



“Container Corporation of India Limited Q4 FY18 Earnings Conference Call”

May 01, 2018



MANAGEMENT:

Mr. Kalyana Rama – Chairman & Managing Director, CONCOR

Mr. Sanjay Swarup– Director (International Mktg. & OPS), CONCOR

Mr. P.K. Agrawal – Director (Domestic & HR), CONCOR

Mr. Rahul Mithal– Director (Projects & Services), CONCOR

ANALYST:

Ms. Bhoomika Nair – IDFC Securities



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Moderator

Ladies and Gentlemen, Good Day and Welcome to the CONCOR Q4 FY18 Earnings Conference Call, hosted by IDFC Securities. 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:

Good morning, everyone. On behalf of IDFC Securities I would like to welcome you to the Q4 FY18 Earnings Call of CONCOR. The management today is being represented by Mr. Kalyana Rama – Chairman & Managing Director; Mr. Sanjay Swarup – Director (International Mktg. & Ops); Mr. P. K. Agrawal – Director (Domestic & HR); Mr. Rahul Mithal – Director (Projects & Services). I will now hand over the call to Mr. Rama for his opening remarks, post which we will open up the floor for Q&A. Over to you, sir.

Kalyana Rama:

Good morning, everyone. I am happy to share with all of you that we got a very good excellent year. In Q4 we ended up very well and overall FY17-18 was very satisfactory. Satisfying results, we had a lot of double stack, we brought in lot of new things. I will just share with you the highlights.

This is the first time we crossed 3.5 million TEUs this time of total handling, 3.53 million TEUs. And tonnage, by rail we achieved almost 40 million tons, i.e. precisely 39.97 million tons, it is a 15% plus growth. On road it is around 2.71 million tons and total 42.68 million tons we did. And our FY17-18 turnover we had operating turnover of Rs. 6,256 crores and total it is Rs. 6469 crores, and after discounts we moved to Rs. 6,167 crores. In double stack trains operations, it is 97% growth over the last year, this year we ran 2297 trains compared to 1160 last year. This year we have commissioned six new terminals, our presence pan-India is 79 terminals out of which 72 terminals we are owning and 7 we got exclusive tie-ups.

We added 13 high speed rakes in this year, thereby increasing our stock to 288 rakes. We completed our software upgradation and we launched our mobile app with continuous cargo visibility to the customers, this we launched in the month of March. We are going ahead with our plans in respect of which I may say there is restarts in ILMZ and distribution logistics and I am sure that we will be able to do something in this financial year in the distribution logistics. We are aiming at commissioning the phase one in 11 more terminals this year, that will take the total number of terminals pan-India presence to 90 by the end of this financial year.

Coming to the segmental side:

I will give you some statistics before you can start your questions. In the railways the total growth this year is 14.63% if I look at tonnage, IR tonnage growth is 14.1% and CONCOR



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achieved 15.22% growth. So our growth rate is slightly better than the railways growth, and now we are having a market share of 73.59% of all the traffic moving by rail. The average lead has come down slightly compared to last year, the total lead for the company has come down from 917 to 858. In Exim its 740 kilometers and domestic it is 1394 kilometers. So, handling growth, ISO we did 3 million TEUs, i.e. 13.6% growth, domestic we did 0.53 million TEUs handling, 15% growth. And total as I mentioned to you, 3.53 million TEUs, 13.85% growth.

JNPT, our percentage share has gone up, 81.5%, last year we were at 79.2%. In Mundra we are almost maintaining, same, 51% to 50.17. In Pipavav also we have maintained almost the similar. We are seeing some growth in Pipavav handling, last two months we have seen good growth. And one more statistics which all of you are interested is the empty running cost for the whole year has come down from Rs. 147 crores to Rs. 130 crores in EXIM, and in domestic it has slightly increased from Rs. 109 crores to Rs. 123 crores. Overall, it is Rs. 254 crores compared to Rs. 256 crores last year. So in the last quarter there were some imbalances in the EXIM traffic as well as domestic, when we were pushing up volumes some imbalances happened because of less demand in the eastern and southern markets.

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

- Moderator:** Sure. Thank you very much. We will now begin with the question-and-answer session. We have the first question from the line of DeepikaMundra from JP Morgan. Please go ahead.
- DeepikaMundra:** Sir, first thing on the realization side, if you remove the export incentives it seems that the realization has improved quite a bit in the quarter for the EXIM segment as well as for domestic. So, can you talk a bit about that?
- Kalyana Rama:** So, the PBT for the quarter without SEIS, the total income has gone by 30.53%, without SEIS it is 4.83% variation. And PBT we increased around 23.34% improvement in the PBT on quarter-on-quarter.
- DeepikaMundra:** Sir, just wanted to understand the improvement in per unit realization is largely because of JNPT volume pickup?
- Kalyana Rama:** It is because of the double stack running and improvement in our rail-freight margin. The rail-freight margin for the quarter has gone up to 28%, it is 27.94%. So if you see quarter-on-quarter, if you have got our numbers, we started with around 23.64% in the first quarter and continue improving. And quarter four we ended up with 27.94% of rail freight margin. And for the whole year we have a rail freight margin of 25.61%.
- DeepikaMundra:** Sir, one more question. Just on the outlook for next year both in terms of volume growth, we have been seeing that railways has actually not been increasing freight rates over the past couple



of years. So just an outlook on that front on railway side, what are you seeing in terms of haulage charge increases?

Kalyana Rama: I can tell you about my volume growth what I am looking at, but on railway side I do not make any guess. I mentioned in many forums that railways is looking for increasing their freight traffic, so in that scenario let us hope that railways will have a better rationale in the freight rates, I cannot make any guess on behalf of railways. But my growth rates I am expecting at least 10% to 12% growth rates this year also provided the economical conditions continue to remain the same.

DeepikaMundra: Okay. And overall are you seeing improvement in rail share of container traffic?

Kalyana Rama: Yes, that is how we get growth volume of almost 14% this year.

Moderator: Thank you. We have the next question from the line of Bhavin Gandhi from B&K Securities Please go ahead.

Bhavin Gandhi: Sir, can you help me with the origination volumes, EXIM and domestic separately?

Sanjay Swarup: You want for the entire quarter or the entire financial year?

Bhavin Gandhi: Anything is fine sir, I just need the origination numbers and not the handling numbers.

Sanjay Swarup: Okay. Origination for entire financial year, EXIM is 2025124 and total is 2291604.

Bhavin Gandhi: And sir, also can you give me the volumes in terms of tonnage, in terms of domestic and EXIM?

Sanjay Swarup: In terms of tonnage in EXIM it is 32.70 million tons, and domestic it is 7.27 million tons and both are 39.97 million tons

Bhavin Gandhi: And sir just one more question, on the JNPT side we were given to understand there were some issues with regards to mix trains, so if you can comment on that part sir?

Kalyana Rama: This is not a new thing, some people may be talking fresh on this thing, mix train running is going on for ages. So there is an agreement between the terminals to transfer the boxes, it is being done regularly. Now with the fourth terminal coming up, the mix of boxes of four terminals is having some issues, some difficulty there. So we are offering a solution to the fourth terminal and we are working on it. If you remember some months back we gave press release and we signed MoU with PSA, by doing extension gate is required on Kathuwas. The extension gate concept is that we will be moving all the directional traffic from port to that on behalf of port and port will be delivering the boxes at these places. Otherwise there is no issue, the only issue is of the evacuation from JNPT which government is watching, and we are able to do it and there are some retention to some boxes, so some solution is being worked out there also.



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Bhavin Gandhi: And sir this extension gate concept, are the existing terminals also coming on that part?

Kalyana Rama: We are working on that, that is what I am telling you that the boxes which are arriving at JNPT, we are working on providing a concept like may be a extension gate because extension gate is a very good concept which is already approved and concept which is working in Thailand, working in Rotterdam, there are places where extension gates are already working. In fact in Chennai we already started doing this for DPD DPA containers at our TNPM terminal.

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

Atul Tiwari: Sir, can I have the fourth quarter handling and originating volume, both for EXIM and domestic segment?

Kalyana Rama: Fourth quarter EXIM is 796815.

Atul Tiwari: This is originating volume you are giving or handling?

Kalyana Rama: I am giving handling volumes first.

Atul Tiwari: Okay, how much is that, can you repeat again?

Kalyana Rama: Yes. 7,96,815 TEUs and domestic is 1,54,138 TEUs, total 9,50,953 TEUs. And originating EXIM 5,29,715 TEUs, domestic 77,892 TEUs, total 6,07,607 TEUs.

Atul Tiwari: Okay. And sir in response of serious question, you mentioned 10% to 12% growth for next year, so in this kind of output are you guiding towards originating volume growth or the handling volume growth?

Kalyana Rama: We talk about handling volume growth. Atul this will be proportionate, whether you do handling or originating, it is more or less proportional. Once I get a 12% growth here I will be getting almost 10% to 12% over there.

Atul Tiwari: Okay. And sir my last question is with regards to the pricing environment, I mean we have been seeing some benign pricing environment in the industry. So can we expect you and the other players probably to take some more price hike going ahead into FY19? Because the volumes seem to be pretty decent now-a-days.

Kalyana Rama: See, the pricing is basically what commodity can bear and what market is showering. So these two things we will keep in mind and do the correction time and again. We did last year in our domestic business mainly, so the domestic business margin for TEU has gone up almost by three times, 1200 to 3500 - 3600. Exact figures can you give PK?



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- P. K. Agrawal:** Everybody can note this, this is a very interesting figure we are sharing with you. PBT margin on domestic has gone up from Rs. 1257 to Rs. 3459 this year.
- Kalyana Rama:** So this is what we have done, we found that market could take some more price increase so we increased there so we improved the margins and we have given better service to the customers, customers are happy and that gave us a growth of 17% in our domestic originating volumes.
- Atul Tiwari:** And sir just final thing, a couple of quarters ago we talked about the initiative to benefit from GST regime in terms of offering 3PL services, etc, so any color or comment on the progress of that initiative? And by when could we see some contribution to the revenue from that?
- Kalyana Rama:** Revenue contribution we are not giving any forecast this year, but we will be starting our distribution, we are calling it distribution logistics. So that is 3PL, basically housing all value-added services, first mile and last mile services, all these put together 3PL we are calling it distribution logistics. And this year we will be starting, we are already taking the necessary steps towards starting this business, that will be from the existing business as well as 20 new logistics centers we are going to open up in next one or two years.
- Moderator:** Thank you. Our next question is from the line of Pratik Giri from Vallum Capital. Please go ahead.
- Pratik Giri:** Sir, are we preparing for this double stacking, I mean how many wagons we have according to the latest tonnages, 25 tons, sir?
- Kalyana Rama:** You want number of wagons?
- Pratik Giri:** No, number of tonnage. Sir, preparation in terms of...
- Kalyana Rama:** Preparation in terms of? I am not getting you correctly.
- Moderator:** We will move to the next question, we seem to have lost the line from Mr. Giri. Our next question is from the line of Girish Raj from Quest Investment. Please go ahead.
- Girish Raj:** FY18 story was expansion of double stack operation across new locations which drove the efficiency and margin. Sir, request can you please allude to available levers that can pay out in FY19?
- Kalyana Rama:** FY19! I think still there is a lot of steam left in the initiative whatever we have started in FY18 there is still a lot of steam left out in that to push forward our agenda and improve our efficiencies and margins.
- Girish Raj:** Sure, so those things will continue?



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- Kalyana Rama:** Yes. And new things what we are now working on, they will be coming into functional operations may be in next financial year distribution logistics, and then we are adding ILMZs so these are the new areas. And coastal shipping this year we are starting, till we are not moving much by coastal, we are now starting coastal shipping, that is a new initiative this year which will add more flavor to our operations. And we started one more SAARC country operation, that is Bangladesh by rail, we ran the first rail run in the month of April and this financial year we are expecting to see a lot of action in that.
- Girish Raj:** So, Bangladesh, Nepal and this coastal, can you give some color from a financial angle, not the absolute number but any directional potential or something?
- Kalyana Rama:** No, see that you can do it, but definitely there will be good drivers for better numbers in the coming quarter.
- Girish Raj:** Okay. Sir one more thing, on the domestic operation growth has been very good, but there is lot of volatility in terms of margin. So, how do we see that sir?
- Kalyana Rama:** In what respect volatility, we increased our margins by almost 300%.
- Girish Raj:** I agree sir, but if you look at third person...
- Kalyana Rama:** We increased our margins, there is no volatility.
- Girish Raj:** Quarter-over-quarter volatility I meant, anyways I take your point that there is. Sir on tax rate this year was 24.6% but we had a higher guidance. How should we look at the tax rate?
- Kalyana Rama:** See, we get some benefits because infrastructural status, earlier it is called section 80-IA we had more benefits this year. We have already completed and crunched our numbers we get a better benefit. When we introduced new wagons and new terminals we start we get more benefit.
- Girish Raj:** So this will be similar in FY19 or how do we look at it just for modeling?
- Kalyana Rama:** See, whatever has been started this financial year will continue and now this section has changed, the income tax and section 35, so this benefit will continue.
- Moderator:** Thank you. Our next question is from the line of PulkitPatni from Goldman Sachs. Please go ahead.
- PulkitPatni:** Firstly, when I look at your domestic revenue almost Rs. 380 crores in this quarter, does it include any one-offs, does it include any major contribution from MMPLs etc, or is it purely the transportation revenue that we report every quarter?



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- Kalyana Rama:** This is a normal business as reported in every quarter, there is no one-off thing in this, but MMPLs contribution is already there in that.
- PulkitPatni:** No, what I am trying to understand sir that this is the highest domestic revenue that you have done in long, long time, does it include anything which is over and above what we normally do or is it just certain MMPLs starting and then also contributing, etc?
- Kalyana Rama:** See, all the MMPLs whatever we have started, everything is contributing. So there is specific crunching of numbers for particular MMPL giving how much, but this is without any extra ordinary items, normal growth and normal business in domestic.
- PulkitPatni:** Sir, secondly, could you share the numbers and what is the total number of double stack trains that you ran in this particular quarter?
- Kalyana Rama:** Particular quarter?
- PulkitPatni:** Yes, sir. Like you discussed, last quarter was 492 trains, even if you give the full year numbers that is okay.
- Kalyana Rama:** Full year number I have already given you, 2297, but this quarter also I will give you, 705 trains.
- PulkitPatni:** Got it sir. Sir, so now with 705 trains in the quarter, what is the total percentage of double stack trains that we are running today and what is the scope to take this number higher further?
- Kalyana Rama:** I think this question I answered many times, guess work I do not do but I already told you there is a lot of steam left out in this, all the initiatives what we have taken in this particular financial year FY17-18, all the new initiatives I discussed time and again with you people, I feel there is definitely lot of improvement we can bring in these things and these will be our main drivers for this financial year also, FY18-19. In addition, we will be starting coastal and Bangladesh operations already started, we will go ahead, so these two things will add definitely more flavor to the operations.
- Moderator:** Thank you. Our next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Sir, my first question is with respect to this domestic segment, so we had some market share gains in this particular quarter because industry seems to be growing at lower pace during this particular quarter. Is this understanding correct?
- Kalyana Rama:** Yes. You want quarter numbers?
- Pratik Kumar:** Yes. So did we gain some market share in domestic segment, we had like this 15% kind of growth during the quarter?



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- Kalyana Rama:** So, there is a growth for the year, our market share has gone up from 64.25% to 66.18% overall for the year 2017-2018. And quarter this you can send an email later, particular number is not readily available.
- Pratik Kumar:** Sir, 64.25% to 66.25%?
- Kalyana Rama:** That is for the year. Market share for the whole year, we are giving you the numbers, 64.25% to 66.18%.
- Pratik Kumar:** And sir come financial sheet, quarterly sheet, there is a sharp decline in other operating expense during the quarter, sir any specific thing which we need to understand from that? So this number has gone from around Rs. 170 crores to Rs. 143 crores.
- Kalyana Rama:** We started many places our own handling, so we are improving our margins over there.
- Pratik Kumar:** Sir, can you explain that again, it wasn't clear.
- Kalyana Rama:** We started our own handling operations at more terminals, so that is from outsourcing to we deploy our own machines, so there will be improvement in margins. And there was some sort of adjustment with railways, that is may be to a tune of around Rs. 30 crores.
- Pratik Kumar:** What is this Rs. 10 crores, sorry?
- Kalyana Rama:** This is an accountal adjustment with railways.
- Pratik Kumar:** Okay. And just one last question on Empty running, I mean you gave the figures for annual numbers, so just calculating the Q4 numbers it is around Rs. 34 crores for Q4 versus Rs. 25 crores for Q3?
- Kalyana Rama:** Yes.
- Pratik Kumar:** So it is a sharp increase in Empty running payment during this quarter?
- Kalyana Rama:** There is an imbalance in traffic in Q4 that I mentioned, Q4 there is lot of imbalance happened in both EXIM and domestic, the exports are not there, more of imports are coming into India, exports have not picked up. And in domestic the eastern and southern markets there is a less cargo availability, so we have to balance equipment back to north and west markets to pick-up the cargo.
- Moderator:** Thank you. Our next question is from the line of Rahul Murkya from Jeffries. Please go ahead.
- Rahul Murkya:** Sir, just wanted, I missed the lead distance number, so could you just give for EXIM and domestic and overall for the quarter and full year?



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- Kalyana Rama:** Full year lead is now total 858 kilometers, for EXIM it is 740 kilometers and for domestic it is 1394 kilometers. For the quarter overall lead is now 790 kilometers and for EXIM it is 714 and for domestic it is 1393.
- Rahul Murkya:** Sorry, 714 is for EXIM and domestic is?
- Kalyana Rama:** 1393.
- Rahul Murkya:** And can you just give the empty running for EXIM and domestic as well for the quarter?
- Kalyana Rama:** Empty running cost for the quarter, EXIM it is Rs. 34 crores, for domestic it is Rs. 32 crores.
- Moderator:** Thank you. Our next question is from the line of RajarshiMaitra from CIMB. Please go ahead.
- RajarshiMaitra:** My question is on the lead distance, especially now with JNPT growing strongly what is your expectation on the lead distance going forward in the next one year, is it going to remain at this level or is it going to go down or up from this level?
- Kalyana Rama:** JNPT is going strong and Mundra is also going very strong. So they are equalizing themselves, so lead distance as earlier I shared with you in EXIM traffic, my expectation is immediate this year, it may not be this year but in the next three, four years the EXIM lead will be settling down at the level of around 650 kilometers. So we are now at 713 kilometers so we may come to 650 kilometers because east coast is picking up, but there are certain positive factors happening, Nepal has started moving from Vishakhapatnam, that is a very lead increase there, instead of Kolkata it has come to Vishakhapatnam. Now, JNPT port terminal started, that may pickup. So this 650 to 700 range it all depends on the JNPT pickup, in the port terminal pickup. So if it drives more traffic to JNPT it may settle at 700 kilometer. My expectation is something like that. So more than this is anybody's guess, so this will be somewhere around 700. So it may not be a very short drop like what happened this particular financial year in the initial quarters, more or less we will be seeing the same numbers for the next few quarters, then once the trend settles than east coast picks up it may come down to 700, may be up to 650. So let us see what is happening in EXIM. In domestic leads will be around 1400, there will not be much change in leads.
- RajarshiMaitra:** My one other question, in the staff cost for the quarter was there any one-off item in the staff cost for this quarter, it seems to be a little high versus the initial few quarters?
- Kalyana Rama:** Staff cost this year we gave arrears and also Pay commission we implemented, so there is some element on the staff cost is towards the arrears which we paid. But in the overall year if we look at, that is not much, there is increase in the staff cost. So the increase for year of staff cost will be roughly around Rs. 90 crores per year.



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- Rajarshi Maitra:** Sir, how much would be arrears in this quarter that would have been same?
- Kalyana Rama:** In last quarter Q3 numbers you pick up again, you will see we have already given those increase in staff cost, we paid the arrears in Q3.
- Moderator:** Thank you. Our next question is from the line of Bhavin Parekh from Marfatia Stock Brokers. Please go ahead.
- Bhavin Parekh:** Sir, do you expect any price hike in the current year, I mean in the EXIM or domestic business?
- Kalyana Rama:** Price hike, by whom? Freight hike by me, by CONCOR or by railways, what are you asking?
- Bhavin Parekh:** CONCOR.
- Kalyana Rama:** CONCOR, we are increasing our rates in EXIM from May 15th, we already gave a public notice for this. There will be more or less across the board increase of Rs. 1000 per TEU, already all the shipping lines have been notified about this.
- Moderator:** Thank you. Our next question is from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.
- Abhishek Ghosh:** Sir, just wanted to understand, in the month of April also is the heightened imbalance continuing or has it settled down?
- Kalyana Rama:** That we will tell you when we come with Q1 results.
- Abhishek Ghosh:** And sir just one last thing, what would be the CAPEX that we have incurred in FY18 and FY19 estimated CAPEX?
- Kalyana Rama:** FY18 we incurred Rs. 858 crores. And FY19 we are planning roughly around Rs. 800 crores to Rs. 1000 crores.
- Abhishek Ghosh:** And sir just one thing, in last quarter you had mentioned, and you also made a comment in this quarter that imbalance in domestic has quite increased because of east, north and north-south, I think...
- Kalyana Rama:** East and north markets are not having cargo.
- Abhishek Ghosh:** Okay. But I am saying despite the imbalance continuing we have still managed to do such a stupendous job on a sequential basis, so any particular changes that we have brought about what we had done say two, three quarters back of changing around anything that we have initiated, and we can see the benefits going forward?



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- Kalyana Rama:** We see the domestic performance for last six quarters we are continuously improving. We now are putting a lot of focus on the service level, so we are engaged with the customers and we are having prior commitments with the customers, whatever we can do we are telling them in advance and we are not giving any false promises. And whatever has been promised is being fulfilled, so that reliability factor and the dependence factor from the reliability side has gone up on CONCOR. And also we are now servicing corporate customers, so we have some sort of strategies. So these things have helped us in improving our margins. And as I mentioned in the earlier questions that we will improve our price in domestic where we could see that the market can bear more, so we will improve our prices also, that is why our margin has increased by almost 300%.
- Abhishek Ghosh:** And sir the recent diesel price increases should also help us in that regard from taking some amount of market share from road?
- Kalyana Rama:** Yes, if diesel prices increases, then railways will become competitive, so that definitely helps.
- Moderator:** Thank you. Our next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.
- VikramSuryavanshi:** Sir, in case of coastal shipping what do we intend to do, chartering ships or what?
- Kalyana Rama:** No, we will be transporting container.
- VikramSuryavanshi:** Okay. But shipping service will be provided by someone else?
- Kalyana Rama:** Yes, that is an exclusive operator for us, that is may be special thing in our coastal shipping, whoever runs the service will be exclusive to CONCOR, he will not be carrying any other cargo.
- Moderator:** Thank you. We have the next question from the line of Jignesh Makhwana from Asian Market Securities. Please go ahead.
- JigneshMakhwana:** Sir, just one data point, if you can provide us volume mix for this particular quarter and for full year?
- Sanjay Swarup:** What exactly do you want, I have not heard your properly?
- JigneshMakhwana:** Port wise volume mix.
- Sanjay Swarup:** For entire financial year we get our 36% volume from JNPT, 30% from Mundra, 14% from Pipavav, 7% from Chennai and 6% Vizag, and 2.5% from Kolkata.
- JigneshMakhwana:** So JNPT you said 36%?



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- Sanjay Swarup:** Yes, out of our total volume that we handle at ports, 36% comes from JNPT. Total is 96% I told you, rest is miscellaneous 4%.
- JigneshMakhwana:** Okay. And similar is for Q4 also, correct?
- Sanjay Swarup:** Q4 statistics I do not have with me at present, this is for the entire financial year, more or less it will be the same.
- Moderator:** Thank you. Our next question is from the line of Ashish Shah from Goldman Sachs. Please go ahead.
- Ashish Shah:** Sir, just one small clarification, is it correct that we have increased the tariff by Rs. 1,000 per TEU from April, that is what you said?
- Kalyana Rama:** That will be from May 15.
- Ashish Shah:** It will be across domestic as well as EXIM?
- Kalyana Rama:** EXIM.
- Ashish Shah:** It is only EXIM?
- Kalyana Rama:** EXIM we are increasing Rs. 1000 in almost all the streams, we are continuously adjusting our rates as and when the market expectations and market conditions we are working on.
- Moderator:** Thank you. Next we have a follow-up question from the line of Deepika Mundra from JP Morgan. Please go ahead.
- DeepikaMundra:** Sir, just on the price increase that you mentioned, will it slow down straight to margin or is there a corresponding increase in railway charges against that?
- Kalyana Rama:** There is no rail haulage increase.
- DeepikaMundra:** And sir just wanted to understand, how is Jakhwada ramping up in terms of volumes?
- Sanjay Swarup:** It is good results, Deepika. And we are almost doing two double stack trains per day from Jakhwada.
- Moderator:** Thank you. Our next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari:** Sir, just wanted to get your views on the recent press release by Dedicated Freight Corridor Corporation which kind of officially confirmed the delay in DFC. And now the official timeline has been pushed to December 2020. So here the question is that now it has been pushed back by



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2020, realistically when can you see trains running on DFC? And when will you start procuring newer rails on CONCOR and how much that CAPEX can be?

Kalyana Rama:

You want to understand CAPEX?

Atul Tiwari:

CAPEX related to procurement of new rakes for DFC and the timing of that CAPEX, given that DFC has been kind of delayed officially by one year?

Kalyana Rama:

See, DFC can run the same whatever wagons we are having, running here, the same wagons can run on DFC also. And DFC specific wagon is still under trial which is not yet cleared by RDSO. So there is no specific CAPEX for DFC, we will be implementing our CAPEX in that and that will be not much, because our CAPEX program is more on handling equipment and containers, as I mentioned in the last quarter we are procuring 10,000 containers for the domestic business at cost of almost Rs. 300 crores, they are already coming. And we are now going for leasing of rakes, so there will be a asset light model we are adopting in this particular rolling stock, because new rolling stock for DFC specific rolling stock is still under testing.

Atul Tiwari:

Sir, just to understand, if the current rolling stock can be used on DFC then what is the point of having DFC specific rolling stock, because anyways you can do a double stacking, right?

Kalyana Rama:

You are an analyst, if you were an engineer I would have explained you a lot of things. I will tell you in normal common manufacturing technology is DFC can carry more weights, to these wagons which are now running on IR they are not allowed to carry that much of weight, so there will be increase in weight so we require some different type of wagon.

Atul Tiwari:

And sir is DFC likely to get delayed yet again as per your understanding?

Kalyana Rama:

You know that I never give any guessing work, so I do not guess on that but without DFC also we are doing lot of double stacking. So in fact we may not be losing much.

Moderator:

Thank you. Our next question is from the line of Seenidhi Karlekar from HSBC. Please go ahead.

SeenidhiKarlekar:

Sir, I just want to better understand the remarkable improvement in the domestic business. Sir, if I see our sequentially volumes are up 18% in originating terms and empties have come down from like Rs. 62 crores to Rs. 32 crores. So, is there anything structural that we have done this quarter and which can sustain going into 2019 and 2020 so that we have a margin that we earned this quarter can be sustainably earned? I just want to better understand that part of the business.



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- Kalyana Rama:** Your question is directed to domestic, but I just want to add one thing. If you remember I said we are building Circuit so that is helping. Now further some more details Mr. P. K. Agrawal will give you.
- P. K. Agrawal:** See, in the domestic we have made certain policies in the beginning of the year 2017-2018 where we said we will be giving focus for the corporate customer where the certain benchmarking is done and certain understanding with the service level has been agreed. As that has gained the confidence and that has lead to increase in volume and also the market share. And in addition to that we were able to build circuit where we can reduce running and get loading in both way, that also has given us more traffic and the margin has increased on that part. So that will continue to be there for this year also and we expect a better performance this year again.
- SeenidhiKarlekar:** Sir, large part, it is something structural that we can expect that margins could be earned going into next couple of years I guess, that is correct understanding, right?
- P. K. Agrawal:** Structural in the sense we were adding assets, we have been procuring 10,000 new containers, heavy-duty containers which can carry more up to 31 tons as against present containers which can carry up to 28 tons. That will be another structural change we can give you, much better economic compatibility vis-à-vis road and we expect better margin and better traffic in this coming year.
- SeenidhiKarlekar:** And sir just continuing on the domestic part of the business, if I have my numbers correct, Indian railways earnings in the domestic business were up by just 2% sequentially while CONCOR's growth is something like 17%, 18%, right. So a large part of market share gain that we did in domestic business has happened in Q4, so is there anything to read into that?
- Kalyana Rama:** Yes, it has happened in Q1, Q2 an Q3 also. In fact, in Q2 if I remember we have gone beyond 42%, it is not only Q4, continuously we are adding.
- SeenidhiKarlekar:** Generally, if I remember correctly in nine months we were growing as well as Indian Railways was growing quite rapidly, but Q4 particular railways did not do that well, like something less than 5% but your numbers are quite well in terms of 18% sequential growth. So is there anything, is my numbers wrong or you have done exceptional well in Q4?
- Kalyana Rama:** I do not have railway numbers with me right now for Q4 separately, I cannot comment on that. You can rely on your own numbers and get the things. But yes, our steps whatever we have taken which I explained earlier and now Mr. P. K. Agrawal explained, they are very true. And I mentioned that coastal shipping when we start that is going to add good numbers to domestic volumes.



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Moderator: Thank you. We have the next question from the line of JaykantKastori from Dolat Capital. Please go ahead.

JaykantKastori: Sir, any SEIS income for this quarter?

Kalyana Rama: Yes, there is. Rs. 83 crores in this quarter.

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

Pratik Kumar: Are they already part of cash in balance sheet or are they still like receivables at this point?

Kalyana Rama: It is receivables from government.

Pratik Kumar: Okay. So FY17 numbers would be also in receivables from government?

Kalyana Rama: Yes.

Pratik Kumar: And sir, can you just give the port wise market share again, missed the initial numbers of JNPT, Pipavav and Mundra.

Kalyana Rama: JNPT 36%, Mundra 30%.

Pratik Kumar: No, sir port wise market share of Container Corporation.

Kalyana Rama: JNPT we are at 81.5%, Mundra we are at 50.2%, Pipavav around 55%.

Pratik Kumar: And sir just last question, we have been doing this historically, on guidance we are generally expecting around 10% to 12% volume growth, is there any specific thing on PAT guidance we have, on profit guidance?

Kalyana Rama: For this year?

Pratik Kumar: For FY19, like we had around 20% for last year.

Kalyana Rama: That is 10% to 12%.

Pratik Kumar: So profit guidance also 10% to 12%?

Kalyana Rama: Let us start with that, as things happen then we will definitely revise.

Moderator: Thank you. Our next question is from the line of Bhoomika Nair from IDFC Securities. Please go ahead.



- Bhoomika Nair:** Sir, just wanted to check this quarter we saw very sharp jump in the double stacking, from roughly about 500 odd to about 705 in 4Q. Now this would have largely been because of further ramp-up in Jakhwada that would have happened?
- Kalyana Rama:** Jakhwada, Mundra, Pipavav as well. Mundra, Pipavav also we pushed up. You see now we introduced BSGM rakes, these are higher capacity carrying rakes, there is additional 7 tons carrying capacity added on each wagon. Now these rakes we are rolling out continuously, there is now around five, six rakes but they will go up to 60 rakes in another four, five months. And introduction of these high capacity rakes this is not new procurements, people mistake it for new procurement, this is for retrofitting. So this improvement in operations by doing retrofitting, I hope all of you understand retrofitting, increasing the capacity by adding some technical features. So we are able to do more double stack compared to earlier things, so that is going to help us. That is why I said there is still a lot of steam left in initiatives what we have taken to carry on this year definitely.
- Bhoomika Nair:** Okay. So sir this year as you said close to 2,300 rakes we have doubled stacked, which is more than double of FY17 double stacking that we did, what is the kind of increase that we can look at for FY19?
- Kalyana Rama:** See, opportunity with the new retrofitted wagons is there, at least another 50% we can easily push. At least 50% safely we can achieve, beyond that there are certain infrastructural constraints on the IR network. So Indian railways network if things happen without any delay then may be there is a good possibility of ramping up these double stacks this year also.
- Bhoomika Nair:** Just one last thing on these MMLPs we have seen some progress with few MMLPs getting commissioned last year and this year. So just wanted to check how are the revenues from the value-added services, a part of it obviously is reflected into our numbers but generally how are these MMLPs scaling up, what will be the proportion of revenues from value added services, if we could get some sense on that.
- Kalyana Rama:** We do not do those numbers separately, but if you see we changed our accounting policies, as we mentioned in the last quarter results also now there is no work-in-progress, our work-in-progress is very less. As on the year end work-in-progress is almost Rs. 670 crores is only work-in-progress, rest all we have already taken into our books and we are providing for depreciation and amortization. After providing all that the results are being announced. So when we are able to grow the PAT to almost 23%, if I take out some of the other incomes the PAT has grown by 24.3%. That shows that there is a revenue share coming from these new facilities. PAT without other income, somebody help me, today morning somebody was telling me like 27% is the growth year-on-year in the PAT.
- Bhoomika Nair:** Okay, sir. Thank you very much.



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- Kalyana Rama:** So that concludes our conference. Thank you.
- Moderator:** Thank you very much. We will take that as a last question. I would now like to hand the conference back to Ms. Bhoomika Nair for any closing comments.
- Bhoomika Nair:** Sir, thank you very much for taking time out and being on the call and answering all our questions and also to all the participants for being on the Call. Thank you very much, sir.
- Moderator:** Thank you very much. On behalf of IDFC Securities that concludes this conference. Thank you for joining us, Ladies and Gentlemen. You may now disconnect your lines.



Conference Name: **CONCOR Q4 FY18 Results Conference Call**
Time: **May 01, 2018 11:00 Hrs India Time**
Main Speaker(s): **Ms. Bhoomika Nair - IDFC Securities
Management Of CONCOR**

Total 119 Participants including the Speakers.

Participants List

Sr. No.	Name	Phone	Company
1	HOST : Management	1141673000	Concor
2	HOST : Bhoomika Nair	9867693472	Idfc Securities
3	Sanket Mehta	919913103348	Analyse India
4	Bhavna Israni	919351995126	Anand Rathi
5	Vibha Jain	918278658946	Anand Rathi
6	Vinod Vaya	8291768774	Anand Rathi
7	Vivek Kumar	919004036444	Anand Rathi
8	Nishank Saha	9833280355	Antique Finance
9	Anibhav A	9818999298	Antique Stock Broking
10	Pratik Kumar	919819917763	Antique Stock Broking
11	Jignesh Makhwana	919930122599	Asian Market Securities
12	Rajesh Mudaliar	7977937560	Asian Market Securities
13	Vinayak Jayanath	919833362162	Axis Mutual Fund
14	Bhavin Gandhi	9820885270	B&K Securities
15	Jinit Mehta	9819777899	B&K Securities
16	Anand Vayas	9324326980	Bajaj Holdings
17	Sriharsh Singh	2266328969	Bank of America Merrill Lynch
18	Keshav Mishra	911204797090	Baring Equities
19	Manish Aggarwal	6581389659	Bernstein
20	Priyanka Nangalia	9820810432	Birla Sun Life Insurance
21	Cheenu Gupta	9819214520	Canara Robeco Mutual Fund
22	Yogesh Patel	2266585603	Canara Robeco Mutual Fund
23	Rushit Parekh	9930445996	Capital Markets
24	Kiran Shinker Prasad	4033216277	Carbi Stock Broking
25	Abhivav Akash	916200160756	CGS Cimb
26	Rajarshi Maitra	9820637133	CIMB
27	Atul Tiwari	9819577306	Citigroup
28	Mohit Pandey	919892758717	Citigroup
29	Mihir Manohar	2266505051	CLSA
30	Ketan Shah	2261278706	Comgest
31	Aniket Mittal	2266328664	Crisil
32	Ankit Aggarwal	918981303875	Crisil
33	Amit Murarka	7506121771	Deutsche Bank
34	Jaykant Kastori	2225253298	Dolat Capital
35	Vinod Cheri	918169025212	Dolat Capital
36	Ankita Shaha	9820679464	Elara Capital
37	Shiryan Mehta	7977230757	Emkay Global
38	Viral Shah	919820824320	Emkay Global
39	Vishal Agarwal	9833520832	Enam Asset Management
40	Hanil Bagadia	919757494130	Equicorp
41	Manas Bagadia	919821083147	Equicorp
42	Amit Thinde	7977573701	Evalueserve
43	Deepak Kumar	01246153000	Fidelity
44	Rajendra Shah	9820622995	Fidelity
45	Adrien Louis	447506010258	Fiera Capital
46	Kirshna Prasad	919789997254	Franklin Templeton
47	Sushma Parsad	9789997254	Franklin Templeton
48	Ashish Shah	2266169048	Goldman Sachs

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Sr. No.	Name	Phone	Company
49	Deepkar Krishna	12129347688	Goldman Sachs
50	Pulkit Patni	2266169044	Goldman Sachs
51	Finny	9920555784	Haitong Securities
52	Jay Kakkad	2243156832	Haitong Securities
53	Rakesh Vyas	8879343457	HDFC Mutual Fund
54	Seenidhi Karlekar	919901999884	HSBC
55	Ashwin Mehta	7045348938	ICICI Direct
56	Bharat Chhoda	9769114691	ICICI Direct
57	Akash Kumar	919920804560	ICICI Prudential Asset Management
58	Sneha Tulsyan	919833676286	ICICI Prudential Life
59	Abhijeet Mitra	9833686232	ICICI Securities
60	Rohan Jain	9831282906	ICICI Securities
61	Sachin Gamare	2261047506	Iden Investment
62	Mayank Bansal	911143311125	IDFC
63	Ankit	8879391337	Idfc Securities
64	Navneet Aggarwal	9820098071	IDFCbank
65	Devesh Agarwal	2246464647	IIFL
66	Ajay Devgan	9920010700	Individual Investor
67	Raj Kumar Rath	919987591749	Individual Investor
68	Rakesh Jalan	6598531050	Individual Investor
69	Ranjit Kothari	917878770807	Individual Investor
70	Saunka Nanai	919833448425	Individual Investor
71	Ravikaran Surana	919619851385	Infina Finance
72	Neerendra Verma	919892502581	Intesa Royal
73	Nilesh Dhamnaskar	9819651642	Investo Mutul fund
74	Rahul Murkya	2242246112	Jefferies
75	Manish Agarwal	918527099159	JM Financial
76	Deepika Mundra	2261573582	JP Morgan
77	Mandar Pawar	9833829243	Kotak Mutual Fund
78	Ajinkya Bhatt	919769298271	Kotak Securities
79	Sanjay Banarjee	919681157525	Kredent Capital
80	Hrishikesh Bhagat	9930309375	LIC Mutual Fund
81	Bhavin Parekh	919978942624	Marfatia Stock Brokers
82	Kapil Agarwal	2245046120	Max Life Insurance
83	Sachin Pal	8095646657	MC Research
84	Bharti Savant	2228711905	Mirae Asset
85	Harshad Borawake	919323877616	Mirae Asset
86	Nilesh Surana	919820034482	Mirae Asset
87	Abhishek Pandey	9573224522	MK Securities
88	Nilesh Sawla	7021879930	MM Savla Consultancy Services
89	Girish Achhipalia	9819101512	Morgan Stanley
90	Sarfaraz Singh	919908693678	Morgan Stanley
91	Abhishek Ghosh	2261291538	Motilal Oswal Securities
92	Aditya Makharia	8291885726	Motilal Oswal Securities
93	Manish Sonthaliya	919930450950	Motilal Oswal Securities
94	Pradnya Ganar	7045299624	Motilal Oswal Securities
95	Sidharth Borta	9819381336	Motilal Oswal Securities
96	Saket Chahcar	917020338322	Mytemple Capital Advisors
97	Gaurav Narayan	2266481494	Ocean Dial
98	Vikram Suryavanshi	919867327414	PhillipCapital
99	Keyur Pandya	9137483493	Prabhudas Lilladher
100	Abhinav Kumar	9148149380	Premji Invest
101	Salil Desai	919900066346	Premji Invest
102	Bharat Seth	9833437909	Quest Investments
103	Bharat Sheth	2224066724	Quest Investments
104	Giresh Raj	9769207760	Quest Investments
105	Jyoti Patankar	9819994773	Quest Investments
106	Sandeep Baid	9821107362	Quest Investments
107	Abhinav Bhandari	9004679507	Reliance Mutual Fund
108	Pratibh Agarwal	9930329002	Reliance Mutual Fund



Sr. No.	Name	Phone	Company
109	Pawan Parakh	919819033711	Renaissance Investments
110	Nihar Shah	919987582403	Rota Fortuna
111	Harish Biyani	9930466805	SBI Mutual Fund
112	Deepak Shinde	2242273428	SBI Cap Securities
113	Krupa Shankar	919884128127	Spark Capital
114	Mukesh Saraf	9840016171	Spark Capital
115	Abhinav Sharma	919819996675	TATA Mutual Fund
116	Shaleen Kumar	2261556065	UBS Securities
117	Sarika Thorat	9833146163	Union Mutual Fund
118	Sachin Trivedi	9819843199	UTI Mutual Fund
119	Pratik Giri	9971531462	Vallum Capital