



कॉनकॉर
CONCOR

भारतीय कंटेनर निगम लिमिटेड
Container Corporation of India Ltd.

बहुविध संभारतंत्र कंपनी
A Multi-modal Logistics Company

(भारत सरकार का नवरत्न उपक्रम)
(A Navratna CPSE of Govt. of India)

कॉन/आइआरसी/SE/104/Vol.-V/

दिनांक : 23.11.2016

Through E-mail

1. The Bombay Stock Exchange Ltd., Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai-400001
Code No.531344
Fax : 022-22723121/3719/2037/
2039/2041/2061/1072
2. National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor, Plot No. C/1,G Block
Bandra-Kurla Complex, Bandra (E)
Mumbai-400 051
Fax: 022-2659 8237/38

Dear Sir/Madam,

Sub:TRANSCRIPT OF POST-RESULT CONFERENCE CALL OF CONCOR ON 16.11.2016
Ref: Letter of even no. dated 15.11.2016.

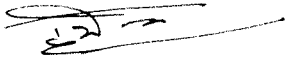
Dear Sir/Madam,

The transcript of Conference Call held on 16.11.2016 in respect of the unaudited financial results of the company for the quarter and period ended on 30.09.2016 are enclosed.

This is for your information and record please.

Thanking you,

Yours faithfully,
For Container Corporation of India Ltd.,


(Harish Chandra)
Executive Director (Finance) & Company Secretary

Encl : as above.

CC:

1. ED(MIS&CSR) for placing on website of CONCOR.



पंजीकृत कार्यालय : कॉनकॉर भवन, सी-3, मथुरा रोड, जसोला मेट्रो स्टेशन के पास, नई दिल्ली-110076 दूरभाष : 41673093, 94, 95 & 96, फैक्स : 41673112
Regd. Office : CONCOR Bhawan, C-3, Mathura Road, New Delhi-110076, CIN : L63011DL 1988GOI030915
Tel : 41673093, 94, 95 & 96, Fax : 41673112, ई-मेल/E-mail : co.pro@concorindia.com, वेबसाइट/Website : www.concorindia.com

कंटेनर की बात, कॉनकॉर के साथ, Think Container, Think CONCOR

Transcript

**“CONCOR 2QFY17
Earnings Conference Call”**



EVENT DATE / TIME : 16TH NOVEMBER 2016, 11.00 AM IST
EVENT DURATION : 60 MINUTES

PRESENTATION SESSION

MANAGEMENT: **MR. V.KALYANA RAMA –CHAIRMAN AND MANAGING DIRECTOR,
CONTAINER CORPORATION OF INDIA
DR. P. ALLI RANI –DIRECTOR (FINANCE), CONTAINER CORPORATION OF INDIA
MR. P.K.AGRAWAL – DIRECTOR (DOMESTIC), CONTAINER
CORPORATION OF INDIA
MR. SANJAY SWARUP – DIRECTOR (INTERNATIONAL MARKETING &
OPERATIONS), CONTAINER CORPORATION OF INDIA**

MODERATOR: **MR. VIRAL SHAH – ANALYST (INSTITUTIONAL RESEARCH), SBI CAPS
SECURITIES**

Concor

- Moderator:** Ladies and gentlemen, good day and welcome to the Container Corporation of India Q2FY17 Post Results Conference Call hosted by SBI CAPS 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Viral Shah from SBI CAPS Securities. Thank you and over to you sir.
- Viral Shah:** Thank you, operator and very good morning to everyone. On behalf of SBI CAPS Securities, I welcome all the participants to the 2Q FY17 results conference call of Container Corporation of India. We have with us Mr. V. Kalyana Rama – Chairman and Managing Director and Dr. P. Alli Rani – Director (Finance) of the company, Mr. P. K. Agrawal – Director (Domestic) and Mr. Sanjay Swarup – Director (International Marketing & Operations). To give an overview of the company and discuss the quarterly performance, I would now hand over the floor to Mr. Kalyana Rama to begin with. Thank you sir and over to you sir.
- V. Kalyana Rama:** Good morning everyone and welcome to this concall after our second quarter results. So we had our board meeting yesterday and the results are published and hope you have the results with you.
- When we look at our second quarter, our physical handling has improved. We had a growth of around 4.6% in our international handling and even in domestic also, we had a growth this quarter about 0.5% and overall our handling improved by 4% compared to the last quarter and if we look at 6 months, we are plus 3% in our handling, but on the financial side, we had a subdued quarter, this quarter also, basically because of the competition we have. Our topline for the quarter-on-quarter has declined by around 8% and our PBT has come down from 311 to 217 crores. Our interest income also has come down basically because of the low interest rates available in the markets. These are the brief highlights and I would like to now proceed with the question and answer session.
- Moderator:** Sure. Thank you very much. We will now begin the question and answer session. We have the first question from the line of Ashutosh Narkar from HSBC. Please go ahead.
- Ashutosh Narkar:** If you could give us 2-3 details, one on the numbers especially on what were the empties at this point in time and the exact volume details? The second question more on your business, if you could tell us what is the handling at the Dhandari Kalan terminal for us and what is the impact of the new ICD which has come in and how do you anticipate the volume outlook from that region, that is one and the second question was on your land cost details. If you could just give us some idea about if once some of our old terminals were they to get remapped to current market value, what would be the increase in lease rentals we could face over the next 5-7 years' timeframe?
- V. Kalyana Rama:** What empties you are trying to understand?
- Ashutosh Narkar:** Yes sir.
- V. Kalyana Rama:** What is that, can you just repeat your question regarding empties.

- Ashutosh Narkar:** Sir, during the current quarter, what were the volumes we handled and what was the share of empties for the Exim segment?
- V. Kalyana Rama:** See in the current quarter, we handled in domestic 6.78 lakhs TEUs, empties I will give you later because as of now we have not separated out empty and this. Normally empty ratio will be around 25%-30% and domestic we handled 104,000 TEUs this quarter. In domestic, our empty running improved, actually in the Exim because of the imbalance between exports, imports. There was a little more empty running we had to resort to, to clear the imports.
- Ashutosh Narkar:** What was the approximate share in the domestic side?
- V. Kalyana Rama:** Share of what?
- Ashutosh Narkar:** Empties.
- P. K. Agrawal:** Mr. Ashutosh, P.K. Agrawal here, Director (Domestic). In domestic side, empty running is almost around 16%. In fact in the Q2, there is a drop in the empty running by almost 10%.
- Ashutosh Narkar:** The other two questions were on your Punjab ICD, especially the Ludhiana ICD, if you could just give us an idea about how has been the volumes on that segment and what has been the impact of the new ICD which has come up?
- V. Kalyana Rama:** See, the new ICD, the impact is not much. As such, the volumes we are at the same level what we are doing in the last quarter. This quarter, we could do around 7,500 TEUs handling in Dhandari and let me share with you that we are now trying to utilize Kathuwas for Dhandari also. So that will help in getting more volumes we are expecting because we have taken certain measures for assembling these volumes at Kathuwas and go for double stack running. That was the land what we have, there was an increase in land license fee for the railways. The effect has come in this quarter. This is from the last quarter itself. It is from effective April we started paying the increased land license fee to the railways.
- Ashutosh Narkar:** So what would be your estimate for the full year? What would be the approximate land license fees?
- V. Kalyana Rama:** Maybe roughly around 175 crores.
- Ashutosh Narkar:** And just in the same context, let us assume that if ICD Tughlakabad or some of the major terminals were to kind of get remapped to market values, I guess you would have to pay 6% of the market value as lease rental, right?
- V. Kalyana Rama:** I think it will be a theoretical discussion. The issue is, it is as of now it is only the payment of LLF to the railways.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari of Citi Group. Please go ahead.
- Atul Tiwari:** Sir, could you also share the originating volumes, both in Exim and domestic volumes?

Concor

- V. Kalyana Rama:** In this quarter, in Exim, this is for 6 months I am having the figures ready with me, from April to September. The Exim originating volumes are 9.2 lakhs and domestic originating volumes are 1.02 lakhs.
- Atul Tiwari:** 1.02?
- V. Kalyana Rama:** Yes, 1.02 TEUs.
- Atul Tiwari:** Okay sir. And you alluded to increase competitive intensity, so does that mean that you are also taking discounts etc. which has impacted the margin in this quarter. If you could give some more color around that?
- V. Kalyana Rama:** See, the competition, mainly we are now facing from road. I think this is not the competition exactly, not from the rail operators, it is basically from road because of the subdued diesel prices going on. But yes, we have some issues and like LLF what has been increased, we could not pass it on to customers because of the competition in the market. So we are absorbing the cost of increased LLF to some extent and wherever it is possible, we are passing on and as I mentioned earlier that we are now trying to do the double stacking to withstand the competition and attract more traffic. So here let me share with you that recently we started. This effect will come in the next quarter. We started double stack operation in export side also, till now we are doing double stacks in import side into Kathuwas, now we started our double stacking from Kathuwas by combining the volumes from our major terminals in North India, the TKD and Dadri and it is very successful. The market has really welcomed this. So that gives us to stand with the competition from road and not diverting our volumes to road. We will get back some of the shares back.
- Atul Tiwari:** And sir my last one is on LLF, so for this year it will be about Rs. 175 crores, how much it was for last financial year?
- V. Kalyana Rama:** The figure must be around 89 crores.
- Atul Tiwari:** Sorry sir, 89 crores you said?
- V. Kalyana Rama:** Must be around, you can send a mail to our DF, she will answer that query to you.
- Moderator:** Thank you. The next question is from the line of Pratik Kumar of Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Sir, my first question is on volume growth. Now, we have seen around a 5% volume growth during the current quarter. Sir with this demonetization scheme which we have heard in the last week, do you see an impact of this on volumes as such in terms of businesses getting impacted. Secondly on as we are seeing better rural economy this time, so do we expect a better growth in terms of agri movement this year. So how do we see the impact of these two factors on our volumes going forward. This is my first question.
- V. Kalyana Rama:** As far as this demonetization is concerned, we are also expecting some growth should come onto rail and as I just mentioned in the earlier answers to questions, we started doing some double stacking and

we are taking certain measures like these double stacking will definitely help in improving our numbers, but there is other problem as of now, it is not serious but we may get into some problem in our end logistics, the first mile and last mile because of the problem what is happening to the road sector, the trucks because of the demonetization. We are also crossing our fingers and waiting for this, what will be the impact of this and how fast the road sector will be able to come back with demonetization thing and I hope that answers your question or anything left out?

Pratik Kumar:

Sir the impact of better agri growth..

V. Kalyana Rama:

Agri growth yes, we are also expecting our volumes to be increased in especially in that sector. We have our Dadri and TKD, but we recently had an agreement in which we got an exclusivity with one of the ICD operators with their ICD at Diwanastill the operations have to start in full swing there, some custom formality is waiting. We are expecting we will be able to make a good impact into the market with this facility and one we are having at Babarpur which is road based. We are expecting something in agri sector, good numbers to come this side.

Pratik Kumar:

Sir, we used to share certain volume guidance historically like last revised number was around 8%-9% for the year, so do we have now any specific number which you are looking at or we will just wait and watch, what is the impact of these two factors?

V. Kalyana Rama:

Basically, this will be a wait and watch, but having seen in the 6 months and the balance is going on and the export-import scenario what is happening because we are completely into service sector, it will be between 6,000-8,000, we expecting our things.

Pratik Kumar:

And on sir domestic side because we saw some of the commodities opening up in the domestic segment, did we see the impact of any positive impact during the quarter and how do we look that going forward?

V. Kalyana Rama:

If you see the domestic sector compared to last quarter, there we had shown a negative growth, this time we had a positive growth 0.5% on quarter-on-quarter. And there are certain good initiatives happened in the domestic which we shared during our last quarter call also, some timetable train started running. Now presently in domestic sector, these timetable trains are running between Delhi-Chennai, Delhi-Bangalore and Delhi-Hyderabad. They are welcomed very well and we are looking at, we are in discussion with railways where we can extend this facility to other places and definitely this is opening up with certain commodities and running up these timetable trains, we could see positive impact in this quarter and we expect this to continue for the next quarter, so that will definitely give us better numbers.

Pratik Kumar:

Okay and sir one last question from my side. Sir you mentioned about certain discounting and we also used to share this one number, rebate number on the export side, rebate payments, sir can we have that number and how do you see the NCR market because we see lot of logistic parks, all ICDs coming up in general, so there is lot of competition, so do you expect the margins to remain at these levels?

V. Kalyana Rama:

Our share of the market is as it is in the NCR market and in fact with the new thing we started, we are slightly picking up in our numbers in the NCR market, this is at Dadri and TKD and as I mentioned, we are going to extend this to other terminals and utilizing our Kathuwas in much more way where we will

do the double stack in exports. So our numbers will remain and in fact they should improve and rebates are in the same level, nothing much.

Pratik Kumar: Okay, sir can we have that number which was like 13 crores in Q1?

V. Kalyana Rama: We will not reveal that number.

Moderator: Thank you. Our next question is from the line of Sheena Barbosa of T Rowe Price. Please go ahead.

Sheena Barbosa: I just wanted to understand better because you are saying the volumes were up quarter-on-quarter, Exim volumes were also up year-on-year, but I do not fully understand why the margins are lower by 300 basis points and why there has been operating deleverage?

Alli Rani: Sheena, I think margins, definitely there was a reduction because we had a little bit of imbalance increasing, so we have to increase empty running and then the land license fee also was implemented this year, the increase is nearly a 50% increase per TEU basis. So these two had an adverse impact on an operating side, but we also had other increases like, we had some repairs to be undertaken, which was maybe that will be a one-off on container and we have some CSR expenses also. So these kind of expenses also has affected us.

V. Kalyana Rama: The CSR this time we accounted for and then there is some because there is an interest drop also with this other income, there is some drop in that and the leads have little come down because of the imbalances, people are trying to cut down on their leads. So these are the major factors and there is a shift from JNPT to Mundra which has happened and Mundra lead is less for Northern India, North West part of the country compared to JNPT.

Sheena Barbosa: Sure, but actually export numbers are bright, so then the imbalance will be low this quarter, so...?

V. Kalyana Rama: Let us see this quarter, now we are talking about the last two quarters. So this quarter, as you have seen the quarter numbers increasing, but these are the factors why the profit margin has come down. Otherwise, our operating margins and all, we are able to maintain, that is a good sign.

Sheena Barbosa: Can you give us the amount of the land license fee, all these one-off repair maintenance, CSR etc. what was the amount?

Alli Rani: We do not go into so much detail, but land license fee I can say per TEU basis it has gone up by really 100%, Rs. 500 per TEU, so 920 that is the land license fee, that is the land only.

V. Kalyana Rama: As I told you, land license fee in the total year in estimate of 175 gross payment.

Sheena Barbosa: Right. So it only came in the second quarter, it would have also been there in the first quarter, right?

V. Kalyana Rama: No. Actually what happened is revision has come and then the entire thing we paid in the second quarter. Even for the first quarter, the release of payments are done in the second quarter. It is effective from first April, but the payment was done in the second quarter. There was a higher impact in this quarter as well. This will come down. As the impact of LLF will come down in the next quarter because



that is only for the quarter. This time it is actually for the 6 months we made the payment, it is increased payment. Does that answer your query?

Sheena Barbosa: Yes sure and maybe the repair, maintenance and CSR...

V. Kalyana Rama: *They are very small numbers and this is too much of detail. So if you really like to have some more clarification, you can get back to us.*

Moderator: Thank you. Our next question is from the line of Harish Bihani from Kotak. Please go ahead.

Harish Bihani: Sir, if you can help us share the empties repositioning running cost and discounting number for the quarter end first half, as we used to share in the earlier calls?

V. Kalyana Rama: *See, our empty running in the first half has gone up by around 10%-12% compared to last 6 months.*

Harish Bihani: So the number in the first quarter was somewhere around 77.6 crores. Has this increased materially in this quarter?

Alli Rani: No, 6 months was increased by about 5 crores, so you can see 134-139, but I will tell you as a percentage to rail freight, we have come up from 7.28% to 8.23%.

Harish Bihani: The absolute number is 139 versus 134 for the first half?

Alli Rani: Yes.

Harish Bihani: How about discounting sir because some of your competitors have been highlighting that discounting in the NCR market has increased because of low volume in the system and competition from roads.

Alli Rani: We did give rebate here, but we do not want to really share the rebate details with you, but we have to give rebate because of competition. Expenses also, there was a slight increase.

V. Kalyana Rama: *As I mentioned in the earlier query, rebate expenses have gone up, but our share we are maintaining and there is no loss in our share in the NCR market.*

Harish Bihani: *Appreciate that sir, but we just wanted to understand qualitatively, is the increase something which is material versus last year which is affecting the margins right now. Is it not material as a percentage of...?*

V. Kalyana Rama: *There is a slight increase in the rebate, what we offer compared to last year. In the first 6 months, yes, there is an increase, so return our market share, yes, we have to be in line with the other market trends, but you are right, we have some increase....*

Harish Bihani: Sir if you can share the average lead distance on the Eximside and the outlook on this variable for the next 1-2 years?

V. Kalyana Rama: *See, the lead if you look at, overall lead is now 940 compared to 1,012 in the last year. This is basically happening because of the shift from JNPT to Mundra and particularly this quarter because of the*



Cauvery trouble happened in Southern states, there is lot of movement happened between Bangalore and Hosur. There is a growth there. That is a short-lived traffic.

Harish Bihani: *Okay, but if I understand correctly, the lead distance for the company for the Exim side was somewhere around 860-870 last year...*

V. Kalyana Rama: *I have given you the total figure, combined figure.*

Harish Bihani: *How about Exim number sir?*

V. Kalyana Rama: *Exim, it is 835, this 6 months compared to last 6 months of 950.*

Harish Bihani: *And sir last question, when will this land license fees be reviewed next?*

V. Kalyana Rama: *It was reviewed last April, so hope it will be there maybe another 3-6 years. It is not yet finalized, we are still on a discussion with the railways about the other modalities and as and when we get further details, we will definitely share with all of you.*

Harish Bihani: *But sir unlikely that this will be reviewed every year?*

V. Kalyana Rama: *No, it will not be reviewed every year, that I can tell, but the other details let me have the final things which we are having discussions, once it is finalized we will share.*

Moderator: *Thank you. We have the next question from the line of Lavina Quadros of Jefferies. Please go ahead.*

Lavina Quadros: *Sir just wanted to clarify that 175 crores number you have mentioned on the land license fees, that is for the first half of FY17 versus 89 crores for the first half of FY16, is that correct?*

V. Kalyana Rama: *No, that is total, for the full year.*

Lavina Quadros: *So full year, 175 versus 89 and this rise you have accounted for the entire first half rise in the second quarter?*

V. Kalyana Rama: *Yes, that is right.*

Lavina Quadros: *Okay and just to understand, I mean do you all have broadly, even if not item specific, what are these one-off expenses that might have come in this quarter. I tell you where we are coming from because your operating expenses rose from 130 crores to 170 crores sequentially and you also had a 20 crores jump in your other expenses. So just wanted to understand how much of this is one-off and how much of this is sustainable if you have a broad sense?*

V. Kalyana Rama: *One-off expense is basically as we told you LLF and some repairs and maintenance.*

Lavina Quadros: *Yes. This jump sequentially quarter-on-quarter is roughly 70 crores, so most of it would be one-off or...*

V. Kalyana Rama: *Yes. Major part of it is one-off.*



- Lavina Quadros:** *Okay, so what will be sustainable is the rise in the land license fees which will continue into the second half basically?*
- V. Kalyana Rama:** *Yes, that will be only for the quarter. This time as I mentioned earlier, this is for the 6 months we have accounted in this quarter.*
- Moderator:** *Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.*
- Ankur Periwal:** *Just continuing with the earlier question, so out of this land license fee of around 175, roughly around 85 crores will be accounted for in Q2, which is Q1 plus Q2 impact and at the same time, there is a Q-on-Q decline in our empty running cost. So just wanted to clarify the increase in land license fee is essentially coming in the other operating cost which is around 173 odd crores in this quarter. Am I right on that?*
- V. Kalyana Rama:** *Yes. It is coming in the other operating expenses.*
- Ankur Periwal:** *Okay and the rise in other overheads is essentially because of the one-off items which you know...?*
- V. Kalyana Rama:** *The CSR expense we accounted for, some repairs and maintenance we accounted.*
- Ankur Periwal:** *So, although there is a 5% volume growth, will be helpful if you can help us understand whether this volume growth is essentially driven by exports or imports because earlier you know the skew was towards import. So have any things changed in terms of volume?*
- V. Kalyana Rama:** *Sanjay, my Director (International Marketing Operations) will tell you about this.*
- Sanjay Swarup:** *This 5% growth has been driven till now by basically imports, but now we are expecting very good loading for DOP and rice because of good monsoon this year. So we are expecting that exports will also pick up and the imbalance will gradually decrease.*
- V. Kalyana Rama:** *For the benefit of all, let me explain little bit of operation is what actually a new initiative what we have started. As I was mentioning, we started now running double stack in the export side. It is helping two ways for us. One is our margins will increase because of the double stack running which till now we are doing only in the import side, we are doing on the export side and second our empty running will come down because our balancing of rakes in certain locations because of the imbalance in the import/export will come. It was received very well by the market where we started from Dadri and TKD into Kathuwas and we are now extending this to further terminals in the NCR and in the Northern India, Dhandari, Moradabad, so that will help in improving the numbers.*
- Ankur Periwal:** *Sir two follow-ups there. One, because of this high double stacking as well as connecting other smaller terminals with Kathuwas, getting more benefits out of double stacking, would not it continue to put pressure on lead distance and ultimately our aggregate realization?*
- V. Kalyana Rama:** *See, it all depends on. Lead will not come down because these anyhow are running into and Kathuwas, it is only getting double stacked. So, it becomes a question of accounting purpose and we see the numbers compared to last year, the lead will continue to be the same because the originate into destination is the same. The margins will increase.*



- Ankur Periwai:** Sir, one thing more, in terms of better export growth in this quarter versus import, so will be helpful if you can help us understand the empty cost for Exim specifically whether it has come down significantly from 50 odd crores which we witnessed in Q1?
- V. Kalyana Rama:** No, there is imbalance in the second quarter also, the empty running cost has increased in fact because of the TKD imbalance we are witnessing where we have to balance the rakes to other places and to the ports.
- Ankur Periwai:** So, Exim has still increase on Q-o-Q basis as well?
- V. Kalyana Rama:** Yes.
- Ankur Periwai:** And domestic has probably declined so...?
- V. Kalyana Rama:** Domestic we have, we improved our empty running substantially there. But as you know the domestic volumes, part of the Exim volumes are very less because our 80% of the businesses goes on Exim, so empty running on Exim has impacted us still. So, we are taking these measures and we hope that this will reduce our empty running.
- Ankur Periwai:** Sir, lastly on the competitive intensity, if you can highlight both NCR market as a whole as well as Ludhiana-Sahnewal market because we are planning one more bigger terminal over there to come up over the coming quarter?
- V. Kalyana Rama:** Yes, the other terminal which is coming in that region, Ludhiana region basically that on the figure route of DFC. So, that will start giving the full benefit once the DFC starts running and also that can take the rubber factory. So, still there are certain impairments to the double stack, so we are working with the railways to make it possible. Particularly Ludhiana market, yes, that market is having lot of fierce competition from the other operators but our market share, we are able to maintain as the last quarter itself. And now, we are trying to improve on that with certain initiatives which we want to start and we are planning for that, mostly they will start very soon and third quarter we may see some effect of those initiatives or but in the fourth quarter definitely give, there will be substantial improvement in our these things from Ludhiana market with these initiatives, we are expecting that and the whole NCR as I mentioned earlier also, our market share is intact, we have not lost any market share and we hope, let us see the figures for the next quarter because of the initiatives what we have started, may be our numbers may improve.
- Moderator:** Thank you. We have the next question from the line of Achal Lohade of JM Financial. Please go ahead.
- Achal Lohade:** What I wanted to check is the Kathuwas in terms of any development there, how the scale up we have seen there, because the expectation was from October onwards we would be a substantial volume improvement which was earlier used to be only a transshipment terminal?
- V. Kalyana Rama:** See, originating volumes started coming up but yes, because now the CHAs, the importers, exporters, they have to re-orient, re-engineering their business plans. So still the originating numbers are not much, they are still at low levels only but as I was talking about double stack, double stack definitely

improved much. If you look at six months' figures of this year, we did 325 double stacks from CMLK that is Kathuwas compared to 215 last year. So that is a 50% growth over there.

Achal Lohade: Would you be able to talk Q-o-Q, how is it improved like what was the number of trains run in second quarter, if you could say?

V. Kalyana Rama: That figure is not readily available and we can answer you by mail.

Achal Lohade: Sorry, at the cost of repetition, I am just asking sir, if I look at the corporates overheads, they have also gone up, is it entirely due to the CSR, like 20 crores increase Q-o-Q?

V. Kalyana Rama: Yes, this increase, yes because of CSR and some repairment expenses.

Achal Lohade: That is part of the corporates overheads?

V. Kalyana Rama: Yes.

Achal Lohade: And in terms of the margins you explained that there was certain one-off, adjusting for that would we look at margins say in 19%-20% range, any guidance you could offer for full year in terms of the margins?

V. Kalyana Rama: As we said, it is one-off figures and it is whatever they happened in this quarter, may be around 60% are one-off figures. You can even make your estimates.

Achal Lohade: And in terms of the status of the other MMLPs, how many of them we ...?

V. Kalyana Rama: Let me share that with you. See in the first, I will talk about the six months because in the first six months, we started four new terminals, they are like Pantnagar, the Exim started that the custom notification happened there, then we started Jharsuguda, we started Indore, Tihialready started that is the major development because that will attract good volumes and next after this, we are planning 10 more to be started in this financial year and one as I told you, one we got an exclusive agreement with two of the terminals, one in Diwana and one at Jugwada near Ahmedabad. So, if I add, actually we added five so but Diwana we started some operations and we are waiting for the full scale operation so that will be complementing our Babarpurterminal and also we will be having our presence in the rice market there. For this, in turn we will be starting in the next six months. Major in that will be Vishakhapatnam and then Nagpur, Raipur and we are going to have our presence in two more ports that is at Paradip and at Krishnapatnam.

Achal Lohade: In terms of the CAPEX sir, how much have we spent in first half and balance in second half?

V. Kalyana Rama: We roughly touched around 40% of our CAPEX expenditure in the first six months and we will be sure that as I told you now 10 terminals are going to start in the next six months. We are confident we will be able to achieve our CAPEX plans of 1,150 crores.

Moderator: Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.

**Concor**

- Shalini Gupta:** Just wanted to check like, what would be your market share at JNPT and some of the other major ports, sir figure you have shared earlier?
- V. Kalyana Rama:** Our market share for the first six months, out of the total port volume you want, otherwise this, out of the port volumes, I will give you around 14% at JNPT and H1, we are around 7.5. So, all major ports put together it is around 11.1%. At Mundra, it is 14.5 and Pipavav it is 41.
- Shalini Gupta:** And sir, you have discussed in detail the reasons for the decline in EBITDA margins this quarter and even the previous quarter, so I mean would it be a fair estimate to say that these are rock bottom margins and from here they will not fall further Q-on-Q, quarter-on-quarter?
- V. Kalyana Rama:** Yes, with the start of initiatives we are taking up, we are expecting to do better in the next two quarters.
- Shalini Gupta:** And sir lastly like what is your outlook on the Exim trade because beginning of the year we were expecting Exim trade to pick up that is not happened so....?
- V. Kalyana Rama:** I think this a question which beyond my scope as I told you, we are in the service industry and if I tell you the figures, I just collected some figures from the total economics and the surveys given by the government like export if you look, it is down by 2% and imports are down by 14%. From US \$202 billion, it has come down to \$175 billion, imports. Exports also there is no increase, it is \$133 billion last year compared this year \$131 billion. So, unless the export-import markets, those factors I cannot analyze but if increases, definitely our volumes will increase. So, what we are now trying to do is to maintain our market share or increase our market share by taking some new initiative.
- Moderator:** Thank you. Next question is from the line of Abhisekh Gosh from Motilal Oswal Securities. Please go ahead.
- Abhisekh Gosh:** Just wanted to understand one thing in terms of Kathuwas ramp up, how many trains are we running currently from Kathuwas?
- V. Kalyana Rama:** Kathuwas, now regularly we are running, one in export double stack and at least an average of 2 import double stack and then that gives another 6 trains to run.
- Abhisekh Gosh:** Given the current infrastructure in place, we can go up to 6 from the current 3, is that right?
- V. Kalyana Rama:** Double stacking?
- Abhisekh Gosh:** Yes.
- V. Kalyana Rama:** Double stacking, yes, definitely I can go up to 9.
- Abhisekh Gosh:** You can go up to 9, so about 3 times what we are doing currently.
- V. Kalyana Rama:** Definitely.
- Abhisekh Gosh:** And sir just to understand the impact of this demonetization in last one week what we hear is the road logistics part of it is pretty much chocked because of the cash crunch. Now since our last mile

connectivity, as you mentioned in your remarks as well, so what is the kind of ground level feedback that we are seeing, are the kind of containers stranded at our ICD region not being able to push. What is the impact in last...?

- V. Kalyana Rama:** Till date we are having business as usual but having seen reports like today morning I am seeing in the newspaper in Hindustan Times that around 2 lakhs truck have been stranded because of the cash crunch. So that is really a worrying news, so as of now at our terminals, it is business as usual except little bit here and there, that is not anything to be really considered alarming.
- Abhisekh Gosh:** So, evacuation for our terminals has still not been impacted, right?
- V. Kalyana Rama:** Not impacted.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.
- Vikram Suryavanshi:** Sir, can you explain what was the import and export volumes this quarter?
- V. Kalyana Rama:** As of now, readily they are not available, we can answer you by mail. I have already given the combined volumes.
- Vikram Suryavanshi:** And the 4% growth what you said in volume was on 2Q?
- V. Kalyana Rama:** Yes. In total, it is 4%.
- Vikram Suryavanshi:** That was the 4% Q-o-Q growth?
- V. Kalyana Rama:** Yes.
- Vikram Suryavanshi:** What I have got is the total volume was like 782,000 for this quarter. Is that number right?
- V. Kalyana Rama:** Correct. 7.83lakhs
- Vikram Suryavanshi:** And in terms of basically, I think most of the questions were answered but in terms of logistic parks revenue, when we can see the traction, significant revenue coming from that side of our business apart from our train operations?
- V. Kalyana Rama:** Some of these new things were happening like Kathuwas, our automobile business is picking up and the other things, commodity business we have done some trains in our PFT business. So with these things, yes but they are significant this financial year. Things started, it will take some time to develop.
- Moderator:** Thank you. We have the next question from the line of Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** Sir, most of the questions have been answered, just on the demonetization part, just wanted to check with you, we have been seeing that increasing trend of shipping lines asking the customers to clear the

cargo from BCFSS. So, will this demonetization can change that a bit in the near term, I mean can more cargo ship to real backagain?

V. Kalyana Rama: Yes, let us see we are also keeping our finger crossed we are also waiting what will be the trend.

Bhavin Gandhi: And sir, would you have any update on the direct delivery things how they are shipping up at the ports?

V. Kalyana Rama: There is a lot of confusion on this direct port delivery, basically direct port delivery is as we understand is for the CFS business what is happening there. So as of now, there is no impact of this DPD on the hinterland volumes which are coming to ICD.

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

Aditya Mongia: My first question was on Kathuwas, essentially as I understand there would have been lot of volumes that would have been lost by the other terminals because of rail imbalance being there. Now with Kathuwas becoming operational, is there a sense that we can get some or may be more than the volumes lost due to imbalance back, with Kathuwas being there no?

V. Kalyana Rama: What volumes, lost volumes, what are you referring to?

Aditya Mongia: Essentially the imbalance would have led to volumes getting lost by rail operators including yourself. I am just trying to get a sense whether Kathuwas can help you regain the volumes lost over the last one and half years.

V. Kalyana Rama: I will answer this question in a different way, see the Kathuwas is helping us to garner more volumes, which otherwise would not have come to rail because of the road competition. Now, the assessment what you are asking, let may do it, how much is whether it is large from our system is coming back. But as of now, the analysis what we are doing is that yes, we are able to attract some road volumes back to rail.

Aditya Mongia: Sir, the second question was just a clarification that is there any double counting which happens in volumes because what was earlier getting shifted from let us say Tuglakabad to JNPT, oh let us say Tuglakabad to Mundra is now coming via Kathuwas. So if there is any double counting in the originating or handing volumes on that count?

V. Kalyana Rama: Yes, there is more of accounting and as of now let me check out, but there may be some and may not be some, we can give you some more clarification if you want on a mail.

Aditya Mongia: Sure sir, that will be helpful and...

V. Kalyana Rama: Because I think, it may not be there also.

Aditya Mongia: I will clarify that later on. Just moving on to a next question with the lot more MMLPs getting operational this year, is there FY18 or next year revenue number or the potential that you see going forward for the next year in terms of revenues for all these MMLPs?

Concor

- V. Kalyana Rama:** Yes, definitely this MMLPs once we start our presence, we are increasing more and that should give more business to us. As I told you that 2 other ports we are adding on to our kitty like, Paradip and Krishnapatnam. Paradip of course not much volumes, but Krishnapatnam is doing good volumes and we are establishing our presence over there.
- Aditya Mongia:** Any numbers that you would want to share in terms of the non-real share of business what would be in FY18 with all these MMLPs being operational?
- V. Kalyana Rama:** It is too much in advance, I think we will wait for some time.
- Aditya Mongia:** And just one clarification, for Kathuwas, you gave some numbers of 325 double stack and 215 number last year, what exactly are these numbers, can you just clarify.
- V. Kalyana Rama:** They are the double stack trains operated out of Kathuwas.
- Aditya Mongia:** These are the quarterly numbers.
- V. Kalyana Rama:** Quarterly numbers which are handling at Kathuwas in 6 months, it is not quarterly, it is 6 months. 325 is current year 6 months' half yearly compared to the last year half yearly 250.
- Moderator:** Thank you. Our next question is from the line of Chokalingam Narayanan from Deutsche Bank. Please go ahead.
- Chokalingam Narayanan:** Just wanted to understand, road or rail whatever the opportunity size for the market currently versus say last year. How much is this increased and how much is you think road as a mode gained over rail or those market shares of broadly remains similar?
- V. Kalyana Rama:** See, there is slight increase in our market share, IR share. IR if I feel look at the IR figures, they increased by around 0.7%, we also increased by around 0.2% over last year. So, there is a slight increase in this under the rail shares that may vary, some traffic has come back to it.
- Chokalingam Narayanan:** This is by tonnage or by tonne kilometer sir?
- V. Kalyana Rama:** This is tonnage.
- Chokalingam Narayanan:** When we look at the container volumes which the ports have kind of declared, if we look at all the ports, they seem to indicate that there is a 6% to 7% sort of an increase in the overall market during the first half of this fiscal versus that our Exim volumes are about 4% and the balance is by the domestic is even lower than that. So, how should we kind of understand this sir?
- V. Kalyana Rama:** See, unfortunately at the port, the shipping lines are insisting for clearing more containers as CFS and transshipment that the local CFS not allowing them to come to hinterland because of the imbalance and the costs they have to incur. Port also will take everything transshipment, empty repositioning into account and their handling volumes. So let us see, we are also working with the shipping lines with the port and there are lot of initiatives taken by the Ministry of Commerce and NITI Aayog to increase the hinterland volumes, increase the rail share, so all of us are working together, let's see how things shape up.

Concor

- Chokalingam Narayanan:** Secondly the question was on DFC, any clarity on what could be the tariffs which could be there?
- V. Kalyana Rama:** I can give you that estimated completion is around 19th December or second half of 19 and as of now, I think the tariff is yet to be discussed.
- Chokalingam Narayanan:** Is yet to be discussed. There is not even any broad indication on that as yet?
- Alli Rani:** Yes, the empty DFC is generally said that because they are going to be very better on operating cost, they will give very attractive tariffs. That is what he has been telling to the press.
- V. Kalyana Rama:** This is not official, this is just our DFC sharing her view on this.
- Alli Rani:** No, not mine, journalists' view.
- V. Kalyana Rama:** We do not want to comment on this particular thing, may be better you can ask DFC people about it.
- Chokalingam Narayanan:** Last thing is on rail haulage charge, the last revision was quite some time back, any chances of increase or when is the due from what we understood last it is due once or twice a year, so do you expect anything to happen over there?
- V. Kalyana Rama:** As of now, nothing is getting discussed on this front and that is because I cannot again as I told you, it is only the guess work I can do, as of now there is nothing.
- Chokalingam Narayanan:** So, you do not expect anything like what they did for coal in terms of rationalization of tariffs on different slabs, that sort of a thing happening at any point in near future?
- V. Kalyana Rama:** No, this coal rationalization may not come to containers because in coal rationalization, it is entirely different dynamics of that coal because the coal is moving in short lead, long lead that is a different calculation. For containers, it is entirely different bargain, so I do not think that analysis will apply to container.
- Moderator:** Thank you. Due to time constraints, we will be able to take the last two questions. Next question is from the line of Atul Tiwari of Citi Group. Please go ahead.
- Atul Tiwari:** Sir, based on the originating volumes that you just shared for the first half and if one backs out first quarter number, the growth in handle volumes is quite a bit higher than the originating volume, is that the right impression or? Since 4% growth is I think in the handle volume, while the originating volume is probably flattish year-on-year.
- V. Kalyana Rama:** Atul, our DMO Sanjay will answer your query.
- Sanjay Swarup:** Yes, because handling volume in between there is a transshipment that also comes in handling like in Kathuwas, there is transshipment but originating volume is supposed from TKD to Mundra, then it will be only a TKD. But in between, handling is counted in handling volumes that is why there is a difference. More double stack means more handling.

Concor

- Atul Tiwari:** So, I mean the flattish originating volumes do indicate there demand environment is still quite soft, while your handle volume has gone because you are doing more double stacking, I just wanted to confirm that impression is that?
- V. Kalyana Rama:** Yes, now your analysis is more or less correct but the double stacking will definitely increase the original volumes.
- Moderator:** We will take the last question from the line of Jaikanth Kasturi of Dolat Capital. Please go ahead.
- Jaikanth Kasturi:** Sir, my question is regarding double stacking pricing, I just wanted an information is it like around 1.5X of single pricing or it is like around 2X if you can share that information?
- V. Kalyana Rama:** There is no fixed formula for this double stack pricing. We get a benefit out of double stacking. So depending on the sector, depending on the market, depending on the precompetitive scenarios existing, we are deciding on the double stack pricing.
- Jaikanth Kasturi:** We are yet to decide on that?
- V. Kalyana Rama:** You want to know about the railway pricing on the double stack? This is my pricing, my pricing policy I shared with you. Thank you.
- Moderator:** Thank you very much. That was the last question. I would now like to hand the conference back to Viral Shah for closing comments.
- Viral Shah:** Thank you everyone for participating the call. Special thanks to the management of CONCOR for giving us an opportunity to host the call. Thank you.
- Moderator:** Thank you very much. On behalf of SBI CAPS securities that concludes this conference. Thank you for joining us ladies and gentlemen, you now disconnect the lines.

SBICAP Securities Limited

(CIN): U65999MH2005PLC155485 | Research Analyst Registration No INH000000602
 SEBI Registration No.: NSE Capital Market: INB 231052938 | NSE Derivatives: INF 231052938 | BSE Capital Market: INB 011053031
 Currency Derivatives: INE 231052938 | CDSL: IN-DP-CDSL-370-2006 | IRDA/IR2/2014/241

Corporate Office:

Marathon Futorex, A & B Wing, 12th Floor, N. M. Joshi Marg, Lower Parel, Mumbai -400013.
 Tel.: 91-22-42273300/01 | Fax: 91-22-42273335 | Email: sbicapresearch@sbicapsec.com | www.sbismart.com

KEY TO INVESTMENT RATINGS (w.e.f. February 2013)

Guide to the expected return over the next 12 months. 1=BUY (expected to give absolute returns of 15 or more percentage points); 2=HOLD (expected to give absolute returns between -10 to 15 percentage points); 3=SELL (expected to give absolute returns less than -10 percentage points)

DISCLOSURES & DISCLAIMERS
Analyst Certification

The views expressed in this research report ("Report") accurately reflect the personal views of the research analysts ("Analysts") employed by SBICAP Securities Limited (SSL) about any and all of the subject issuer(s) or company(ies) or securities. This report has been prepared based upon information available to the public and sources, believed to be reliable. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

The Analysts engaged in preparation of this Report or his/her relative:-

(a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report.

The Analysts engaged in preparation of this Report:-

(a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) have not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; and (g) are not engaged in market making activity for the subject company.

Name	Qualification	Designation
Viral Shah	BE (Chemical), MMS (Finance)	Analyst
Pranjal Sanghvi	B.Com, CFA (ICFAI)	Associate

Other Disclosures

SBICAP Securities Limited ("SSL"), a full service Stock Broking company, is engaged in diversified financial services business, including equity broking, DP services, distribution of Mutual Fund, insurance products and other financial products. SSL is a member of National Stock Exchange of India Limited and BSE Limited. SSL is also a Depository Participant registered with NSDL & CDSL. SSL is a large broking house catering to retail, HNI and institutional clients. It operates through its branches and authorized persons spread across the country and the clients are provided online trading through internet and offline trading through branches and call & trade facility. SSL is a wholly owned subsidiary of SBI Capital Markets Limited ("SBICAP"), which is engaged into investment banking, project advisory and financial services activities and is registered with the Securities and Exchange Board of India as a "Category I" Merchant Banker. SBICAP is a wholly owned subsidiary of State Bank of India. Hence, State Bank of India and all its subsidiaries, including SBICAP and banking subsidiaries are treated and referred to as Associates of SSL.

We hereby declare that our activities were neither suspended nor we have materially defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty for certain procedural lapses. We have not been debarred from doing business by any Stock Exchange/SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

SSL or its Associates may: (a) from time to time, have long or short position in, and buy or sell the securities of the company mentioned in the Report or (b) be engaged in any other in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company discussed herein or act as an advisor or lender/borrower to such company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

SSL does not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the Report. However, since Associates of SSL are engaged in the financial services business, they might have in their normal course of business financial interests or actual / beneficial ownership of one per cent or more in various companies including the subject company mentioned herein this Report.

SSL or its Associates might have managed or co-managed public offering of securities for the subject company in the past twelve months and might have received compensation from the companies mentioned in the Report during the period preceding twelve months from the date of this Report for services in respect of managing or co-managing public offerings/corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction.

Compensation paid to Analysts of SSL is not based on any specific merchant banking, investment banking or brokerage service transaction.

SSL or its Associate did not receive any compensation or any benefit from the subject company or third party in connection with preparation of this Report.

This Report is for the personal information of the authorized recipient(s) and is not for public distribution and should not be reproduced, transmitted or redistributed to any other person or in any form without SSL's prior permission. The information provided in the Report is from publicly available data, which we believe, are reliable. While reasonable endeavors have been made to present reliable data in the Report so far as it relates to current and historical information, but SSL does not guarantee the accuracy or completeness of the data in the Report. Accordingly, SSL or any of its Associates including directors and employees thereof shall not be in any way responsible or liable for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this Report or in connection with the use of this Report.

Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian securities market.

The projections and forecasts described in this Report should be carefully evaluated as these :

1. Are based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies.
2. Can be expected that some of the estimates on which these were based, will not materialize or will vary significantly from actual results, and such variances may increase over time.
3. Are not prepared with a view towards compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these.
4. Should not be regarded, by mere inclusion in this report, as a representation or warranty by or on behalf of SSL the authors of this report, or any other person, that these or their underlying assumptions will be achieved.

This Report is for information purposes only and SSL or its Associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Though disseminated to recipients simultaneously, not all recipients may receive this report at the same time. SSL will not treat recipients as clients by virtue of their receiving this report. It should not be construed as an offer to sell or solicitation of an offer to buy, purchase or subscribe to any securities this report shall not form the basis of or be relied upon in connection with any contract or commitment, whatsoever. This report does not solicit any action based on the material contained herein.

It does not constitute a personal recommendation and does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this Report may not be suitable for all the investors. SSL does not provide legal, accounting or tax advice to its clients and you should independently evaluate the suitability of this Report and all investors are strongly advised to seek professional consultation regarding any potential investment.

Certain transactions, including those involving futures, options, and other derivatives as well as non-investment grade securities, give rise to substantial risk and are not suitable for all investors. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment.

The price, value and income of the investments referred to in this Report may fluctuate and investors may realize losses on any investments. Past performance is not a guide for future performance. Actual results may differ materially from those set forth in projections. SSL has reviewed the Report and, the current or historical information included here is believed to be reliable, the accuracy and completeness of which is not guaranteed. SSL does not have any obligation to update the information discussed in this Report.

The opinions expressed in this report are subject to change without notice and SSL or its Associates have no obligation to tell the clients when opinions or information in this report change. This Report has not been approved and will not or may not be reviewed or approved by any statutory or regulatory authority in India, United Kingdom or Singapore or by any Stock Exchange in India, United Kingdom or Singapore. This report may not be all inclusive and may not contain all the information that the recipient may consider material.

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this Report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing /taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with this restriction may constitute a violation of laws in that jurisdiction.

Legal Entity Disclosure

Singapore: This Report is distributed in Singapore by SBICAP (Singapore) Limited (Registration No. 201026168R), an Associate of SSL incorporated in Singapore. SBICAP (Singapore) Limited is regulated by the Monetary Authority of Singapore as a holder of a Capital Markets Services License and an Exempt Financial Adviser in Singapore. SBICAP (Singapore) Limited's services are available solely to persons who qualify as Institutional Investors or Accredited Investors (other than individuals) as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") and this Report is not intended to be distributed directly or indirectly to any other class of persons. Persons in Singapore should contact SBICAP (Singapore) Limited in respect of any matters arising from, or in connection with this report via email at singapore.sales@sbicap.sg or by call at +65 6709 8651.

United Kingdom: SBICAP (UK) Limited, a fellow subsidiary of SSL, incorporated in United Kingdom is authorised and regulated by the Financial Conduct Authority. This marketing communication is being solely issued to and directed at persons (i) fall within one of the categories of "Investment Professionals" as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (ii) fall within any of the categories of