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Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director

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Spark Capital Advisors (India) Private Limited, Research Division - VP of Equity Research

(Operator Instructions) Please note that this conference is being recorded. I now hand the conference over to Bhoomika Nair from IDFC Securities. Thank you, and over to you, ma'am.

Thanks, Karuna. Good afternoon, everyone. On behalf of IDFC Securities, I would like to welcome you to the Q2 FY '19 earnings call of Container Corporation. Today the management is being represented by Mr. Kalyana Rama, Managing Director. I'll 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.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [3]

Thank you, Bhoomika. Good afternoon, all of you. So here I'm with all my management, with: Director, Domestic, P.K. Agarwal; Director, International Marketing and Operations, Sanjay Swarup; and Director of Projects, Rahul; along with my finance team, ED Finance and GGM Finance. So I am happy to share with you that we could be able to give another good quarter. So the things are going good. Even though there are some pain points happening in export/imports, low volumes that we are able to pick up our volumes, and we could take some growth, good growth. And this is the eighth quarter we are on the growth path. I hope that we'll continue to have a growth path. I believe in that growth path because there is either growth or a decline. There can't be a stable ground where we can keep ourselves safe.

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

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

And coming to volumes. We have seen in the total throughput a growth of 13.5% and in originating a growth of 10%. And in the leads, yes, a little bit of drop. As I was mentioning earlier to you, the leads will come and stabilize. So this quarter, we have seen (inaudible)

Unidentified Company Representative, [4]

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24. (inaudible) leads.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [5]

Lead has come down little bit. And in this quarter, we have seen the lead establishing at 779 kilometers, where it was 794 kilometers in the last corresponding quarter. So there was 15-kilometer drop. We implemented certain things during this current quarter. We made some adjustments in our charges. Basically, we are providing a lot of quality services to the customers. So we enhanced some charges -- we are collecting some charges, let me say this, that we are collecting INR 1,500 for TU, INR 3,000 for FU, for each FU and TU that are handled in our terminal because they are towards providing a very good infrastructure, providing the continuous cargo visibility. These things we are already providing, well-established and customers are very happy. Their customer satisfaction is very high. Customer value creation is getting created. So now we are going to collect and utilize our expenses on these accounts. That's giving a good revenue growth and the profit growth to us. And moreover, we introduced a uniform system, a 45 days free time for loaded containers and 90 days free time for the empty containers across all the terminals. This is, again, a move towards our customer value creation so that a customer walking into any of my terminals should have standard experience. He should not worry about what is my free time, what I am looking at, how much longer then I have to pay, what are charges here. So absolutely no hassles. He can walk in, and he'll experience the same thing at all the terminals. That's our endeavor so we introduced it just from first of October, and it is well received by all the stakeholders. There's a lot of appreciation for this move and thus we are seeing good volumes and definitely it will be one of the good initiatives. Of course, this -- effect of this will come into the next quarter. And some current developments we had talking of earlier, so the questions will come. So let me brief you. After that, still you can ask questions if you got some doubts that.

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

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Questions and Answers

Bhoomika Nair, IDFC Securities Limited, Research Division - Security Analyst [1]

(Operator Instructions) The first question is from the line of Atul Tiwari from Citigroup.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [2]

Sir, can I get your originating EXIM and domestic volume key numbers in this quarter?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [3]

Yes, Sanjay will give you.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [4]

And sort of, why -- what was the SEIS income incurred in the revenue, what was for the quantum?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [5]

INR 100 crores.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [6]

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100 crores.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [7]

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100 crores.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [8]

Okay. And just to confirm, there was no SEIS income in year ago quarter Q2 ,FY '18?

That was already mentioned, Atul, in our (inaudible).

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [9]

So the originating volume numbers, please?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [10]

In the Q2 the handling, EXIM volume is INR 8,48,585, domestic 1,40,142. Total 9,88,727 and originating EXIM 5,57,253, domestic 68,885, total 6,26,138.

Bharat Chhoda, ICICIdirect.com, Research Division - Analyst [11]

Okay, sir. Just to confirm, EXIM originating was 5,57,253?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [12]

Yes.

Atul Tiwari, Citigroup Inc, Research Division - VP and Analyst [13]

Okay. And the total is 626,138? Okay, sir.

Operator [14]

The next question is from the line of Achal Lohade from JM Financial.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [15]

Sir, just a clarification. So I -- if I look at other current assets in the balance sheet, that seems to have increased by about INR 250 crores. Could you please explain, apart from this INR 170 crores towards SEIS income, what is the incremental amount coming from. And meanwhile, if I could ask you, sir, if I assume INR 100 crores as SEIS income?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [16]

Look, (inaudible) this (inaudible). Seeing which balance sheet we are (inaudible)?

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [17]

Other current asset in September 2018 as compared to March 2018, sir.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [18]

Pardon, pardon?

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [19]

September 2018 balance sheet as compared to March 2018. So we have provided the balance sheet in that there is other current asset which has increased from INR 790 crores to INR 2,555 crores, sir.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [20]

And we'll take (inaudible) .

Unidentified Company Representative, [21]

1, 0 pipeline?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [22]

1, 0 pipeline. Yes, you are right. Because that

deals, that will tell you a little while, and then let them get the figures, please.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [23]

Okay. Just a clarification...

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [24]

Let's go with your next question.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [25]

Yes. So if I assume INR 100 crores as SEIS income which will be...

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [26]

Don't assume anything, wait for the answers. You can go with the next question.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [27]

No, sir you said INR 100 crores is the SEIS income, right?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [28]

Yes, yes.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [29]

Okay, so what I was asking is, if I look at the realization for EXIM, that seems to have increased by about INR 2,500 for TU, q-o-q, as compared to the first quarter. So we have taken INR 1,500 price increase, so how do we explain the increase in the realization? Is it driven by product mix as in the mix in terms of the volumes, or is there any additional charges we have levied as well? And how much of this is sustainable, sir?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [30]

There is INR 1,000 freight increase which we did somewhat late on the 15th May, and there is a INR 1,000 freight increase.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [31]

Okay.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [32]

And then there is a INR 1,500, the service charges.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [33]

Okay.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [34]

In total, there's INR 2,500 additional we are collecting, compared to last quarter, corresponding quarter.

Operator [35]

The next question is from the line of Bhavin Gandhi from B&K Securities.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [36]

So first one, if I look at the lease rate expenses sequentially, that seems to have gone up by about 12-odd percent whereas the volume, handling volume seems to have gone up by about 6%. So what is, that is leading to this sharp increase, sequentially?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [37]

Sequentially went up?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [38]

My -- you mean sequentially, quarter-on-quarter?

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [39]

It was 1Q over 2Q.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [40]

1Q over 2Q. Rail (inaudible) expenses.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [41]

Yes, that seems to have gone up about 12-odd percent, which is much higher than the volume growth, at least.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [42]

Q2 over Q1. 12% and (inaudible). It is why they are increased. There is an impact of IND-AS of around INR 10 crores.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [43]

Okay.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [44]

And there is empty running cars increased by INR 7 crores.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [45]

Okay. Sir, can we have the number of double-stacked trains that we've run?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [46]

Number of double-stacked trains in Q2, we have run 809.

Bhavin Gandhi, Batlivala & Karani Securities India Pvt. Ltd., Research Division - Research Analyst [47]

809, right. And just 1 last thing, thought-wise market share potential?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [48]

Thought-wise market share in JNPT we are at 80.5%.

Ankit Bafna, [49]

Okay.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [50]

Mundra, we are at 52.5%, and in Pipavav we have 52.8%.

Operator [51]

The next question is from the line of Prateek Kumar from Antique Stockbroking.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [52]

Just on your logistic parks, so any update on, I mean further commissioning, (inaudible) your commission like 81st and 82nd terminal, I guess, on last...

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [53]

What is that, 82 or 83? 82, yes, you are right, 82.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [54]

So 82 we are -- versus 79 as close of '18. So we are looking at how many terminals now, and what is the CapEx of the (inaudible) and rate of CapEx for 6 months, and whatever expectation for full year?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [55]

Full year CapEx expectation is INR 800 to 1,000 crores. Our target is the same, and we are very hopeful of completing and fulfilling the target. So now there are 6 months, the booking is around 30%, 30-odd percent, the next 70% will happen in the next 6 months because this is a dry season and the working season. And number of terminals, we are -- our target for this financial year, as I mentioned earlier, 11 terminals in this year, so it is 90. And by 2020, it is 100, target 100 we are working on. (inaudible)

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [56]

2020 is FY '20 you always make a comment.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [57]

FY '20

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [58]

Yes, okay. And sir, because of this action movement, I mean, we have (inaudible) instead like robust volume growth, both on originating and total basis. So did we have, witnessed any pressures from the (inaudible) norms seen in the road sector. There's some increased competition or diesel has been too steep for anything, as in...

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [59]

There's has not been any (inaudible). I could not see anything specifically coming out of that particular announcement. So I think we had mentioned this in the last conference call also that this more of legalizing the overloading going on.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [60]

Okay. And sir, just last figures, book keeping question. The lead distance on EXIM and domestic, separately if you can give?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [61]

So this figure, 7,008 km is the EXIM and 1,429 km is the domestic lead.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [62]

1,429 km. So domestically has increased by some 100 kilometers?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [63]

That's last quarter -- end of the last year, it was 1,418 km. This year it was ,1,420 km.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [64]

So Q1, it was around 1,320 km or something?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [65]

So Q1 it was 1,354 km.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [66]

1,354 km. And sir, on total basis, how much it would be, aggregate basis?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [67]

Total length this Q2 is 779 km.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [68]

Was it 794 km on a year-on-year basis?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [69]

Yes.

Operator [70]

The next question is from the line of Ankur Periwal from Axis Capital.

Ankur Periwal, Axis Capital Limited, Research Division - VP of Media and Logistics [71]

So 2 questions. One, you did mention, you know the lead distance going down as well as, and the cost increasing around INR 6 crores, INR 7 crores. Did INR 7 crores this Q-on-Q, on year-on-year basis?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [72]

Q-on-Q.

Ankur Periwal, Axis Capital Limited, Research Division - VP of Media and Logistics [73]

Q-on-Q.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [74]

For the last quarter, last, last quarter of this financial year, not on this corresponding quarter.

Ankur Periwal, Axis Capital Limited, Research Division - VP of Media and Logistics [75]

But Q1 versus Q2, there was an increase?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [76]

Yes.

Ankur Periwal, Axis Capital Limited, Research Division - VP of Media and Logistics [77]

Now, so if I put all things together, the improvement in a realization as well as the margin is largely because we have been able to pass through fully INR 1,000 hike which have taken in the month of May. INR 1,500 hike which we took in August, has there been some benefit, which has also come through, or that will come incrementally in the quarter going ahead?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [78]

(inaudible) 45 days already in this quarter.

Ankur Periwal, Axis Capital Limited, Research Division - VP of Media and Logistics [79]

Okay. So that has been immediately passed through to the customer, then?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [80]

It has been collected. From 15th of August, it is collected on each TU and FU and (inaudible) terminals.

Ankur Periwal, Axis Capital Limited, Research Division - VP of Media and Logistics [81]

Just trying to understand...

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [82]

(inaudible) income generation.

Ankur Periwal, Axis Capital Limited, Research Division - VP of Media and Logistics [83]

Yes, yes, fair enough. Sir, trying to understand how does the road versus rail dynamic help now, because the endeavor was always to take incremental market share from road. And with this hike coming in...

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [84]

Road versus rail is a very big debate. I don't think that is a question -- that we should, we can debate in the conference call. Let me tell you road is not affecting us. Our segment of business, we are seeing strong growth, and we are not seeing any sort of pressure coming from the road side onto the segment where we are operating. Otherwise, the whole debate is -- it's a very big debate, no, road versus rail?

Ankur Periwal, Axis Capital Limited, Research Division - VP of Media and Logistics [85]

No, sir, where I was coming from was, have we, has the industry been able to take incremental market share from road, whether lightweight or heavyweight cargo?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [86]

Again, to this my answer is, see, we are getting incremental traffic. Now the segment is -- somewhere it will be from road, we are able to capture. Somewhere, it is the increase in the business. So it is meant that real classification and an analysis, we are not done. Maybe we have to do, sometime, we may take up that exercise. Wherever we are trying to pick up new traffic, there we do this exercise. And there are some places where we kicked up some portion of the road on to rail. There are (inaudible) we picked up traffic from road onto rail, and we picked up traffic from road on to rail in MCR region. And we picked up a lot of empty container movement from road to rail out of MCR via our Khatuwas terminal. So these are all isolated markets happening, and we do that particular stream analysis and we work on that. So in an overall generalized statement, I can't make on this.

Ashish B. Shah, Goldman Sachs Group Inc., Research Division - Associate [87]

Sure, sir, fair enough. And just last 1 would be bookkeeping question. Are other expenses, have increased Q-on-Q while by and by, obviously there is an increase. Is this largely because of the land license fee, probably another escalation or is that just a continuation of the same?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [88]

The security expense has increased, custom categories charges increased, the staff cost increased. These are all because of the repay commissions happened in the last year. So that effect last quarter -- last corresponding last quarter of the last year, there was no effect of this. Now this quarter has (inaudible) and land license fee is at the same level. The level of (inaudible), is the land license fee today. So it was 920 was the last year (inaudible). So there is an increase of INR 20 in this, right, happened in the first quarter also as well as this quarter.

Operator [89]

(Operator Instructions) We move to the next question from the line of Girish Raj from Quest Investment.

Girish Raj Sankunny, [90]

A question on domestic revenue. Our first half revenue growth was approximately 7% -- 9%. So is that the rate at which domestic CTO would grow in the near to medium term, or the potential is higher?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [91]

So domestic business, we are seeing good growth. In fact in the Q2, the growth is almost 18.5%.

Girish Raj Sankunny, [92]

That was because last year was low?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [93]

Yes.

Girish Raj Sankunny, [94]

Last year base was low.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [95]

No. Last year, also we had an agreement in the loading also, so it is always, you would see when we had the growth is there, so obviously you see the last year, (inaudible) it will be too low, but there is incremental even this year-to-year, if we see last year. (inaudible) This year also, we are expecting the growth should be around 12% to 13% growth, so (inaudible).

Girish Raj Sankunny, [96]

So 12% to 13% is the right base at which we were gone, right?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [97]

Yes.

Girish Raj Sankunny, [98]

Okay. And sir, just wanted to understand your view on the MMLPs. What competitive advantage does MMLP bring to our operations?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [99]

MMLP. Bring in the advantage of aggregation, distribution in the first place. And then we are providing a long-standing warehousing, see, as this, I was explaining earlier also, the whole concept where we were working on is the transit warehousing. Now we are graduating from transit warehousing to a long-standing warehousing also. We have meant to warehousing of groups in our terminal itself. So making a secondary moment to go to warehousing and then go for distribution. It can be distributor right from here. That's what the distribution logistics is all about, which we are going to enter now. And as I mentioned in my opening remarks, the tender for 1/4 distribution (inaudible) which we want to open in Chennai is already out on, as on date. Today morning, we uploaded that, providing the tenders.

Girish Raj Sankunny, [100]

Okay. And the railways freight margin for...

Operator [101]

Mr. Raj, may we request you to please rejoin the queue? We have...

Girish Raj Sankunny, [102]

Just the last. Rail freight margin for the second quarter, sir?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [103]

Rail freight margin, rail freight margin, it was 28.81%.

Operator [104]

The next question is from the line of Vikram Suryavanshi from PhillipCapital.

Vikram Suryavanshi, [105]

Can we restate about how is the imbalance now, and separate numbers for empty running in (inaudible) and domestic?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [106]

Imbalance has gone up in this quarter. That's because the exports are very, at a low fee. (inaudible) this quarter. So this quarter, the empty running cars for EXIM is INR 37.8 crores. And for domestic, it is INR 27 crores. And total, it is INR 64 crores. So -- that got INR 64 crores over last corresponding quarter if you look at in increase of around INR 6 crores..

Vikram Suryavanshi, [107]

And then the last question, sir. Just to elaborate on the, this distribution logistics. So usually third-party people will manage all distribution network from our hub. How -- can you just explain between distribution logistic business?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [108]

We have third-party people. It is our business partner. It is a PPP model, public, private participation. So CONCOR, along with the developer, will develop the distribution logistic center. CONCOR will be operating the distribution logistic center. However, the developer is a business partner. He is not only infrastructure developer. He is a business partner, parter in business. So he will be carrying out all the activity, all the logistics activity, right, from inward to outward, right up to the doorstep of the customer. So it is (inaudible), it is CONCOR. CONCOR is providing the quality. The service is being operated through the partner in there.

Operator [109]

The next question is from the line of Aditya Mongia from Kotak Securities.

Aditya Mongia, Kotak Securities Limited, Research Division - Research Analyst [110]

Sir, my first question was more from a (inaudible) strategy perspective. I want to get a sense from you that the markup that you put on the rail haulage recorded charge, (inaudible) it's about 28%

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [111]

What's that?

Aditya Mongia, Kotak Securities Limited, Research Division - Research Analyst [112]

The rail haulage charges which are there. You put essentially a markup and that is a revenue for you. So you reported 28.8% margin on the rail freight side. As a company, has that been the thought process of reducing that markup or margin? And if so, if there is a good elasticity of demand that can cover up for maybe a lower markup?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [113]

This question, I think, not relevant to answer in this forum. Because that is not a mark-up. First point is, Mongia, that's not a markup. Markup may not be (inaudible) in all the places. It comes out of operations. I think I explained this in some earlier conference calls. This comes out of working on some surcharge and doing some other things and double-stack running and also. So markup is not the right word for that 28% (inaudible). Second thing is, I can't reveal my strategies now, really what I will be doing with the present tense.

Aditya Mongia, Kotak Securities Limited, Research Division - Research Analyst [114]

So just putting it differently, is there good elasticity of demand in this business?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [115]

Yes, there is elasticity of demand. If that is a question, yes, I will answer. There is elasticity of demand. And whatever we are going for the corrections in the pricing, what we do is, depending on the service qualities, what we are providing and also at the same time evaluating the customer satisfaction and the customer value creations, what we are trying to achieve and how best we are able to achieve and how at what pricing we can do on -- based on that. That is how we can follow the pricing strategy.

Aditya Mongia, Kotak Securities Limited, Research Division - Research Analyst [116]

Got that, sir. So, the second question was move on the domestic front. Just wanted to get a sense from you that now wasn't that a good growth happening. What is driving this good growth? And how do you foresee the prospect for the domestic segment going forward?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [117]

See, basically in domestic segment, the level of containerization in our country is very, very low. So there is still lot of scope for the goods to be containerized. Now market is slowly understanding the advantage of containerizing the things and they are calculating the total logistics cost. From our side, what the changes we brought in over the last 1, 1.5 years is that the corporate customers are given the primary importance. So a big customer, corporate customer, with whom we can go on a long-term deals, we are ensuring the fulfillment levels to almost the 100%. But they are given really, given the volumes for us, and the trade volumes are automatically getting added to this corporate volumes, is what's actually driving the growth.

Operator [118]

The next question is from the line of Ashish Shah from Goldman Sachs.

Ashish B. Shah, Goldman Sachs Group Inc., Research Division - Associate [119]

So my question is on the INR 1,500 service charge increase that we have taken from August 15. Are we providing any additional services against this or it's for the same service?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [120]

See we already provided these services for last one year. If we take August 15 as the date where we are basing our discussions, you can safely assume that from April 1 of 2017 we are providing these services. So more than a year, all these services are provided free of cost. Whatever charges we are now putting on -- collecting, these charges, these services are all provided, and all my customers were very happy with these services. They have all benefited much more than what I am now asking them to contribute. And they are happily contributing.

Ashish B. Shah, Goldman Sachs Group Inc., Research Division - Associate [121]

Sir, can you also explain what are the services, just typically? What the customer look for in the service which you will be providing?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [122]

I will give you an example. Otherwise, it will take a lot of time, maybe sometime you have to sit with me to understand what is our service, how is the benefit of that. Some services I'm giving continuous cargo visibility. So from the time the container is handed over to me till that time the cargo is delivered at his doorstep, or the cargo picked up from his doorstep till the container is loaded on the ship or delivered at the other end of India, the cargo is completely visible to him. So he can do a lot of plannings. See it's not only planning for sale and all that. Even there are many things happen in this market. There will be sales while the things are on the move, so the fellow can make a very good sale, stating that at this point of time, the goods is available for you at this particular location. So he will be able to pitch his sales in a better way. So this is one service. So, such services are there. So I can't go on explain all those services. It will take time.

Ashish B. Shah, Goldman Sachs Group Inc., Research Division - Associate [123]

Sir. fair enough. So then it is fair to assume that you [distribute it] because you are anyways providing the service, so this INR 1,500 completely passes through to the bottom line?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [124]

Yes.

Ashish B. Shah, Goldman Sachs Group Inc., Research Division - Associate [125]

And sir, just one small bookkeeping question. So what would be the percentage of double stacking in this quarter?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [126]

I already gave that figure. 809.

Ashish B. Shah, Goldman Sachs Group Inc., Research Division - Associate [127]

Sir, if you can give the total number of double stack, total number of trains then also it will help? There were 809 double stacked trains?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [128]

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

Operator [129]

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

Shrinidhi Karlekar, HSBC, Research Division - Analyst [130]

I just wanted to understand how much has been the service charge increase on the portage container, sir?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [131]

INR 3,000.

Shrinidhi Karlekar, HSBC, Research Division - Analyst [132]

INR 3,000. And sir how much is typical of 40-feet container in your mix?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [133]

Typical number?

Shrinidhi Karlekar, HSBC, Research Division - Analyst [134]

Kind of, is it, like, out of 100 containers?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [135]

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

Shrinidhi Karlekar, HSBC, Research Division - Analyst [136]

Right, that's what I wanted. This one understanding origin, the originating volume that you give, are these laden volumes? There aren't empty containers that are included in these, right?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [137]

EXIM will be including empty containers. In domestic, it is laden containers. EXIM empty container movement we don't count on. In EXIM it is a revenue service.

Shrinidhi Karlekar, HSBC, Research Division - Analyst [138]

Okay. So EXIM originating volume includes empty containers, right, in there?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [139]

You have to understand this way. You should not understand that way then you will not be able to understand. In EXIM, you've got a revenue service.

Shrinidhi Karlekar, HSBC, Research Division - Analyst [140]

I Understood, sir. I know that you can charge for service.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [141]

Yes. In domestic, it is not -- it's a nonrevenue service for you. Okay?

Shrinidhi Karlekar, HSBC, Research Division - Analyst [142]

Understood, sir. And sir, the last one from my side. Sir, these empty running charges that we have from this international business, about INR 40 crores. Are these typically weekly portaging charges or it includes an empty container charge servicing charge there as well?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [143]

The container charge will be in revenue. (inaudible) That is the revenue service revenue.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [144]

I get revenue on top of it.

Shrinidhi Karlekar, HSBC, Research Division - Analyst [145]

So the INR 40 crores would be predominately weekly portaging, right?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [146]

It's only recorded as rate positioning, but (inaudible), so only rate repositioning.

Operator [147]

The next question is from the line of [Ankit Pachnatya] from BNP Securities.

Unidentified Analyst, [148]

Sir, I just wanted the old way, volume breakup in our total volumes if I can get?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [149]

Yes, Sanjay will give you.

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [150]

The newer way is giving you a composite. JNPT is 34.4%; CONCOR, 32.77%; Jakhwada, 14.75%, Chennai is 6.93%; Vizag, 4.91%; (inaudible) 1.48%. That breaks out 95.24%. This is I'm giving for Q1 plus Q2 .

Unidentified Analyst, [151]

Okay. So these numbers are for Q2, right?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [152]

No, Q1 plus Q2. (inaudible)

Unidentified Analyst, [153]

Okay. Actually I wanted to know regarding this 45 days -- for the period for which we had no earnings. So there would be some sort of revenue loss on that as well. So I just want to understand that -- is this INR 1,500 price hike would completely compensate this -- the revenues which have been lost from these 45 days? Or how should I look at this?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [154]

The 45 days by 90 days is expected to give us a volume growth of around 12%. So this INR 1,500, INR 3,000 forget about it that is for services what we are providing. That's an additional revenue we are getting. So you can calculate that, that is for each TEU, FU handled in my terminal I will be charging. Over the 45/90, I will get, all of them, extra.

Unidentified Analyst, [155]

Extra volume? Extra volume, right sir?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [156]

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

Unidentified Analyst, [157]

Right. And sir, how have you been facing this -- the (inaudible) section maintenance issue as well, because of which, our empty running or...

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [158]

So have the cargo out or -- I don't know what you are asking. There is no maintenance issue. We are running trains.

Operator [159]

The next question is from the line of (inaudible) from JPMorgan.

Unidentified Analyst, [160]

Sir, firstly, just on the annual report, recently you stated on long-term targets of 80% market share and about INR 7 million TEU of throughput in this 2, 3 years' time by 2020. So that's, like, practically doubling your volume from FY '18. So what is driving this sharp growth in traffic?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [161]

I think this year we are already in the first half what we are (inaudible)...

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [162]

1.9 million.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [163]

So in the first half, we did 1.9 million. So by the end of the year, we are looking at 4 million. So when I said 2021 -- 2020, 2021 that is FY '21 I'm talking of 3 years' growth in my annual report. I'm looking at 7 million. so there is 3 things, and this one is the actual growth, which we had, like, last year 3.4. This year, we are achieving 4, and now this year, we are making more rates. We are looking at more volume. India is growing, and we are also growing. The second is, we are starting our distribution logistics business that will add volumes to us. Then we are starting coastal. That will also add volumes to us. So all these 3 put together we are expecting to touch an ambitious target of 7 million TEUs BY FY '21, 2021. That's the 3-year growth story what we are talking of. Got it?

Unidentified Analyst, [164]

Okay, understood, sir. And sir, secondly, I wanted to check the real estate margin, the effect then is that from the service charges? Or does that not go to the real estate margin?

Sanjay Swarup, Container Corporation of India Limited - Director of International Marketing & Operations and Whole Time Director [165]

That will not go to real estate margin. Whatever government taxes we collect from customers we pay to the government, clearly. The rule is that we cannot get benefit at all from government taxes collected from the customers.

Unidentified Analyst, [166]

Okay. And sir, the last question from my side, sir. If I look at the export incentives, on a per TEU basis of INR 100 crores, basically, it seems significantly higher versus the last quarter. So any reason for the jump in the income?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [167]

It is 7% now.

Unidentified Analyst, [168]

Okay, 7%.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [169]

(inaudible)

Operator [170]

The next question is a from the line of Achal Lohade from JM Financial.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [171]

I just wanted to check the margin guidance and the growth guidance for the current year?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [172]

Yes, whatever (inaudible) we maintain at 12%.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [173]

12% to 14% for volume growth. And the current quarter margins are sustainable, right, because there are no one-offs as we understand. Is that fair understanding, sir?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [174]

Yes. See we always maintain our guidances at the same level, but we work on trying to get an improvement.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [175]

Got it. Got it. That's great. And just a clarification, the storage income. You said it is for all our terminals. Did you mean for -- all meaning including the domestic terminals or only for the EXIM terminals?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [176]

The storage income is only on the EXIM side. There is no storage income, crate income on the domestic side. The domestic side it's a little bit of -- it's a deterrent we keep on [touching] on our customers that is a very low. So whatever storage income we report in -- we were reporting on our balance sheet is out of the EXIM revenues only. So now the storage income will not be there, because we are doing an almost complete for this free period, 45 days free in a loaded container less than the standard, it's like almost free. Anybody who is bringing in a loaded container, if he is not clearing within 45 days, and there is the problem.

Achal Lohade, JM Financial Institutional Securities Limited, Research Division - VP [177]

Is there any charges levied by the shipping line in that case beyond 14%?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [178]

They have their own scale of charges. So there's nothing to do with my 3x. However, these are not interlinked, neither in the past nor in the future.

Operator [179]

(Operator Instructions) The next question is from the line of Prateek Kumar from Antique Stockbroking.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [180]

Did we get clarity on that increase in other current assets which was discussed?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [181]

The other current assets was -- it's because one is INR 171 crores is in the (inaudible) income, and there is the INR 98 crores is advanced recoverables.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [182]

Advanced recoverables from, I mean from customers? I mean, from your vendors?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [183]

From the customers.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [184]

Okay, sir. And, sir, there is no visibility on like -- I mean, we have being, like, piling up on these incentives now almost INR 800 crores, INR 900 crores from visibility on receipts from the government?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [185]

Yes, INR 875 crores?

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [186]

Yes, 875 crores . I mean actual cash coming to the company, there is no visibility there?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [187]

There is clear visibility. This is a receivable. The government has to have money. So when the government feels that they will allocate budget to this particular incentive, there will be incentives. So we are waiting for the government to allocate the budget for releasing these incentives.

I understand your question. There's the cash we are also carrying on. There is. But it is a benefit, and it is an accounting practice (inaudible) so we are doing it.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [188]

Sure, sir. And just one question on, I mean, on the price increase in 2 legs that we have taken. So let's assume, if there is some haulage increase, maybe some nominal, 8%, 10%, haulage increase which happens now. So I mean, we have now certainly grown in profitability percentage, which is, like, let's say, 6 quarters back. So we'll be still looking to pass through that 8%, 10% haulage increase hypothetically to customers? Or we will -- we may choose to absorb that also maybe to -- I mean, to not let go customers?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [189]

No comments. I don't do guesswork.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [190]

Okay. And sir, I mean, relating to the hikes, which you have taken in 2 legs. So has completion also taken similar hikes? Or I mean...?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [191]

That you have to tell me. I don't look at market, because my competition is good. I don't have a competition. So (inaudible) never goes with my increases. They've got their own (inaudible).

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [192]

Okay. And, sir, rail coefficient. You used to share, like, a couple of quarters back, rail coefficient at ports. Is that data available now?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [193]

Well, we shared with you now. Now somebody else asked, we shared with them.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [194]

So that you said like your share at different ports like 83%, 50%, 50%, but generally rail share at the ports...

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [195]

Rail share at ports generally is at 16.25%, Mundra is 26.25% and Pipavav is 69.1%.

Operator [196]

The next question is from the line of Aditya Makharia from Motilal Oswal Asset Management.

Aditya S. Makharia, Motilal Oswal Securities Limited, Research Division [197]

Just an update, how are you seeing the progress on the freight corridor? And what are time lines expected now?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [198]

Whatever my colleagues in (inaudible) have given the targets, I'm fully believing in that. If the target what they have given is by next March, they will open up car line to (inaudible) and Mundra.

Aditya S. Makharia, Motilal Oswal Securities Limited, Research Division [199]

Okay. And what about the (inaudible) to JNPT?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [200]

Well, have they given some forecast on that? If they have not given already with their forecast.

Aditya S. Makharia, Motilal Oswal Securities Limited, Research Division [201]

Okay. So by March '19 is when you are saying (inaudible) and Pipavav will open up?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [202]

There is Pipavav and Mundra. They are saying, DFC is telling that in March '19, they will open up, and I'm going by that.

Operator [203]

The next question is from the line of Shekhar Singh from Excelsior Capital.

As there is no response from the current participant, we move to the next question from the line of Chintan Bandora from [Nornolia] Financials.

As there is no response from the current participant, we move to the next question to the line of Mukesh Saraf from Spark Capital.

Mukesh Saraf, Spark Capital Advisors (India) Private Limited, Research Division - VP of Equity Research [204]

Sir, just wanted to understand, is there some change with respect to the customs duties -- the time by which the customs duties have to be paid at the ICDs? Is there some change there as well? I mean, as in when the container comes in, does that have to be paid immediately itself?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [205]

Yes, there were some regulations came -- that have been paid to be filed within 24 hours.

Mukesh Saraf, Spark Capital Advisors (India) Private Limited, Research Division - VP of Equity Research [206]

Okay, Okay. So just checking if this is the case. I mean, earlier, obviously, they used to pay the customer's duties later, and they could hold the container (inaudible) for maybe 10 days, 15 days. So if this is the case, then the dwell time would anyways would have dropped, sir, if they are going to be paying the customs duty within 24 hours?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [207]

Yes, it is different (inaudible) and dwell filing is different. You have to file a bill of entry. So after the bill of entry, the assessment will be done, and then the cargo can be -- the (inaudible), they can hold on to the cargo even after paying the customs duty. They will not get it out. So it's not the way, exactly, directly proportional with these [activities.] But yes, if the customer has paid the customs duty, there is always a commonsense logic that we will take the container faster.

Mukesh Saraf, Spark Capital Advisors (India) Private Limited, Research Division - VP of Equity Research [208]

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

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [209]

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

Mukesh Saraf, Spark Capital Advisors (India) Private Limited, Research Division - VP of Equity Research [210]

Right, right, right. And in relation to this itself, we have taken this price hike, but we generally have certain long-term contracts with customers. So from August 15 to now, I mean, have more so of the customers seen this hike? Or given that we've been entering our contracts over time, do we see that over next 3 months, 6 months more customers will come under this INR 1,500 hike?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [211]

I'll answer this very straight. I will give you a straight answer, too. Each and every coming TEU coming into my terminal has been charged 1,500 (inaudible) .

Mukesh Saraf, Spark Capital Advisors (India) Private Limited, Research Division - VP of Equity Research [212]

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

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [213]

Is in there a media report you are asking with the question?

Mukesh Saraf, Spark Capital Advisors (India) Private Limited, Research Division - VP of Equity Research [214]

There has been a supreme court regulation where 10-year older diesel trucks will not be allowed to ply in the interior region, sir.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [215]

If it is -- if they are in existence, we will continue with our business so that is already practically we are showing that we can do business with that.

Mukesh Saraf, Spark Capital Advisors (India) Private Limited, Research Division - VP of Equity Research [216]

Okay, okay. So that, basically, is not impacting us?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [217]

No it isn't. These things won't impact us. We are actually going and I think this time, the question has not come. See, what we are trying to do is, being a PSU, we are following a system of single vendor. We give vendor, we select the L1, and we give the job to them, whether it be the transportation, first mile, last mile or whatever activity. Now we are trying to develop a logistics platform, and we are trying to go in for a multi-vendor system. So that gives more flexibility to my customer, more flexibility to me to operate and improves the service levels.

Operator [218]

The next question is from the line of Ashish Shah from Goldman Sachs.

Ashish B. Shah, Goldman Sachs Group Inc., Research Division - Associate [219]

So one small clarification. Sir, on SEIS, is it correct that we'll have 7% incentive on EXIM for the full year? So we have got a notification for FY '19?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [220]

Is it for the full year? INR 7,000 is for the full year? Yes, we have got notification.

Ashish B. Shah, Goldman Sachs Group Inc., Research Division - Associate [221]

So in this quarter, have we returned or have we added any additional charge which we will get for Q1? Because in Q1, I think we had accounted at 5%.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [222]

Q1 also 7% we accounted for. (inaudible) So 7% of your transfer volume growth at INR 1,700 crores, that, how that (inaudible) was increased, I will ask my finance people to calculate it later, this one.

Operator [223]

The next question is from line of Piyush Khorasia from Crest Wealth Management.

Piyush Khorasia, [224]

I only had one question. When we were talking about double stacking, we were only talking about the diesel trains which are running. But through some media reports I have come across that Indian Railways started some draft trains, draft containers that are containers of around 6 foot 3 inches or 6 foot and 4 inches or something. And it can be run on the electrified routes. So do you have any sort of idea on it? And are we considering to do that?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [225]

These draft containers are nonstandard containers. They are not the EXIM containers. They are not in the international business. They are non-standard containers which are suitable only for a particular type of products.

Piyush Khorasia, [226]

So can we use it for domestic orienting of taxes?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [227]

Domestic, also only some type of product can be used. There are many limitations on that, and then, as an update, the draft container is cleared, again, for only one section on Indian Railways, okay. So, don't follow media reports. (inaudible) So it's my duty to clarify. It's only now clear that can be cleared that all the routes of Indian Railways. There is a modification required in the containers itself because the tracks cannot be modified. There are many structures on the tracks like road over bridges, so they cannot be modified. So containers have to be modified. So if the containers are modified further, they have certain problems with loading. The head loads cannot be done in that. A fixed rated container cannot be loaded manually. And the machine also cannot go inside. So there are many limitations on these containers. So they are physically selected, that we used, for now, on an experimental basis in one particular product in one particular route. So we are still waiting. We are continuously following that from our side. And unless we do a complete study, we are not going to go in for this business. That is not the double stack what we talk of the double stack.

Operator [228]

The next question is from the line of Prateek Kumar from Antique Stockbroking.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [229]

Sir, as you mentioned, I mean, we are agreeing to the deadline of DFC of March '19 for the Mundra to Pipavav route. So it's like looks quite low, so I mean, how are we, like, let's say, preparing for in terms of our rates and containers for running on those routes?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [230]

We are very well prepared. If DFC comes next tomorrow, I am prepared. I got my terminals ready. I got stock ready. And I know how to do double stack because we are -- as we give figures to you, there's almost 10 double stack trains that we do. So we are absolutely ready with all the minute details of working, how we are to go about it.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [231]

So whatever trains we are running today on double stack routes will just shift to DFC corridor, and just, I mean basically will be business as usual?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [232]

See, let's understand, DFC is only a corridor where there will be no (inaudible) corridor. Otherwise, the length of the wagon, the width of the wagon, the size of the wheel, everything is changed.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [233]

How much train size is doubling?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [234]

Train size is doubling, even the trains sizes, double train sizes today on Indian Railways, it is called local hauls. It is being done on Indian Railways. These are all technical details. So that's being done today on Indian Railways also at some of the places where we are able to run the trains like that. We combine 2 trains and run on one path. That's the saving of a part on Indian Railways. So that possibility is there without doing anything on the DFC side. So the same train can be run. It can be run 1,500 meters, train also can be run. We are ready for that also. The stock is available. The stock is available with us. The same stock will run on that. So we are ready. Our preparedness is there. Now I need to open up DFC.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [235]

And, sir, just on domestic business, we saw, again, on the domestic business, profitability like swing from INR 1,000 per TEU to INR 2,000 again this quarter, which is great. Any specific benefit, which we got in this quarter? Or is this more, I mean...

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [236]

See last year, we achieved INR 3,700 at the margin in the domestic business. In the first quarter, why it has come down is because we opened up many new terminals. And the depreciation charges have been accounted for because the capitalization was done on all the terminals. So the depreciation charges, the margins are shown low, but there is a cash flow into my books. This quarter, also, there is amortization. Otherwise, our margins, we already picked up in the last year, and we are maintaining the prices at the same level as there was some betterment of realizations. There is an additional benefit out of this.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [237]

In current quarter, so now, I mean, assuming we maintain terminals. So, I mean, it should continue to remain at, let's say, INR 2,000 per TEU or higher?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [238]

I don't know. Last year we could achieve INR 3,800. So as volumes increase and then depreciation it's just on the volumes, we can go up to INR 3,800 also.

Prateek Kumar, Antique Stockbroking Ltd., Research Division - Analyst [239]

You're talking about EBITDA per TEU or EBIT per TEU?

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [240]

EBITDA.

Okay, thank you. I think we completed our time?

Operator [241]

Yes, sir that was last question. Bhoomika Nair, over to you for closing comments.

Bhoomika Nair, IDFC Securities Limited, Research Division - Security Analyst [242]

Yes, sir.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [243]

As I mentioned -- can I go ahead with my closing comments.

Bhoomika Nair, IDFC Securities Limited, Research Division - Security Analyst [244]

Yes, please. Yes, please sir.

Vennelakanti Kalyana Rama, Container Corporation of India Limited - Chairman & MD [245]

So as I mentioned, friends, we had a good quarter. And we hope we'll be able to continue with our good run that we are having. Because we are very hopeful of a booming economy in India and every GDP growth of 1% requires 1.5% velocity in larger stakes. So we are planning for that, and we are planning for all the future expansions and future new things coming up, like DFC, our own ventures like coastal distribution, (inaudible), we are adding rigs. So we are preparing ourselves for good things in the coming quarters. Thank you all.

Bhoomika Nair, IDFC Securities Limited, Research Division - Security Analyst [246]

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