



“Container Corporation of India Limited
Q1 FY20 Earnings Conference Call”
August 01, 2019



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Moderator: Good morning ladies and gentlemen, welcome to the Container Corporation of India Limited Q1 FY 2019-2020 earnings conference call hosted by IDFC Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from IDFC Securities. Thank you and over to you Ma’am!

Bhoomika Nair: Thank you, Susan. Good morning, everyone. On behalf of IDFC Securities, I would like to welcome you to the Q1 FY20 Earnings Call of Container Corporation. The management today is being represented by Mr. Kalyana Rama, Managing Director. I now hand over the call to Mr. Rama for his initial remarks, post which we'll open up the floor for Q&A. Over to you, Sir!

Kalyana Rama: Yes. Thank you. Good morning to all of you. So here I am with all my Directors: Sanjay Swarup, P.K. Agrawal, Rahul Mithal and Manoj Dubey. So the quarter numbers, financial numbers, I think we have come out with good numbers. Even though the volumes are a little subdued because of the import-export scenario, which is not very good, our volume growth is not there. We are, compared to the Q1 of the last financial year, 1% less in our handling figures, and originating we are around 5.6% less. When I look at the financial numbers, comparing apples with apples, without taking the SEIS impact, the operating income has gone up by 9.14% and the EBITDA has gone up by 18%. And coming down to PAT, it is 10% more.

The operating margin has gone up by around 300-odd basis points because the other income what we started last year some of the revenue measures are giving good results for us. Even though there is a strain on rail freight margin, we could maintain because a lot of empty repositioning happened in this quarter. Because of the less exports demand, the empty started moving to our stores. So our rail freight margins showed a slight decline compared to the last Q1 to 28.16% from 28.27%. Overall, things are not that bad because we have strained but because of the economy strain, we also felt the strain on our operations. But financially, I think we could come out with encouraging numbers.

Thank you. So now Bhoomika we can start our question-and-answer session.



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- Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Atul Tiwari from Citi Group. Please go ahead.
- Atul Tiwari:** Thank you Sir. Sir can I get the originating volume numbers, EXIM and domestic and lead distances EXIM domestic and total for the quarter?
- Kalyana Rama:** Yes Sanjay.
- Sanjay Swarup:** Originating volume for EXIM was 491,944 TEU and domestic was 669,98 TEU and total was 558,942 TEU.
- Atul Tiwari:** And lead distance Sir?
- Sanjay Swarup:** Yes, average lead in EXIM was 712 kilometers domestic it is 1366 kilometers and overall is 777.
- Atul Tiwari:** Sir, what were the gross debt and the cash and cash equivalents on the balance sheet at the end of first quarter?
- Kalyana Rama:** See we cleared out debt in two months time so end of the quarter, there is no debt and remaining figures our DF will give you, Manoj?
- Manoj K Dubey:** This working capital of Rs.700 Crores that we raised, we cleared on May 31, one month ahead of our normal schedule that we had planned. So as on date, there is no debt on the company of any kind and in fact we have added Rs.300 Crores more as FD in this first quarter.
- Atul Tiwari:** Okay. So Sir, the cash and cash equivalent amount, how much would be there on the balance sheet, the cash and current investments, and FD roughly?
- Kalyana Rama:** Rs.1000 Crores plus.
- Atul Tiwari:** 1000 Crores?
- Kalyana Rama:** Yes. 1065 something.
- Atul Tiwari:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.



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- Ankita Shah:** Sir, given the overall slowdown in the economy, are we confident of maintaining 10% to 12% of growth that we had envisaged earlier?
- Kalyana Rama:** So it all depends on Ankita, the economic growth which we are going to get in this year. So if there is economic growth around 6.5% to 7%, what the government is projecting after the budget, so I am sure we will be able to maintain our guidance figures.
- Ankita Shah:** Okay and Sir, update on the coastal and distribution business from the earlier quarter?
- Kalyana Rama:** Yes, so you want the numbers or you want the general scenario?
- Ankita Shah:** Sir general scenario as well as?
- Kalyana Rama:** General scenario is that coastal we are doing those two services on West Coast have picked up very well. For last I think in the Q1 also, 2-3 voyages, the last 2-3 voyages, we did full, 700 TEU vessels is going with complete DWT loading of 700 TEUs. So it is very encouraging. And in the distribution logistics business the center has opened up, now the procedures are being set that there we are working on trying to bring even FTWZ also. So the efforts are going on, so this quarter, it will start functioning and we will be doing in this year four more centers. So the process is on so the tenders will be out and by the end of this year, there will be 5 distribution logistic centers.
- Ankita Shah:** So how much in our estimate, both these business could contribute this year and next year?
- Kalyana Rama:** In coastal, there in the top line, there will be a contribution of maybe around Rs.150 Crores because we will be starting East Coast as well, very soon, which will be connecting Bangladesh, the Chittagong Port. The distribution logistics we are not making an estimate as of now, let us first, because we want to set the procedures and then the model so the model has to roll out so it will be the first year we are not really concentrating on those numbers so it is more of experimentation for this year and the numbers will start rolling in from the next year.
- Ankita Shah:** Okay and 150 Crores is FY 20 number right?
- Kalyana Rama:** For coastal yes.
- Ankita Shah:** And margins in this particular segment?
- Kalyana Rama:** That I will discuss with you after a Q2 or Q3.



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- Ankita Shah:** Okay and Sir last two things, capex incurred in Q1 and number of double-stack trains handled?
- Kalyana Rama:** Capex, Q1 is not right quarter to look at capex. Double-stack numbers I will tell you.
- Ankita Shah:** Is it in line with what we have planned?
- Kalyana Rama:** Yes, it is in line with whatever the forecast we gave, if you see last few years, we completed our capex program by the end of the year. So it is always like that the Q1 is a planning quarter, the execution quarter really starts from Q3 and Q4. So Q1, if you look at numbers and try to make some forecasting, it is not a correct forecasting and double-stack numbers, I will give you. 758 trains we ran this quarter.
- Ankita Shah:** Thank you Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from J M Financial. Please go ahead.
- Achal Lohade:** Thank you for the opportunity Sir. First, in terms of the price adjustment fee, in the last conference call, we had indicated that we looking at a price adjustment from April 1, so what was the price adjustment in terms of percentage for our EXIM and domestic respectively?
- Kalyana Rama:** No. Price adjustments we already done that we discussed in the, I think, last conference call, after that what we announced for this year is that we will have a price stability for the whole financial year. So we are not changing any of our prices in this financial year. So that is the comfort we are giving to our customers.
- Achal Lohade:** Got it. You had increased the price on March 31, if I understand correctly, and you said, incremental revenue of about 74% of FY 2019 revenue. So I was just curious, has that sustained the price increase?
- Kalyana Rama:** See look, Lohade, when you at Q1 numbers, as I just mentioned in my initial remarks, with the volume going down by 1% in the handling volume, and 5.46% in the originating volume, our financial numbers operating income has gone up by 9.14%. The operating margin has gone up from 29.38% to 32.67%.
- Achal Lohade:** Got it. Sir, second question was with respect to market share, can you help us with the market share for the first quarter for EXIM and domestic?



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- Kalyana Rama:** Yes, our DIMO will give you the figures.
- Sanjay Swarup:** Rail base market share for the first quarter, in EXIM, it is now 68% and domestic 64.8%.
- Achal Lohade:** Sorry I did not get that number.
- Sanjay Swarup:** EXIM 68%.
- Achal Lohade:** Domestic?
- Sanjay Swarup:** Domestic 64.8%
- Achal Lohade:** And could you help us with the Q4 number as well Sir if you have for last year same quarter?
- Sanjay Swarup:** I do not have with me right now.
- Achal Lohade:** Okay. I was just curious if we gained or lost market share in the EXIM segment Sir?
- Kalyana Rama:** We have, little bit of our market share has reduced because we are not trying to pick up the low-margin volumes, whereas certain sectors are being operated at very low margins so we are not getting into the price wars. As I mentioned this earlier also, we never go into a price war so we are only maintaining our service level. So there is maybe a dip of 3% market share compared to the corresponding quarter in the EXIM. In domestic, we maintained our market share, in fact we slightly increased.
- Achal Lohade:** Got it. Sir last clarification if you can, in terms of the other income it is at 58 Crores, given the reduced cash balance at the beginning of the quarter, I was just curious if there is any one-off income any interest on refund or anything of that sort in this quarter booked?
- Kalyana Rama:** In this quarter, one is we have given some revenue changes during the last year that they are giving us other income, and there is some one-off income we got some income tax interest refund that is around Rs.28 Crores.
- Achal Lohade:** Understood. Great Sir, thank you so much. I will come back in the queue.
- Kalyana Rama:** Okay.
- Moderator:** Thank you. The next question is from the line of Girish Raj from Quest Investment. Please go ahead.



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Girish Raj: Thank you for the opportunity Sir. I request you to share more insights on the distribution logistic at Ennore based on the interaction over the last 4 months as in what kind of customers have approached us or we have approached? What kind of conversation we had? How we are engaged with our prospective customers, any potential customers that we have signed?

Kalyana Rama: Yes. See, there is a lot of customer interest. In fact, that is an operate facility which is already operational, and the warehouse space up to around 80% is already occupied. Now what we are now trying to do is to establish the procedures and as I mentioned, we are now working on whether we can go for FTWZ there. So this process is going on because that is a port town, there is a lot of demand for the FTWZ as well. So now the procedure and the various other things are almost finalized. Once they are announced and they are put into practice, the operations will start there.

Girish Raj: Okay. I was coming from more color as to what kind of business that we would generate in this facility, so free trade just to...

Kalyana Rama: This is, as I have mentioned in the conferences which you attended, the distribution logistics is about starting from receiving the goods, warehousing them, inventory management and delivery, invoicing, all those. So those, see because this is a new business, these practices have to be now first defined and now the whole system has to be properly advocated and then only we can do that. So warehousing is going on, but the other things to add on, we are now setting the procedures, because this is the procedure what sets in here will be replicated over all other places.

Girish Raj: Second question and last question, coastal revenue in first quarter and if you can quantify the benefits of Ind AS 116 on the EBITDA?

Kalyana Rama: Coastal revenues readily available?

P.K. Agrawal: Last quarter, we have revenues from coastal is Rs. 37.45 Crores.

Kalyana Rama: We had Rs.38 Crores revenue in the first quarter from coastal, as I mentioned, coastal in the first quarter, we could do full services towards the end of it that means, it took us around 5-6 months to make our services completely occupied. Regarding Ind AS, our Director Finance will give you.

Manoj K Dubey: So on the Ind AS 116, our depreciation has gone up because of taking all our operating leases in the finance lease mode by nearly Rs.15 Crores but there is negligible impact on the



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PAT, because those expenses in depreciation has come out of our expenses so revenues expenses operating expenses. So on PAT, there is not much of impact but if you can see that my depreciation has gone up by sizable numbers, that is around Rs.15 Crores plus because of this impact of Ind AS 116.

Girish Raj: So note also mentioned.....

Moderator: Sorry to interrupt.....

Girish Raj: So 15 Crores is depreciation note also mentioned interest, is there any 116 impact on the interest also?

Manoj K Dubey: No, interest, there is not much of interest right now, this is the first quarter that we have started doing with this new practice and the main impact is on methodology of taking this operating lease that we have in abundance on our equipments and quite a lot set of our rakes also that we have taken on operating lease.

Girish Raj: Okay, thank you very much.

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

Prateek Kumar: Hi, thanks for the opportunity. Sir, just on the follow-up of previous question so the increase in depreciation, so is this taken out from which line item from like operating cost is like rail freight expense, which is cost of revenue?

Manoj K Dubey: It has come out of rail freight expenses also because the rakes around 8-9 rake that we have hired we have taken on operating lease from a leasing company, now that earlier was used to be calculated in our operating expenses, mainly in freight. So now that has come up to depreciation because of treatment as financial lease. But what I emphasize on is in calculation of PAT, it has got negligible impact.

Prateek Kumar: So EBIT would be like-to-like for us like versus previous period. Anyway I mean if you see EBIT numbers, they will be like-to-like what we were reporting earlier anyway?

Manoj K Dubey: Yes.

Prateek Kumar: Okay. And Sir regarding logistic parks, we had like 83 parks so what is the visibility any further parks we have added to portfolio? Or...



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- Kalyana Rama:** In Q1, we have not added but this year, we are adding 8 to 10 parts depending on, why I am telling 8 to 10 because some certain approvals sometimes may get stuck otherwise, we are targeting 10, but 8 to 10, 8 minimum, 10 maximum, we will be adding this year.
- Prateek Kumar:** Okay. I will get back the queue. Thank you.
- Kalyana Rama:** Yes.
- Moderator:** The next question is from the line of Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** Morning Sir. Just two things, one, can you share the volumes in million ton please both EXIM and domestic separately?
- Sanjay Swarup:** EXIM volumes are 8.52 million tones, domestic 1.81 million tonnes total 10.33 million tonnes.
- Bhavin Gandhi:** Sir port wise market share and break-up of volumes port wise?
- Sanjay Swarup:** Port-wise, JNPT has contributed 32.7%, Mundra Port also same 32.7%, Pipavav 15.83%, Chennai 5.35%, Vizag 5.82%, this is almost more than 90% contribution.
- Bhavin Gandhi:** Sir, just port-wise market share in terms of key ports?
- Sanjay Swarup:** JNPT, our market share is 71%, Mundra Port 46%, Pipavav 53%.
- Bhavin Gandhi:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** Sir, two questions; first, on the realization front, now we took some hike with effect from April in lieu of the railway haulage and a surety of no further increase in the haulage charges, post that, has there been any rejig in terms of either a volume discount or some extension of services that we had offered to our customers?
- Kalyana Rama:** No there is no changes.
- Ankur Periwal:** Because on the realization front, there is hardly any change on a Q-on-Q basis so I was wondering if there was a price hike, ideally there should be some increase in realization?



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- Kalyana Rama:** There is a lot of realization when there is increase, the financial numbers increased, even volume has come down so, see otherwise...
- Ankur Periwal:** On a Q-on-Q basis.....
- Kalyana Rama:** You are looking at the EXIM per TEU realization?
- Ankur Periwal:** Yes, Sir. Sir, EXIM per TEU on a Q-on-Q.
- Kalyana Rama:** Yes, EXIM per TEU realization have not gone up because there are empty running going on nowadays because it is not loaded run, all shipping lines they are repositioning back their empties to ports.
- Sanjay Swarup:** 39% growth per TEU.
- Kalyana Rama:** 39% growth has happened.
- Manoj K Dubey:** Q1 to Q1 is 39.
- Ankur Periwal:** No, Sir. Sir, Q on Q, so Q4 to Q1?
- Kalyana Rama:** That is what I am saying empty is going on so there is only 0.86%. See in Q4 there is full loaded runs going on, now this empty reposition is going on, empty repositioning we do not get margins as we get on loaded margins.
- Ankur Periwal:** Fair enough. Sir, second question if you can share the numbers on the empty cost, both for EXIM and domestic?
- Kalyana Rama:** Empty running cost?
- Ankur Periwal:** Yes.
- Kalyana Rama:** Empty running cost in this quarter, it is total Rs.48.9 Crores, in EXIM, it is Rs.28.2 Crores in domestic, Rs.20.7 Crores. This is a decrease, if you look at, quarter-on-quarter corresponding quarter, it is 15.8% reduction. Corresponding quarter, it was Rs.58.09 Crores and now it has come to Rs.48.9 Crores.
- Ankur Periwal:** Sure Sir that is helpful. That is it from my side. Thank you.



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- Moderator:** Thank you. The next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.
- Deepika Mundra:** Good morning Sir. Thank you for taking my question and congrats on a good set of results. Sir, I just wanted an update on the double-stack trains we have seen the volumes becoming a little flattish over the last 2-3 quarters and actually the number of trains is down on a year-on-year basis could you throw some light on that?
- Kalyana Rama:** Thank you, Deepika, for your complementary. The volumes are not there, but still we are able to do double stack. Double stack is 758 this quarter comparing with 829 we did last year.
- Deepika Mundra:** Got it. So Sir it is just an overall demand issue it is not into anything...
- Kalyana Rama:** It is overall demand issue, but we have actually added on our high capacity wagons now complete double-stack movement is possible on high capacity wagons of 68 tonnes carrying capacity. With that only we could even come out with these figures otherwise, the demand is very low. As of now, the economy is under strain, I already mentioned the import-export figures are not encouraging.
- Deepika Mundra:** Understood. And Sir just on DFC the DFC has put a target of March 2020 for Gujarat ports to be connected. Just wanted to understand what would be the time lag for CONCOR to start seeing the volume increase?
- Kalyana Rama:** So I will first answer that in what will be the time lag for operations?
- Deepika Mundra:** Correct.
- Kalyana Rama:** So for time lag for operations will be minus one month. So if they are starting March, I can start in February. I think you have not got it. So we are fully ready.
- Deepika Mundra:** No, I understood Sir.....
- Kalyana Rama:** We are fully ready. We can just start so we are just waiting the DFC to say that now start running your train on this.
- Deepika Mundra:** Got it Sir. Thank you so much.



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- Moderator:** Thank you. The next question is from the line of Shivangi Agarwal from ICICI Prudential Life Insurance Mutual Fund. Please go ahead.
- Shivangi Agarwal:** Hello Sir. Sir one thing I cannot understand is the staff cost. So what I understood, Sir, previously when there would not be lots of fluctuation in staff cost, but if we see Q-on-Q, there is decline in staff cost. So how come it is less?
- Kalyana Rama:** Right now, I am not having that with me. So you can send a mail, then we will answer.
- Shivangi Agarwal:** Okay. Sure, Sir no issues. And second question is, Sir, on coastal shipping, Sir, when we talked earlier, you have mentioned that there is a problem of reverse cargo, is the problem still exist or we are able to get the reverse cargo?
- Kalyana Rama:** No. As of now, we have not yet got the reverse cargo. We are now able to get full demand for our services from Gujarat to Tuticorin. So we are working on reverse logistics. We have not yet got the reverse backhaul as of now.
- Shivangi Agarwal:** Okay. No issues, Sir. Any update on inland waterways so are we working towards it?
- Kalyana Rama:** Yes, soon we will be giving announcement let us hope, we are working on that with the government.
- Shivangi Agarwal:** Sir, what are the problems we are facing in that scenario, inland waterways, I could not understand so like, every time, Mr. Piyush Goyal comes on TV or on channels to say that we are doing a lot of things in this field, but still we cannot see development. And they are talking for this last so many quarters?
- Kalyana Rama:** I am not answering this question. You would have asked me straight, I would have answered you have taken minister's name, now I cannot answer.
- Shivangi Agarwal:** No, I am extremely sorry. I am extremely sorry, Sir. No, just asking that what is the problem as at CONCOR we are facing in these inland waterways?
- Kalyana Rama:** It should be coming with some announcement. We are working with government. Okay?
- Shivangi Agarwal:** Thank you.
- Moderator:** Thank you. The next question is from the line of Chandrasekar Sridhar from Fidelity Investment. Please go ahead.



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Chandersekar Sridhar: Thank you for taking my question. Sir my first question is just on the SEIS's income on the most of the accounts. You said that DGFT has not given the notification for FY 2019-2020 does it mean, I mean, as per my understanding, that the SEIS should have come this year, is it that it is just not meant for this quarter or you are now saying that you are not going to get any SEIS's in terms of the whole year?

Kalyana Rama: I do not know. I think you are not fully aware how SEIS comes let me explain that first. SEIS comes out of the import-export policy announced for 5 years, so 2015 when the import-export policy announced, in that they announced that SEIS will be given incentive and it is monetizable. So this is a change from the earlier import-export policy, earlier it was SFIS okay? Now, after this every year, government gives a notification for that financial year, only once that notification is given for that financial year, you can take it that you will get the SEIS. So this financial year, government has not yet given notification. If you look back, then you understand this, in 2018-2019, the notification came in the first quarter so we started accruing from the first quarter. In 2017-2018, the notification came in the third quarter. So if you see our figures, first two quarters we have not taken SEIS, third quarter we have taken for 3 quarters. I hope I answered your question now.

Chandersekar Sridhar: Sure. So that means you are expecting it may come sometime during this year?

Kalyana Rama: Yes, that I cannot give a forecast of what government is going to do I told you the procedure. Once they give notification, the accrual comes. And regarding your doubt what you expressed and you are trying to come to a conclusion and I would say I am sorry that conclusion is wrong. We are not having any doubt of getting our SEIS income, which we accrued in the last four years. The process is going on, this is a question of budget allocations in the government.

Chandersekar Sridhar: Right, and second question is, just if I look at your realizations over time have been moving up I mean I am trying to understand just over a long run our competition here is not with other CTIs as much as it is with the road and I am trying to understand the focus on trying to get realization at the cost of volumes. Here, I mean, from the data which is available, port container volumes have actually grown and your volumes have declined. What is the point of picking up prices and focusing on pricing when the focus should be on driving volumes in the long run because I mean we are fighting?

Kalyana Rama: I think you are doing the short-sized analysis Chandrasekhar. See port volumes contain the transshipment containers, empty containers, short-lead containers, okay, so what is the sector where we are operating? We are operating in a sector of long-lead containers. We are not operating on the short-lead containers, that is the immediate hinterland whereas the CFS



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operations takes place. There are some operators operating at JN Port trying to do the operations in the 60 kilometers range so that we are not concentrating on the sector because that sector is without margins. And one of the analysis done by somebody, I do not want to name them, they said that some people are operating at zero-margin businesses I am not interested in doing that because there is no point in operating at zero-margin. Even if I take out these two things, where we are focusing? We are focusing at reasonable margins so that is where we would try to operate so it is not that we are sticking on to the prices and not digging into that, losing the volumes may not be a correct analysis because we keep doing this analysis ourselves where we are not picking up volumes. Why our volumes in the ports have come down is because we are not picking up these low-margins, low-lead less very small lead volumes we are not concentrating on that, they are not for rail operations. Yes, and your first observation is correct, yes, our competition is with the road. Now road has become very competitive because of the increase in the carrying load which are announced by the government. So now the good remedy for that is the commissioning of the DFC, which is, I think, now is more or less certain so once DFC comes the transit guarantee which comes into picture, a lot of traffic will start flowing into the railways.

Chandersekar Sridhar: Okay thank you.

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

Vikram Suryavanshi: Good morning Sir. Most of the questions answered. Sir, just update on Fresh and Healthy are we going to have more investment in this venture and how is outlook on that?

Kalyana Rama: Fresh and Healthy we started getting revenues out of it. Business re-engineering plan is going on as planned. We got good demand also. We made some contracts. Now we will be definitely making some investments, that is in the interest of some of the investors we can share that once we complete the transaction. Now things are going on, so we are not giving any announcement on that. But FHEL will definitely looking up and there is further investment we planned into, that is around Rs.30 Crores total Rs.43 Crores fresh capital infusion we are doing into that because the cold chain demand has gone up so this is in a very good location which can solve the entire NCR region so there is a lot of demand for this location.

Vikram Suryavanshi: Okay got it. And a last question is Sir, how much is the revenue share from Kolkata port?

Kalyana Rama: Kolkata Port, revenue share or you are asking about the volume share?



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- Vikram Suryavanshi:** Whatever is possible because what number we thought is 32% is from JNPT and Mundra 32.7%.
- Kalyana Rama:** 2% Kolkata.
- Vikram Suryavanshi:** Okay.
- Kalyana Rama:** You are from Bengal?
- Vikram Suryavanshi:** No Sir.
- Kalyana Rama:** Okay.
- Vikram Suryavanshi:** Thank you.
- Kalyana Rama:** Okay.
- Moderator:** Thank you. The next question is from the line of Krupa Shankar from Spark Capital. Please go ahead.
- Krupa Shankar:** Thank you for the opportunity. My first question is again on the SEIS income. There was a notification, I think, last week about the rate...
- Moderator:** Sorry to interrupt Mr. Shankar can you speak bit louder we are not able to hear you.
- Krupa Shankar:** Yes, I hope I am audible now. So on the SEIS, just there was a notification that the rate has been reduced from 7% to 5% with effect from August 1, so for a five month period it will be 5% so is that what it is and that is how our SEIS income will also finally calculated for this year?
- Kalyana Rama:** For which period you are taking off?
- Krupa Shankar:** For this year Sir, FY20 so from this August 1,
- Kalyana Rama:** 2019-2020, the notification has not yet come.
- Krupa Shankar:** Okay, so the notification might not yet come but there was an announcement that NEIS and SEIS both there will be a change in the way it will get.....



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- Kalyana Rama:** No, let us not go back media report Shankar, let the notification come, I cannot discuss on speculation is not it.
- Krupa Shankar:** Okay, so there is no change as such right now in that.....
- Kalyana Rama:** There is no notification for this year. So unless notification comes I cannot make any comment.
- Krupa Shankar:** Right. And Sir, secondly on the distribution logistics business, with respect to the one that we opened at Chennai very recently, just so wanted to understand how the business model there works because it is in partnership with a landowner or with a 3PL company and we are also doing our own planning to do our own?
- Kalyana Rama:** Listen, see business model is everything. It is a CONCOR facility, it is and so all the operations and the investment and the facility will be owned by our business partner. There is a gross revenue share agreement which is we already signed with this partner. So out of every Rs.100 we collect, we take our share and then we pass it on rest to him and he has to operate the facility as per the procedures and the processes defined by CONCOR.
- Krupa Shankar:** Right. So Sir, I was also wondering why we are following two different approaches because we also have our own MMLPs where we can do the distribution logistics?
- Kalyana Rama:** See in MMLP, our focus is on Container logistics and Container related value-addition services the distribution logistics it will be completely a different aspect where it starts with warehousing, inventory management and distribution. In MMLP, it is container handling, container stuffing de-stuffing, cargo storing and dispatch. So there is a difference between these two models. It is not the same. So from a layman's perspective, yes, I can understand it looks same, but when you come to the modalities it is a completely different business. So it is like if I say MMLP is a wholesale business, then the distribution also will become a retail business.
- Krupa Shankar:** Okay. So in MMLPs also we were planning to kind of do some kind of warehousing?
- Kalyana Rama:** My friend, MMLP will also do distribution logistics, but the focus area is not there at all.
- Krupa Shankar:** Okay that will largely be ICD plus PFT with some additional services what you said.
- Kalyana Rama:** Yes.



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- Krupa Shankar:** Thank you. That is about it from my side.
- Moderator:** Thank you. The next question is from the line of Aditya Makharia from HDFC Securities. Please go ahead.
- Aditya Makharia:** Just on the DFCs, we also have the Eastern DFC coming up. Will that benefit us in any way?
- Kalyana Rama:** On Eastern DFC, container traffic is not much. It will be very, very less because there is not much movement of containers from Kolkata Port into NCR hinterland. We have not planned for container trains. Eastern DFC is planned for coal and bulk movement and Western DFC is planned for container movement, so many technical features are also planned accordingly.
- Aditya Makharia:** Okay and secondly, in the Mundra, you said our market share is 46% I think this used be much higher earlier, right?
- Kalyana Rama:** It used to be around 49% now it is 46%.
- Aditya Makharia:** So any reason, we are seeing a decline here?
- Kalyana Rama:** I told. I already mentioned, we are not picking up the low-margin volumes. So some low-margin volume game is going on, so we are not getting into that price war. We are not increasing our prices, but we are not going for giving any deep discounts to pick up only the volume.
- Aditya Makharia:** Okay and who would be gaining the shares, would there be any particular player who is aggressive now because since you are saying zero low margin business?
- Kalyana Rama:** I do not comment on other players in my conference call.
- Aditya Makharia:** Okay thank you Sir.
- Moderator:** Thank you. The next question is from the line of Abhilasha Satale from Dalal & Broacha. Please go ahead.
- Abhilasha Satale:** Thank you Sir for giving opportunity. Sir, just to dig out more on the guidance, volume growth guidance, and this quarter volume has been we have posted a decline in volume marginal decline in volume, going forward, you are saying if the economy picks up, we will



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be able to achieve our guidance of 10% to 12% volume growth. So for that achievement, we will have to, I mean, for the next three quarters if economy picks up, then the overall volume growth should be in the range of 14% to 16%. So like in this quarter we have lost market share may be because of short-lead distance increasing or whatever, but what is giving us confidence that once economy picks up, we will gain market share against road players? What will change, which will lead us to improvement in volume?

Kalyana Rama:

See, I think you want to clear all your doubts whether to invest in the stock or not so the conference call is not meant for that, but anyway I would like to answer it in briefly. See when the market picks up, economy picks up, the serious players who have to have logistics service they come to the service providers who are giving a better quality service. So even today, with all that, may be very low-margin game somebody wants to question why we are getting our volumes and why we are able to maintain is because these serious players who are looking for logistics service they will come to us only. So we know that once the economy picks up, then the things have to move very fast, brisk. Otherwise, the people will lose, the business will lose the opportunity, they will not look for this low-margin games they will come to quality services. So that is giving us the confidence and many other things. This entire conference call I have to be devoting it to explain to you how it can come. So that is how we are aiming at and we are ready for that challenge.

Abhilasha Satale:

Okay. No, I just wanted to clarify like how are we competing with road players like the competition wise because of the large...

Kalyana Rama:

See road cannot cater to certain volumes. Yes, road is a competition and road picks up some items which are voluminous cargo and lightweight cargo so for that we are giving answer by running a time table service from TKD and Dadri into Khatuwas and then making a double-stack and running into Mundra Port. So these are our solutions ready for these things. But today, the volume is not picking up because the economy is not. Economy once it grows at 7% so my growth in that particular quarter will be 12% so your doubt of how I can pick up the volume which I already lost in the first three months. So that, we will be introducing some additional features into it so that is where we are confident of picking up that 10% to 12% growth.

Abhilasha Satale:

Okay thank you.

Moderator:

Thank you. The next question is from the line of Krishnendu Saha from Quantum Mutual Fund. Please go ahead.



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- Krishnendu Saha:** Thank you for taking my question. Sir simple understanding, last year, we spoke you had a market share of 73.59% or whatsoever number was trending close but now we have a market share of 68% and 64%, respectively, for domestic and EXIM. So, what would you lead to this drop in market share to just understand please?
- Kalyana Rama:** I already explained. Market shares at low lead volumes, less lead volumes and low-margin volumes and volumes are started moving on the rail. So that actually in JNPT that is a new traffic so there, we are not going for low-margin and we are now trying to give package deals. Otherwise, in the sector where we are operating in, and we are able to maintain our thing. So if we look at quarter-on-quarter, I told you that we are only 1% less.
- Krishnendu Saha:** No, I not talking about the year, I am talking about year-on-year in fact 1.5 years back, we were around 74%, now we are around 68% or 63%.
- Kalyana Rama:** For the quarter we are talking.
- Krishnendu Saha:** Sir I am talking about in Q4FY2018.
- Kalyana Rama:** I understand that is what I am telling you are talking about the full year the EXIM margin the EXIM market share of 73.59 and domestic of 66, now we are 68 and 64.8, that is what I am telling in this quarter low, less lead low margin volumes are going on at JNPT and at Mundra port which we are not touching.
- Krishnendu Saha:** And Sir but on a long lead which is like not the short leads, what kind of market share would we have there?
- Kalyana Rama:** That analysis that is we are more or less at the same place.
- Krishnendu Saha:** Will be more than 70%-75% right?
- Kalyana Rama:** Yes.
- Krishnendu Saha:** Yes, that is it, thank you.
- Moderator:** Thank you. The next question is from the line of Girish Pathak from Goldman Sachs. Please go ahead.
- Girish Pathak:** Sir, in the distribution logistics business, the client relationship and billing is done by the business partner or is done by CONCOR?



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- Kalyana Rama:** CONCOR. Topline is with CONCOR.
- Girish Pathak:** Okay the collection also from the client?
- Kalyana Rama:** Everything will be CONCOR that is what I am telling, we receive the revenue, we take our revenue share and pass on the rest to the business partner.
- Girish Pathak:** And Sir the land that you are providing, this is you are carving out from your MMLP thing...
- Kalyana Rama:** No, all the distribution logistics center, we do not own anything it is owned, built, operated by business partner.
- Girish Pathak:** Okay, so what percentage can you give some idea that?
- Kalyana Rama:** That I cannot share.
- Girish Pathak:** Okay. Sir in Q1 how much revenue have you got from distribution logistics?
- Kalyana Rama:** Q1 it is not started. I explained that now we are setting the processes. This is the first center so we have to define the process, we have to advocate them and then we have to market them. So now the process is going on.
- Girish Pathak:** So Chennai is one and how many other centers are there?
- Kalyana Rama:** We will be starting another 4 centers in this financial year. All the planning work is done now we are going for tenders.
- Girish Pathak:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citi Group. Please go ahead.
- Atul Tiwari:** Thank you Sir my question has been answered.
- Kalyana Rama:** Okay.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.



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- Achal Lohade:** Thank you Sir for the follow up opportunity. Just wanted to check A, in terms of the top 5 ICDs, what kind of contribution do we have from those 5 ICD terminals and number two...
- Kalyana Rama:** I do not have that analysis right now.
- Achal Lohade:** Just one clarification, in terms of the total EXIM cargo, how much would be for the Northwest corridor where the DFC would be?
- Kalyana Rama:** It is around 40%.
- Achal Lohade:** 40% of our total EXIM volume is on the northwest corridor?
- Kalyana Rama:** Yes.
- Achal Lohade:** Okay got it, great Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Shrinidhi Karlekar from HSBC Asset Management. Please go ahead.
- Shrinidhi Karlekar:** Thanks for the opportunity and congratulations on good set of numbers. Sir, I have couple of questions. First one, Sir, on EXIM, you talked about scenario has not been great but Sir, are there any green shoots are you seeing some sort of recovery or it continues to be done? so some comments on what is your observation that would be helpful.
- Kalyana Rama:** As of now, the economy is under strain that we are seeing in everyday newspapers that exports are not there, imports also few. But after this budget, the government is talking of getting a GDP growth of around 6.5% to 7%. So if that happens, then I am sure we will be able to provide the same numbers what we talked off in the guidance figures.
- Shrinidhi Karlekar:** And Sir second one is, Sir, are you significantly optimistic on the domestic volume on the northwest corridor coming to railways after this partial DFC completion or bulk of the growth will come only in the EXIM-mode only? So I want to understand that.
- Kalyana Rama:** Yes. Okay. Now you asked a very good question. Let me share some of the thoughts here for the benefit of all. In domestic, whatever we are doing, there, we are seeing we are able to maintain our figures. We are able to maintain our volumes so even in this economy also we are not that bad in domestic sector and with the DFC, definitely more volumes will get added on the Northwest corridor, but the major movements are not limited to Northwest corridor. Having said that, what we are working on, we are working on some new things in



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the domestic, so which we are now finding the solutions and now marketing those solutions. Once these solutions are implemented, now they are going on trials, are going on that. Somewhere we got experimental order, the trial orders and in some other places, we are working on trials with the customers. Once they come in, there is a lot of volume in those sectors that is where we are very optimistic on domestic. We are trying to tell you we are like movement of bulk commodity and containers, the movement of the commodity and bulk in containers, if I restate my statement it is movement of a commodity in bulk conditioned containers not doing the bagging that saves a lot of cost, but the bagging and for logistics. So that is where we are working on and we are finding solutions and we are working together with the customers.

- Shrinidhi Karlekar:** Right Sir. So we are referring to more of cement I think?
- Kalyana Rama:** Cement, food grains, industrials, there are so many things.
- Shrinidhi Karlekar:** Thank you for answering all questions and all the very best.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Good morning and congratulations on good set of numbers in this challenging environment. I have a couple of questions. Sir, first of all, if I look at year-on-year double-stack trains they have actually declined, but we have been able to manage the lower empty running cost. So if you can just highlight as to what is changing, is the EXIM...
- Kalyana Rama:** There are two answers for this. Yes. I will tell you Rakesh, there are 2 factors one is that empty movement has happened. Empty containers have gone back to ports and second, railway also has given some discount on the empty tariff. These two things helped us in controlling our empty running cost.
- Rakesh Vyas:** So effectively, we will be able to get empty container movement away from road to rail? So this discount of 25% or so that railways provided on haulage?
- Kalyana Rama:** Yes, you are right we could get more empty container movement.
- Rakesh Vyas:** And Sir, second is just book-keeping question can you just give any breakup of originating volume between export and import for this quarter and last quarter?
- Kalyana Rama:** Separate we are not having right now.



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- Rakesh Vyas:** Okay Sir, thank you so much and best of luck.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Thanks for the follow up opportunity. Sir, my first question is, what is the rail coefficient now at the different ports so basically, you have, generally railways have also lost market share or is that intact?
- Sanjay Swarup:** At JNPT it is 16%, at Mundra it is 26.5% and Pipavav it is 68%.
- Prateek Kumar:** So it looks like it is sort of intact versus pervious numbers?
- Sanjay Swarup:** It has increased by some percentage points.
- Kalyana Rama:** Rail shares slightly increased at ports.
- Prateek Kumar:** Okay. Sir my second question is, so have we added any rakes during this quarter and last year we added around 19 rakes?
- Kalyana Rama:** This quarter we added three rakes.
- Prateek Kumar:** And Sir regarding coastal shipping revenue which you mentioned 38 Crores, so that include in domestic segment revenues and are we looking to give a third line item of new business in future for revenue and PBIT?
- Kalyana Rama:** As of now, it is in the domestic segment only.
- Prateek Kumar:** Domestic segment. So but in general, we are looking to give a separate line item in future or it will always be included there?
- Kalyana Rama:** As of now, we have not decided. If it is inland waterways also, we start, and coastal, also we expand more. We are looking at other opportunities in coastal we are in discussion, still to materialize. Once they all will come up, then we will think about it. But right now, the management thinking is to go in two segments only, EXIM and domestic.
- So we will take the last question now.
- Moderator:** The next question is from the line of Girish Pathak from Goldman Sachs. Please go ahead.



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- Girish Pathak:** Sir, the coastal shipping revenue, you mentioned some 30-plus crores so the volumes that you mentioned, does it also include the containers that you would be carrying on coastal shipping or...
- Kalyana Rama:** Yes, domestic, the revenue is in domestic and volume also in domestic.
- Girish Pathak:** Okay. And Sir, to the last question, you mentioned that rail coefficient has increased at ports as well as the train data that we get from Indian Railways that shows 7% growth in volumes and we have grown with 1% we have declined 1%. So you are saying that the low volume and low margin and low lead containers, is the growth that we are seeing from the train data as well as the rail coefficient increase, is the growth mainly coming from those buckets?
- Kalyana Rama:** Yes.
- Girish Pathak:** Okay, but it seems like a very large number to that entire growth is being driven by those two...
- Kalyana Rama:** That is your feeling here. I cannot explain that, so many things in the conference call, but the growth is from there, and some empty movements. So these are all the things which happen this is a low margin, low lead game.
- Girish Pathak:** In the long lead distance also, has the margin become less.
- Kalyana Rama:** I have already answered this question. You people have doubts, how many times we keep on clarifying?
- Girish Pathak:** Alright Sir, thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Bhoomika Nair for her closing comments.
- Bhoomika Nair:** Sir, thank you very much for taking time out and wishing you all the very best and all the participants for being on the call. Thank you very much.
- Moderator:** Ladies and gentlemen, on behalf of IDFC Securities Limited, that concludes today's conference. Thank you for joining us, and you may now disconnect your lines. Thank you.