atul Tiwari: Okay. And now, sir, all the negotiations with railway are done. And then from the next year, we just assume 7% increase on this INR500 crores number?

V. Kalyana Rama: Well, let me tell you and all the other people or the LLF, there is no negotiation. That means what do people feel in the marketing balance that will be done across that they will negotiate with railway. It's not that negotiations. This principle is very clear. It is based on the land revenue rate by the revenue authorities at that circle. So that there were some easy interpretations that keep happening and these interpretations happen at divisional level in Indian railways. So we work with the divisions, 26 divisions, different divisions.

So it's not surprised at the ministry at the railway board where we discussed the policy. So this is where the DF was talking about negotiation. So it's like land revenue rate as per the revenue authorities. So there was a problem with Delhi government as well. Delhi government is also doing some flip laps in the rates because of COVID they reduced after that, they increase, they increase suddenly. So all these things keep affecting. So here, the land revenue rates now are almost fixed everywhere.

So is there anywhere which is not fixed? No. So it's fixed at all the 26 location unless this land revenue is changed by the revenue authorities, suddenly, that is not in our hands. That's state government, they do that the thing will be 7% increase over the whatever we pay last year. So there's a TKD impact, which DF explained. So that is taking us to 390 plus 7%. That means around INR425, INR430 about INR150, INR160 crores impact. I hope things are clear. And if anybody else has got anything about LLF other than is please ask.

Atul Tiwari: My second question is, again, I kind of missed the originating volume if you could repeat that again, sorry for that.

V. Kalyana Rama: No, for that you send a mall here. You can't repeat volumes over the conference call.

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

Achal Lohade: Can you help us with the market share port-wise market share what we share, sir?

Sanjay Swarup: In JNPT, it is 60% of the rail volume that we are handling. In Mundra, it is 37%. And Pipavav, it is 45%.

Achal Lohade: And aggregate, would you have sir for the country as a whole?

Sanjay Swarup: Country as a whole, we don't have yet.

Achal Lohade: The second question, just a clarification, sir, you said this will be the LLF unless the authority revises the land rate. Have I understood?

V. Kalyana Rama: So I told it very clearly. What is that you people are trying to understand? Seven years spending with you all guys every quarter, the question should be on the policy on the future. This is not going to impact the balance sheet if it is INR5 crores here and there. Do we think it will change the structure of this company? Will it change the balance sheet of this company? Let's go for good quality questions man.

Achal Lohade: Just one more question, if I can ask, sir. So with respect to the discount, is that specific to Dadri or it's in the Northwest pocket?

Sanjay Swarup: Actually, we keep on giving discounts at various places. I cannot discuss all the discounts. I just mentioned Dadri discount, to give you an example that we are not sacrificing our margin to give discounts. That was my actually emphasis. Because of that, I gave you that example. There based on the demand from our field units and assessing the volume that we are likely to get as a result of giving discount. We keep on just giving this count. That is the ongoing exercise.

Achal Lohade: Understood. And just last, with respect to the arbitration case. This INR83 crores has already been provided or it's not It's not provided?

Manoj Kumar Dubey: No. its not provided. It is just an information to everyone as a good governance. We have already informed to SEBI also. We had already gone to High Court, High Court is already see the matter. In the meanwhile, the complainer went to NCLT and NCLT, in our view, wrongly gave a judgment for IRP, which has been rightly withheld by state by Honorable NCLAT. So it is just an information.

Moderator: Thank you. The next question is from the line of Pranjal Jain from Morgan Stanley. Please go ahead.

Pranjal Jain: My question number one is on the capex. Can you guide us the capex number for FY '24 and '25?

Ajit Kumar Panda: The capex that we give you the guidance will be INR600 crores for ’23-’24. This year is INR568 crores last year.

Pranjal Jain: Okay. And sir, can we have for ‘25 as well?

Ajit Kumar Panda: We are working out because we are hoping in the capex front, a good upswing in the current year. So we'll by the end of next quarter, we'll be able to give you the guidance for ’24- ‘25.

Pranjal Jain: Sure. Understood, can we have the EXIM volume guidance for this year for the current scale?

Sanjay Swarup: Actually that guidance was already given at the start of the year by our Chairman and Managing Director, and that remains unchanged.

Pranjal Jain: Okay. And sir, lastly, any breakeven on procuring new containers on the new ICDs?

Ajit Kumar Panda: Yes. We have also so far procured 1,800 containers, new containers for different terminals. And at the rate of about 400 containers per month, we are adding now. So we hope in the current financial year will be able to add about 5,000 containers, new containers.

Pranjal Jain: Understood. That's it from my side.

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

Vikram Suryavanshi: Sir, some questions are already answered, but just can you share empty running cost for EXIM and domestic?

Sanjay Swarup: Which cost?

Vikram Suryavanshi: Empty running.

Sanjay Swarup: Empty running is for EXIM for first quarter is INR28.6 crores, for domestic, it is INR86 crores, total is INR114.6 crores.

Vikram Suryavanshi: And the containers we are adding are the all these are ISO containers or will there be like a specifically for the...

Ajit Kumar Panda: They are all ISO containers. Only few numbers we have added 12-fit containers. Otherwise, they are all ISO containers, all are produced domestically through our Make in India scheme.

Vikram Suryavanshi: Okay. Because what we heard that there was an issue related cotton, steel and you import coal…

Ajit Kumar Panda: All issues regarding container manufacturing have been factored out, and we are on the path of hiring containers regularly now. And the domestic ecosystem, we are encouraging to grow, and they are also responding well.

Vikram Suryavanshi: And how is the situation from the supply of rake availability?

Ajit Kumar Panda: Rake availability, yes, again, we have achieved breakthrough. There were supply chain issues, particularly for wheels and axles, That with the help of the railways we have sorted out. We are now first with wheels and axles. In the past quarter, we have added 4 trains, 4 new trains have already added. And we hope to add about 24 trains in this financial year.

Moderator: The next question is from the line of Krupa Shankar from Avendus Spark.

Krupa Shankar: Just one question on the EXIM side. While you did mention that 2Q looks promising and situation is improving. Can you further elaborate on whether the EXIM balance is improving? Or is it more any guidance on what are the underlying sectors or anything which is picking up?

Sanjay Swarup: That one plus one scheme for every incremental import containers will we are running one empty container free of cost from Gateway Port to Interland. The scheme has really picked up very well. Plus as our Chairman mentioned at the start that the uncertainty about disinvestment is also becoming less, less and less now. And there are no visible signs for disinvestment.

So that has actually really helped the company in getting more and more business because people are -- customers are feeling very confident that the present system is going to continue. Plus, we keep on introducing a lot of various schemes and they have been very well received by trade. And on almost all the sectors like from Western ports to Northern hinterland, from Visakhapatnam to Nepal from South also everywhere, we are getting good response. And we are expecting very good growth in EXIM in the coming quarters for this financial year.

Krupa Shankar: Understood, sir. On the domestic side, we have seen some bit of slowdown coming in, I know there are multiple factors in the 1Q. But in the 2Q, you have seen some growth coming in, if you can highlight something on those that front, that will be really helpful?

Mohd. Azhar Shams: Be with respect to domestic, that we had a volume drop of almost around 2,000 containers. And these drops in the Q1 has been mainly because of the slow running and then the problem in trains running and not lifting the loads. There has been absolutely no issue with regard to demand. So now trains running improving and demand has always been there, and it is still there. So we are quite hopeful that in Q2, whatever loss we had of 2,000 containers, we will not only make good, will certainly show good growth in this Q2 and thus in the remaining quarters as well.

Krupa Shankar: And last question from my side, if I may. The rail freight margins for the quarter?

Sanjay Swarup: There's actually, rail freight margin for the quarter is 26.19%. It has actually, in fact, increased by as compared to the same quarter of last financial year, it was 25.6%.

Moderator: The next question is from the line of Aditiya Mongia from Kotak Securities.

Aditiya Mongia: My first question was on the EXIM segment margins that declined from 24% to about 20% on a Q-o-Q and Y-o-Y basis. One can probably reduce more than 100 basis points coming in from land license fee. Could you give us a sense of where the remaining quantum is coming from? And what could be a good guidance for FY '24 on this parameter.

V. Kalyana Rama: The guidance, I already told in my initial remarks, if we keep on repeating the same question, isn't it. I said, we will be able to maintain the guidance. And this statistical question, you can variable calculate where the other 300 basis points has come down. Rail freight margin increase, the costs on certain fronts have gone up and the overall because the running has come down, the top line has come down as the expenses, some fixed expenses will continue to remain so.

Aditiya Mongia: Understood.

V. Kalyana Rama: Don't ask statistical question, friend.

Moderator: The next question is from the line of Abhishek Verma from Fidelity International.

Abhishek Verma: On your capex figure of INR600 crores, can you please provide a breakup as well?

Ajit Kumar Panda: The breakup would be about INR200 crores for our new acquisition of Wagons and INR200 crores for containers, about INR150 crores will be on new terminals that we are setting up and INR50 crores will be on other miscellaneous item like machine handling machines, MIS, etc.

Abhishek Verma: And sir, how has your turnaround time changed post the DFC implementation? Just some color on that.

Sanjay Swarup: Turnaround time at ports, actually, as per the guidelines of NITI Aayog, consistently, we are able to achieve within 30 to 32 hours, which is quite good and appreciated by the trade, private operators have 25 to 30 days turnaround time, 12x at port.

Abhishek Verma: And comparing that to the previous number, what was that this...

Sanjay Swarup: Previously also, it was in the same level only. We have always been able to evacuate the containers in this time from the ports, but hub operations have definitely benefited us.

Abhishek Verma: And how is the lead distance changed?

Sanjay Swarup: Lead is actually now overall lead for this quarter is 804 kilometers. Last year, it was 775 kilometers.

Abhishek Verma: And just one quick one. Your depreciation breakup, if possible?

Sanjay Swarup: No, that we will not be able to tell you right now, depreciation break up.

Moderator: The next question is from the line of Anita Shah from Elara Capital.

Ankita Shah: This is Ankita from Elara Capital. Sir, out of the total EXIM originating volumes that we handle, how much percentage is double stack currently?

Sanjay Swarup: See out of the total EXIM around 25% to 30% is double stack.

Ankita Shah: And how much it can improve to in your estimate?

Sanjay Swarup: See, already, it is quite good because only Mundra and Pipavav connected to DFC, and we can then double stack. Once Nhava Sheva comes on double stack, that is around next year, then we will be able to ramp up around 40% of volume in double stack.

Ankita Shah: Okay. And of 40%, this 25%, 30% can improve to 40% once the JNPT gets connected.

Sanjay Swarup: Yes.

Ankita Shah: And when JNPT rail coefficient ramp up, this 40% can grow up further?

Sanjay Swarup: Yes, JNPT rail coefficient definitely will increase once it comes on DFC.

Ankita Shah: Correct. So then this 40% should improve further?

Sanjay Swarup: Yes, it will go further.

Ankita Shah: Also, have we added, you mentioned about rakes added in this quarter. Have you added containers also for the domestic business?

Ajit Kumar Panda: Yes, we have added containers. So far 1,800 containers have been added and more are getting added about 400 per month getting added. So we hope to add about 5,000 containers in the current financial year.

Moderator: The next question is from the line of Sumit Kishor from Axis Capital.

Sumit Kishor: I have two questions. The first question is that your market share at Mundra in FY '20 was somewhere around 48%, which has now come down to 37% like you mentioned. Could you please explain the key reasons for the market share loss and who have been the principal beneficiary?

Sanjay Swarup: The principal beneficiaries have been the private operators and who have consistently dropped their charges. That has been the basic reason for that. But we have taken a lot of steps now and we are gaining the market share back in Mundra now, Mundra and Pipava and Navasheva, all the three ports. We are gaining back the market share as a result of our various policies that I highlighted initially. So we are hopeful to get back to market share very quickly now.

Sumit Kishore: How has experience on the Exim imbalance situation from fourth quarter to first quarter of FY '24, do you see a worsening of the imbalance? And what is the outlook for the balance system...

Sanjay Swarup: See, Exim balance was they are definitely it is already there. Some ports are export heavy, some ports are import heavy like Pipavav is import heavy. There's a lot of imports, but there's no export. But similarly, Mundra is more or less balanced but it has got more imports. So, but the hubbing operations have really helped us, and we are able to bring the empty running -- reduce the empty running because of hub.

Initially, we had to run rake up to port to balance. Now we have to run up only up to hub we bring the double-stack trains from ports to hubs. So that has really helped the company.

Sumit Kishore: And last question, if you could share the real coefficient at JNPT, Mundra and Pipavav?

Sanjay Swarup: That already I have told...

Sumit Kishore: Rail coefficient. You have given the market...

Sanjay Swarup: At is JNPT 17%, Mundra is 24.3% and Pipavav is 52%.

Moderator: The next question is from the line of Ash Shah from Elara Capital.

Ash Shah: I had just one question. Earlier, we used to, we couldn't cater to the bulk commodities segment because of the container shortages that we were experiencing last year. But with the improvement in containers expected over this year, could you just throw some light on the bulk commodities?

Mohd. Azhar Shams: Actually, with respect to bulk -- mainly the cement loading of bulk, which started very successfully last year, and we did around 1 lakh ton of bulk cement from the four- five parties to different destinations. But there was a policy issue from railway board. Actually, the railway board gave us a FAS rate that is at all kind rate, we call it, for bulk cement loading in general purpose containers.

But that circular was valued up to 21-5-2023. So from the 21st May, that circular has not been extended. So we are basically stuck what to do or not to do. We have been chasing with railway board to extend this circular because there is a lot of demand and DPS has just mentioned, is that container supply has also increased. But this one policy issue of not extension of FAS rate for loose cement, we have been at the cross road at this point in time, but we are hopeful and chasing with the railway, let us see what outcome is there.

Ash Shah: So this policy was applicable, but what about the food grain that we were doing, if you could throw some light on that?

Mohd. Azhar Shams: Food grain actually, we are in talk with FCI. We did 1 or 2 presentations also with the Chairman, FCI. One location from where we are loading this basically Kota, but for many more locations are loading from silo to our bulk containers. So the negotiation is on. And we are quite hopeful and Chairman FCI has given us quite positive signal in this regard.

So just wait and see and Container availability has basically increased. So we are quite hopeful that whatever the happens is cement is one issue. But the bulk food grain is also in the pipeline, and we are hoping for a positive outcome with FCI.

Ash Shah: Also any other bulk commodities that we are planning to target or something in the future?

Mohd. Azhar Shams: Actually, as of now, it is food grain and the cement only, but we are also trying to experiment with the Alumina powder there in Visakhapatnam for Vedanta. So that is in the experimentation stage.

Moderator: The next question comes from the line of Bhoomika Nair from DAM Capital Advisors.

Bhoomika Nair: Yes, sir. Just as an extension on the last question. So this quarter, there was not any material bulk movement that would have happened in the domestic side. And in the month of June and probably continuing thus far. Is that the correct understanding for the domestic market?

Ajit Kumar Panda: For cement, yes, there are disruption continues. But for food grain, whatever we are doing, we have continued to do.

Bhoomika Nair: So depending on when railway gives the revised order or whatever, then accordingly, this can come back as and when that circular is revised.

Ajit Kumar Panda: Yes.

Bhoomika Nair: Okay. Just one clarification on the LLF that INR500 crores is for the full year, broadly INR490 crores, INR500 crores. So for this quarter, it would have been INR125 crores kind of provision in 1Q FY '24 that we have done?

Manoj Kumar Dubey: We have done INR129 crores this year, as I mentioned, there are some INR10 crores payment that we have brought for the last year also. So that is why you said it will be around 500 at the end of the whole FY

Ajit Kumar Panda: Actually, some adjust, basically why this doubt is coming is because some adjustments are going on. These 26 terminals, so we are paying and the rate adjustment that is happening, some arrear, some arrear in paid, some arrear we are keeping in provision. So marginal difference is coming because of these adjustments, and these adjustments will continue throughout the year. and maybe next year also, marginal adjustment will happen. So let us not bother about that, we are settling all these issues.

Bhoomika Nair: And lastly, from the lead distance perspective, you spoke about 804 million, but can I get a breakup for the Exim in the domestic side?

V. Kalyana Rama: Bhoomika for earlier question, I want to share one thought with you. You come with us, and we did conferences in U.S. Singapore Investor. The outlook, they look at is on a policy side. And for a balance sheet of Concor size now, a difference of INR10 crores, INR15 crores, INR20 crores, does it make difference.

The amount of time we spend for giving this conference call and you also arrange all these things where somewhere we ought not discuss this in a policy for INR10 crores, INR15 crores difference here and there, we will keep on asking resilient question, does that make any difference on the balance sheet.

See my balance sheet, it will not get affected with INR50 crores, INR100 crores difference than any of the things. And one increase in some handling at some place and company-wide we increased even INR100 crores under container the amount of money which we can add into our bottom line INR100 crores. I'm just leaving the thought to all the analysts in India.

Bhoomika Nair: Right Sir. Point noted about that. I was asking if I could just get the Exim and the domestic lead distance separately. You said INR804 was the overall number?

Sanjay Swarup: You want handling figures.

Bhoomika Nair: No, sir. Lead distance

Sanjay Swarup: Lead for the Exim is 695 kilometers and domestic, it is 1,356 kilometers.

Moderator: The next question is from the line of Shrinidhi Karlekar from HSBC.

Shrinidhi Karlekar: Sir, can you update us on how has the service quality from your Dadri terminal has improved since the direct connection to the DFC in terms of time, it is saving the cost savings that you are getting and the reliability of the logistics?

Sanjay Swarup: Like I mentioned earlier, from Dadri, we are able to take the containers double-stack train in 30 hours to Mundra port and which is a game changer. Initially, when Dadri was connected to Mundra via Kathuwas that is another hub terminal. It used to take almost 60 to 65 hours to reach Mundra while the road was able to transport the containers in less than 55 hours. And now it is 30 hours directly from Dadri to Mundra. Transit time has come down drastically, and it is much, much better as compared to road.

And secondly, as I mentioned earlier, cost wise also it is cheaper. We have reduced the rate by 8% to 9% as a result of the savings that we were having it passed on a part of the savings to our customers. So cost is less, time is less. So there is no reason that traffic should not come to us. So from the road to rail, there's a huge diversion of traffic.

In fact, the other day, I was talking to Maersk, they are going to start a block train, block refer train, the refrigerated container train, I think next week, they're going, next to next week, they are going to flag off from Dadri to Mundra. Block train refer that would be running every week and maybe they will start by weekly tri-weekly, after some time.

So that kind of confidence trade is having, and they are getting all this target and all stores in U.S. all retail business that was going by road for exports, everything has come on rail now.

Ajit Kumar Panda: Per container double stacking, we have already started for the last 2 months. So I think another improvement in the service sector that we are providing to the trade.

Shrinidhi Karlekar: And sir, just a clarification, sir, Tughlakabad volume does now we are routing through Dadri or it still gets routed through Kathuwas.

Sanjay Swarup: It is going through Kathuwas.

Shrinidhi Karlekar: And is it possible to route that as well so Dadri like from...

Sanjay Swarup: It's possible, but it will be in the reverse direction, so it doesn't make any sense.

Shrinidhi Karlekar: Last, just one clarification. When to answer to one of the questions, you said that 25% to 30% volume is going through double stack. Here, are we referring to only 40-feet container and the Northwest corridor alone, right? Is that...

Sanjay Swarup: So, I am referring to all the traffic, even lower deck upper deck combined double stack train, it is difficult to bifurcate only 40 feet containers.

Shrinidhi Karlekar: But this we're talking about the route, not at the entire network, right?

Sanjay Swarup: So, she was asking only about the routes.

Shrinidhi Karlekar: Route-specific, right?

Sanjay Swarup: Yes.

Shrinidhi Karlekar: And sir last one, if I may because of this weight-carrying capacity constraint earlier only 40-feet containers, according to our understanding, was able to be the double stacked, are we now able to do 20-feet container double stacking as well?

Sanjay Swarup: So, that is actually not weight consideration. That is because of the restriction and the safety because of the railway, only 40 feet is allowed an upper deck, 20 feet is not allowed. We are putting...

V. Kalyana Rama: In the double stack 20 feet are going and were going from the beginning. Five year back we were doing 20 feet also in double stack, 20 feet goes in the lower deck, 40 feet goes in the upper deck. Now the weight thing, what I explained is that is applicable only on the DFC route in the hubs between Dadri to Swarupganj. So there, we are now putting heavy weight domestic containers in lower stack and we are bringing the domestic into hubs.

So that helps in domestic margin improvement, domestic throughput improvement. So it's a little technical. I just mentioned it. You take it as that the guidance given by the management that there is a margin improvement by this. Beyond this, you want to understand technically then you have to spend some time understanding how double stack is.

Shrinidhi Karlekar: Fair enough. This is helpful. Thank you so much and all the very best.

Moderator: Thank you. The next question is from the line of Yaruqh Khan from Money Control. Please go ahead.

Yaruqh Khan: Thank you for the opportunity sir. I just have two questions. First question is, at the start of the current financial year, the Indian Railways had announced that it will stop taking orders for wagons from private companies. Has that affected our ability to procure wagons and going forward, what is the impact of that?

Ajit Kumar Panda: Kindly repeat your question could not get it.

Yaruqh Khan: At the start of the year, the Indian Railway had announced that it will stop taking new orders for wagons from private companies. Has that impacted our ability to recover values?

Ajit Kumar Panda: The orders for new wagons from whom?

Yaruqh Khan: From private companies.

Ajit Kumar Panda: No, there is some confusion. I think you have some confusion. They had -- they have released huge orders from private companies. What they have said that they are not sharing of wheelsets with others. So, for CONCOR specifically now we have started getting the wheelsets, and we have started getting the new-new rakes.

Yaruqh Khan: My second question was that, is there any update from the government side on the divestment of CONCOR?

Ajit Kumar Panda: So the only update is silence.

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

Achal Lohade: Thank you for the follow up opportunity. Sir, in one of the answers, you mentioned that we are gaining back market share. In last quarter, you didn't share the market share. Can you help us with the fourth quarter market share for EXIM and domestic for us?

Sanjay Swarup: Fourth quarter figures we don't have right now. Okay.

Achal Lohade: Where I'm coming from is that when you're saying gain back market share, I presume you are talking about Q-o-Q because Y-o-Y, there is a loss of market share, particularly at Mundra. That's my other questions.

V. Kalyana Rama: Q-o-Q also, there is a loss of market share. Sanjay has not mentioned that he is gaining now. What he mentioned is now we are gaining back our market share, not about Q1, Q1 we lost market share.

Achal Lohade: So, Q2 onwards what we are looking at gaining market share and...

V. Kalyana Rama: That's the guidance which we are giving you...

Achal Lohade: Got it. Understood, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Koundinya M from JP Morgan. Please go ahead.

Koundinya M: Thanks for the opportunity. Sir, my first question is on the DFC. You did allude to the fact that transit times are now reduced to 30 hours. So just trying to understand, are there some efficiencies that we can look at some scope for margin improvement and efficiencies over here or is it all fully captured already in the numbers?

Sanjay Swarup: As we run more and more double stack for which there is a lot of scope as our Chairman already mentioned that we are able to run BLCS wagons, which have more capacity loading capacity. So, more double stacking will further improve, and domestic is also coming on double stacking. So definitely, there is a lot of scope for margin improvement. It is not saturated.

Ajit Kumar Panda: Once since the DFC gets connected to JNPT, there will be a huge opportunity and further, we'll capture further value.

Koundinya M: Sure sire. That was my second question with respect to JNPT connectivity because you and also some of your peers are also already using [inaudible 0:49:52]for example, in your case Swarpganj to double stack containers or maybe use it as a hub to cater to JNPT as well. So, will connectivity to JNPT to materially change things on the DFC or I'm just thinking about on those lines, if you can help us understand the traffic flow better, maybe?

Sanjay Swarup: Definitely, the connectivity to JNPT will ramp up so much volume to rail because we will be able to run scheduled time table trains to JNPT. Imagine running a train from Delhi at 9:00 in the morning and tomorrow, it reaches JNPT at 9 o'clock 24 hours. That kind of service even road cannot provide. Nobody can provide. So definitely, a lot of volume we are expecting it will shift from road to rail.

Koundinya M: Understood, Sir, lastly, I think I missed it. Can you help us understand what those kinds of actions that you're doing to recoup the market share in 2Q?

Sanjay Swarup: Actually, as I told earlier also, we have taken a lot of initiatives like 1 plus 1 scheme and running double stack more and more for Dadri plus in domestic also, we are getting building up circuits already from West to East, East to West. So, all these things will definitely help us in increasing more and more volume, and we will be able to build up the shortfall that we had in Q1.

Koundinya M: Sure sir. Thanks for the opportunity.

Moderator: Thank you. The next question comes from the line of Janhavi Jain from Axis Asset Management. Please go ahead.

Janhavi Jain: Hi, good afternoon, sir. So, my question is regarding the last mile connectivity, which we've spoken about in the previous quarter as well. So if you could just like give on like we were about to order 100 LNG trucks. So, how are we going ahead with that and what is the volume handled in this quarter?

Sanjay Swarup: The LNG 100 trucks we have ordered and out of that 25 trucks have already come to our MMLP at Mihan, Nagpur already they are they have been positioned and their registration process is going on. In another I think, 3 days to 4 days that will be completed. So we are hopeful that by next week, we are bringing them into – we will bring them into operations.

Janhavi Jain: Okay sir and also on the volumes of this quarter, if we have any for last mile?

Sanjay Swarup: And last mile, we will not be able to share the volume separately because whatever handling originating figures, we have done is move last mile also for handling.

Janhavi Jain: Okay sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Pranjal Jain from Morgan Stanley. Please go ahead.

Girish: Just a question on probably a generic question, but on the strategy. Like obviously, double stacking is up and running for two ports, and we're obviously expecting JNPT to get connected and more rail movement to happen. But outside of this when you're looking at business development, you have these schemes, 1 is to 1 and double stacking, which you are offering to your existing customers. Can you probably talk about...

Moderator: Sir, sorry to interrupt but there is a disturbance on your line and we are not able to hear you the complete question because of that disturbance. Could you please repeat the question.

Girish: Can you probably talk about your efforts that you taking to develop a business or acquire new customers across different segments if you can talk a little bit on that outside of offering schemes to your existing customers?

Sanjay Swarup: So that is actually an ongoing exercise of acquiring new more and more customers. Our all the field units, they are regularly meeting prospective customers, thus the customers who have left us, we want to bring them back into our core. That is a continuous exercise. And based on their expectations, we sometimes have a little tweak in our policy. That is a continuous exercise that we are doing because we are a commercial undertaking.

We cannot sit and rest that customers have come. We don't do anything more marketing. So that is a continuous exercise that is going on across the country at all of my terminals. And we are gaining at various places like Nagpur just to give you an example. We have done very well in Nagpur, that multimodality far Mihan, we are able to run almost 3 to 4 trains daily to Nhava Sheva, return direction also we are getting recently Maersk partner with us at 6 ICDs, they have reduced their charges. And as a result of these efforts, a lot of new customers are coming to us. So, this is an ongoing exercise.

Girish: Sure sir. And just one more question. Once we know the rail freight margin, have you done any analysis just to understand this better, that for the trains where you're double stacking, what is the differential between the margins on trains that you're double stacking? What's the rail freight margin there vis-a-vis where you can't double stack right now. How different is it? Like is it...

Sanjay Swarup: We have done the analysis and several more analysis, but we don't find it necessary to share it on this forum.

Girish: No, just to understand the contribution margin.

Sanjay Swarup: We can meet separately and discuss. I will not be able to share it here.

Girish: Fair enough. Thank you.

Moderator: Thank you. The next question comes from the line of Aditiya Mungiya from Kotak Securities. Please go ahead.

Aditiya Mungiya: Thank you for the follow up opportunity. My question was more to assess the size of Dadri, as you are saying, Dadri is destined to grow fast. How much of your originating volumes are coming in from Dadri at this point of time on an analyzed basis?

Sanjay Swarup: Right now, I don't have the number, but I can tell you it is a sizable amount, and it is growing every year. And Dadri incidentally is the hub which is a junction point of Eastern and Western DFC, both the DFCs meet at Dadri, very, very critical.

Aditiya Mungiya: Understood. And could you also kind of give us a sense of, let's say, if the volumes at Dadri is x, what is the kind of road volumes that happened from that Interline? I'm just trying to get a sense of the growth prospects of Dadri can it double up? Can it become even better than that over the next few years?

Sanjay Swarup: Right now, it's not possible to give those numbers also. I don't have with me readymade.

Aditiya Mungiya: Understood. Maybe just a last thing. Eastern DFC, whether it kind of getting commissioned over the next one year. Does that give us an opportunity to kind of build a particular business on that front or is it only Western corridor that helps us?

Sanjay Swarup: Actually, Eastern DFC is mostly for bulk and big bulk business, not for container business. So, most of the container business is concentrated in the Western side of the country. And so Western DFC is more crucial for us.

Aditiya Mungiya: Understood. Those are my questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to Ms. Bhoomika Nair for closing comments. Over to you, ma'am.

Bhoomika Nair: Yes. I would like to thank the management for giving us an opportunity to host the call and all the participants and wishing sir all the very best in his future interval. Thank you very much, everyone.

Moderator: Thank you. Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

THANK YOU FOR BEING WITH US

Conference Name:	**Container Corporation Of India Ltd. Q1 FY2023-24 Earnings Call Hosted By Dam Capital Advisors Ltd.**
Time:	**August 11, 2023 11:30 Hrs India Time**
Main Speaker(s):	**Ms. Bhoomika Nair – DAM Capital Advisors Ltd.** **Management of Container Corporation Of India Ltd.**

Total 131 Participants including the Speakers.

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