



MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Indian Railways registered a marginal growth of 4.77% in originating loading of cargo, from 1108.79 million tonnes in 2016-17 to 1161.66 million tonnes in 2017-18. Originating containerized cargo transported by rail has also increased from 47.60 million tonnes in 2016-17 to 54.31 million tonnes in 2017-18 reflecting an increase of 14.10%. The containers handled at all ports of the country registered a growth of 11.59% from 13.16 million TEUs in 2016-17 to 14.69 million TEUs in 2017-18. While Mundra Port registered a substantial growth of 18.78%, Pipavav Port registered a growth of 5.96% in container handling in 2017-18 as compared to 2016-17. Krishnapatnam Port registered a vigorous growth of 36.34% in 2017-18 over 2016-17 in container handling. The largest container handling port of the country, JN Port also recorded a growth of 7.40%, from 4.50 million TEUs in 2016-17 to 4.83 million TEUs in 2017-18. In value terms, total exports of the country went up by 9.78% from 275.85 billion dollars in 2016-17 to 302.84 billion dollars in 2017-18. Imports of the country have also increased by 19.59% from 384.36 billion dollars in 2016-17 to 459.67 billion dollars in 2017-18. CONCOR experienced a rise in export of commodities such as Buffalo Meat, Aluminum Ingots, Cotton Yarn, Stone, Medicines, and Food Items etc. While import of commodities such as Waste Paper, News Print, Auto Parts, and Machines etc. increased, import of Heavy Melting Scrap and Aluminum Scrap experienced a downfall.

In the above mentioned external business environment, your company carried 39.97 million tons (73.6%) of containerized cargo by rail during FY 2017-18, rising from 34.70 million tons (72.9%) carried in 2016-17, thereby increasing its market share by 70 basis points. Your Company achieved throughput of 3.53 million TEUs in FY 2017-18 as against 3.10 million TEUs in FY 2016-17 i.e. an increase of 13.85%. Your Company also continued to place great emphasis on providing total logistics solutions to its customers by expanding the business in all segments of transport value chain, both in EXIM and Domestic sector. Emphasis was also on optimal utilization of infrastructure with complete cost control, combined with strategy on expansion into other segments of value chain with overall objective of making logistics services effective, efficient and competitive. In 2017-18, your company has signed a Memorandum of Understanding (MOU) with M/s Bharat Mumbai Container Terminals Ltd. (BMCT) for train services between BMCT and CONCOR's rail-transshipment hubs (RTH) at Khatuwas and Jakhwada to consolidate container movement between north and west of India. At the same time, your company continued with its plan for setting-up of Multi-Modal Logistics Parks (MMLPs) for providing seamless connectivity and one stop solution to its customers. During the year, your Company was successful in starting rail operations at MMLPs in Naya Raipur and Mihan (Nagpur). We also commissioned a new port side facility at Paradip Port in Odisha.

EXIM & DOMESTIC BUSINESS

During 2017-18, the EXIM container traffic handled at all Indian ports increased by 11.59% as compared to 2016-17. Your company recorded a growth of 13.64% in EXIM handling from 2.64 million TEUs in 2016-17 to 3.01 million TEUs in 2017-18. In terms of tonnage, the increase in EXIM originating loading was 15.1% from 28.41 million tonnes in 2016-17 to 32.70 million tonnes in 2017-18.

The total traffic handled in domestic segment was 529,952 TEUs in 2017-18 as against 460,516 TEUs in 2016-17 i.e. an increase of 15.08%. In terms of tonnage, the increase in domestic originating loading was 15.4% from 6.29 million tonnes in 2016-17 to 7.26 million tonnes in 2017-18. During the same period, domestic containerized loading of Indian Railways experienced a growth of 12% from 9.79 million tonnes in 2016-17 to 10.97 million tonnes in 2017-18. Our market share in total domestic business increased from 64.25% in 2016-17 to 66.18% in 2017-18.

With stiff competition from PCTOs, it is big challenge to retain our market share in rail containerized transportation. Your company is fully prepared to meet these challenges by taking innovative steps in marketing and meeting customer's expectations towards reliable and cost effective services with increased focus on double stack operations and providing value added services to customers.

Your company is standing at very strong fundamentals and is creating a very robust infrastructure for handling multimodal logistics business in the country. Going forward we are very hopeful that we will meet the ambitious targets set in Memorandum of Understanding signed with the Govt. of India.

INTERNAL CONTROL SYSTEMS

CONCOR has robust Internal Systems and processes in place for smooth and efficient conduct of business and complies with relevant laws and regulations. It has adequate system of internal financial controls in place, in the form of well documented delegation of power, policies and procedures that cover critical as well as important activities of financial and other operating functions. The procedure are in the form of manuals, guidelines, delegation of powers

and IT system and controls which are effected through people operating in various departments within the company at different levels at each stage of the processes. These are designed to ensure compliance to the internal financial controls as detailed in the Companies Act, 2013. In order to ensure that all checks and balances are in place and all internal control systems are in order, regular and exhaustive internal audits are conducted by experienced independent firms of Chartered Accountants in close co-ordination with company's own internal audit Department. The internal audits are conducted as per the detailed well documented audit program which has been duly approved by Audit & Ethics Committee. A well defined internal control framework has been developed identifying key controls and independent external auditors verifies the adequacy and effectiveness of the internal financial control system through regular periodic audit, system review, provides assurance on the compliance of internal policies & procedures of the company and certify the appropriateness of internal controls. Internal audit firms directly report to the Management at higher level. The functioning of the internal audit as well as internal financial control systems are periodically reviewed by the Audit & Ethics committee and necessary directions are issued whenever required to further strengthen the internal financial control system & procedures keeping in view the dynamic business environment in which the company operates. Reports of the auditors are reviewed, compliances are ensured and the reports along with the compliances are apprised to Audit & Ethics committee periodically. A separate certification of implementation and effectiveness of internal financial controls during 2017-18 was done by an Independent Chartered Accountant firm and internal financial controls on financial reporting has also been confirmed by the Statutory Auditors in their Audit Report. Further, Audit Ethics Committee is meeting internal and statutory Auditors of the Company both in the presence of Company Management and separately.

SECURED AND UNSECURED LOANS

No secured and unsecured loans were taken during the year 2017-18.

FIXED ASSETS

Year ended March 31	2018	2017	%age Growth
Original Cost of Assets	4733.21	4067.62	16.36
Less: Accumulated Depreciation and Amortization	1084.82	697.80	55.46
NET FIXED ASSETS	3648.39	3369.82	8.27

Note: As per IND AS, Net Block of Fixed Assets as on the date of transition i.e. 01.04.2015 has been considered as Gross Block and Assets re-classified.

An amount to the tune of ₹ 661.98 crores was capitalized during the year. The main additions were on account of construction of terminal infrastructure, purchase of Wagons/ Handling equipments, etc.

WAGONS

During the year under review 540 BLC wagons were added to the existing fleet of CONCOR owned wagons, increasing the holding of High Speed Wagons to 13,198. Total wagons (BLC+BLCM+BLL+BFKN+BVZI) holding has gone upto 14,534 as on 31.03.2018.

INVENTORIES

The company being a service company, does not have stock in trade. The inventory is represented by stores and spares kept by the Company for maintenance of its own equipments.

SUNDRY DEBTORS

Sundry debtors are 0.98% of the operating income of the year. Provision for doubtful debts, wherever considered necessary has been made.

CASH AND BANK BALANCE

The Company keeps majority of its cash & bank balances in short term fixed deposits with the banks. These cash reserves have been retained for financing the creation of infrastructure and expansion plans as well as investments in new businesses and alliances, including in JVs as per the plans of the Company.

INCOME

Income from operations has increased by 10.01% over FY 2016-17. Between the two business segments i.e. EXIM & Domestic, EXIM segment contributes the major share of freight revenues. The increase was mainly on account of increase in revenue from rail freight, handling and other operating income. Further, Ind-AS 115 (Revenue from Contracts with Customers) has become mandatory w.e.f. 01.04.2018 and as per the assessment done by the management, its impact on the financial statements will not be material.



EXPENSES

Terminal and other service expenses have increased by 5.36% over FY 2016-17. The increase was due to higher operating expenses corresponding to increase in revenue earned by the company during the year.

FINANCE AND OTHER EXPENSES

Finance cost has decreased from ₹ 3.66 crore to ₹ 0.09 crore in FY 2017-18. The other expenses have increased by 10.14% over FY 2016-17.

EMPLOYEE REMUNERATION

The employee cost has increased by 48.70% over FY 2016-17 which is on account of pay revision of employees, annual increments, promotion, increase in dearness allowance, provision for employee benefits, etc.

FOREIGN EXCHANGE EARNING & OUTGO

During the year the total Foreign Exchange outgo on account of various business related activities, including import of stores and capital goods was ₹ 5,210 lakhs which has shown a decline of 39.83% over the previous year.

TAXATION

Current and deferred income tax provision for the year have been made in accordance with the provisions contained in Income Tax Act, 1961 and the relevant Indian Accounting Standard. Accordingly, current tax, including earlier years tax adjustment and deferred income tax provisions have been worked out as ₹ 399.09 crores and ₹ (55.48) crores respectively.

MATERIAL DEVELOPMENT IN HUMAN RESOURCES

The company has formulated new HR policies and rationalized the existing policies to contribute towards the welfare of the employees. The major policy updation has been enumerated below:

- The amount of loan permissible for housing, vehicle and for multipurpose has been increased.
- CONCOR Travelling and Daily Allowance Rules have been updated and rationalized.
- Promotion and Non-Functional Upgradation Policy for all grades has been rationalized.
- CONCOR Medical Attendance Rules have been updated and rationalized.
- Telephone policy has been updated and centralized mobile network has been taken for all employees.
- CONCOR Conduct Rules has been updated.
- Attendance, working days and office timings and holidays policy has been rationalized

CONCOR has successfully implemented Revision of Pay and allowance for the employees' w.e.f. 01.01.2017 considering the guidelines issued by Department of Public Enterprises (DPE). Three settlements have been signed during the financial year peacefully and amicably with the Union on various HR matters.

CORPORATE SOCIAL RESPONSIBILITY

CONCOR is committed to implement its CSR policy in letter and spirit by taking up various welfare projects including on environment sustainability for the betterment of all its stakeholders as well as weaker sections of the society to enable them to grow and prosper together. In this regard detailed particulars of the work done have been provided in the annual report on CSR activities forming part of Directors' report to the shareholders.

RISK MANAGEMENT

The Company has an elaborate Enterprise Risk Management (ERM) framework in place. As a part of implementation of the ERM framework and in terms of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, CONCOR has in place a Board level Risk Management Committee (RMC) which reports to the Board about the risk elements, their mitigation plans, etc. at regular intervals. The RMC has been entrusted with the responsibility to identify and review the risks and formulate action plans and strategies for risk mitigation. The main function of RMC is to monitor various risks and to examine the adequacy of risk management policy and practices adopted by the company and also to initiate action for mitigation of risks arising in operations and other key functional areas of the Company. All the terminal heads of the operating units are required to regularly define the effectiveness or non-effectiveness of control /action plans formulated to mitigate the risk elements. The ERM reports are evaluated by the RMC in its quarterly review and top ten risks identified by the RMC are apprised to Audit & Ethics Committee and Board of Directors for their scrutiny and information.

Some of the key risks which the company faces and the corresponding strategies undertaken for mitigation by the company are as under:

Associated Risk Event	Mitigation Plan
Abnormally low profit margins for Domestic division due to uncontrollable factors.	<ul style="list-style-type: none"> • Develop new streams of business. • Generate traffic on empty flow directions. • End-to-End logistics solutions to customers.
Non-availability of trailers / Delay in procurement of containers & spares / Breakdown of equipments may lead to loss of potential revenue.	<ul style="list-style-type: none"> • Formulate policies to ensure better and optimum utilization of machine equipment in yard. • Develop & review preventive/ corrective maintenance schedule. • Analyses number of breakdowns on a Periodic basis and take corrective action. • Purchase equipments and improve maintenance practices. • Periodic review of requirement. • Turnaround time (TAT) for procurement of containers should be defined in the contract along with penalty clause. • Regular follow up with vendors.
System downtime leading to adverse impact on operations	<ul style="list-style-type: none"> • Develop preventive & corrective maintenance plan. • Possibility of maintaining stand by server are explored. • Full proof security to prevent vandalism.
Potential revenue loss due to limited availability of terminals / critical terminals acquired by competitor.	<ul style="list-style-type: none"> • Development of new logistics parks and liasioning with ports for new terminals. • Strategic tie-ups at locations where we are not present.
Inadequate workforce availability due to resignation of employees / Cost of Replacing Resigned Employees	<ul style="list-style-type: none"> • Better employee benefits and services. • Better work environment. • Better growth opportunities for deserving employees. • Employee Wellness programmes including sports, yoga, participation in marathons, etc. • Prompt redressal of grievances. • Speedy HR Services through HR automation in employee portal for employees.

STRENGTHS

CONCOR's strengths are as under:-

- Fairly large infrastructure base of rolling stock, especially the ownership of high-speed container flats (BLC/BLL wagons) and specialized container handling equipment etc. The Company owns a total of over 322 rakes including 288 high speed (BLC + BLL) and 34 BFKHN rakes as on 31.03.2018.
- Large network of "state-of-the-art" terminals located across the country, giving it an unparalleled reach and penetration. Distinct cost advantage offered by CONCOR CFSs to users by virtue of their locations within ICD premises.
- Over 30 years of presence in organising efficient rail movement of containers & highly professional terminal management and operations of ICDs, combined with the experience of coordinating /liaisoning with Indian Railways, Customs and other Central & State Government agencies.
- Highly committed team of experienced and skilled manpower with in depth knowledge of multi modal logistics business with a customer sensitive outlook. Ability to provide choice of mode of transportation between rail/road/sea (coastal) / air according to the needs of the customer.



- Lean and thin organization with reduced fixed costs.
- Strong presence in virtually all container handling ports in India having forged good working partnerships with these ports.
- Providing Multilayer Stacking for storage of customer's cargo.
- Has established and sustained long term relations with credible high volume customers in the domestic sector. Major alliances have also been established with international shipping lines and other logistics service providers, based on mutual trust in form of as many as 10 operating Joint Venture Companies (JVCs) including two JVCs for Port Terminal Operations at JN Port (Mumbai) and Vallarpadam.
- Has a large fleet of over 20,695 (owned plus leased containers)- for domestic traffic. The Company is in the process of purchasing 10,000 containers out of which 468 container have already arrived in 2017-18.
- Customized software applications for both EXIM and Domestic segments with internet based customer interface & full EDI connectivity with Customers, Indian Railways and Customs interfaces.
- Blue chip company with good market capitalization is being viewed as a very good financial proposition by investors.

WEAKNESSES

- Overdependence on a single rail corridor for Exim Business, 60% of the traffic flow remain between North and West India, which is also a necessity as per our country's maritime strategy. Any disruption in these sectors can have serious repercussion on business.
- Large dependence on Railways as a transporter leaves CONCOR vulnerable to increases in haulage charges & policy changes. To overcome the same, CONCOR has to actively evaluate entry into "end-to-end" road transportation segment to augment its basic nature of providing inter modal comprehensive integrated rail based services.
- All the same, vagaries of road based logistics makes it difficult for CONCOR to directly enter this sector – especially given its PSU status and hence leaves it dependent on other agencies.
- Gaps between quality of service and the ever growing expectations of the customers. At some places outsourced services are not of desired level on account of differences in the objectives of the service providers and CONCOR.
- Overdependence on EXIM traffic & resultant exposure to vagaries of international business/trade trends.
- Land Acquisition – A big constraint.
- Difficulty in arranging return cargo, empty running.

OPPORTUNITIES & THREATS

Your Company is an undisputed leader in the field of Multi-modal Logistics in India with the largest available network of "state-of-the-art" intermodal terminals across the country providing an unparalleled reach and penetration, combined with a strong presence at almost all container handling ports. It has strong financials and highly committed team of experienced and skilled manpower with in-depth knowledge of multi modal logistics business. Availability of fairly large fleet of rolling stock (especially high-speed BLC/BLL wagons), specialized container handling equipments, customized owned/leased containers and fully computerized commercial operations with internet based customer and customs interface provide it a strong competitive advantage in availing opportunities for further growth.

There is severe competition from the Road Sector specifically for short lead and light weight cargo and the Export – Import imbalance leading to Empty Running. Your company is well poised to tap the new business opportunities arising from potential Growth in EXIM container volumes, and the likely increase in container traffic due to development of Dedicated Freight Corridors. Its initiative to use the terminal capacity for promoting double stack movement between hinterland & gateway ports of Gujarat have helped increase rail coefficient & make its services competitive.

Signs of economic recovery coupled with growth in the manufacturing sector, which is likely to gain impetus with the 'Make in India' campaign, will give boost to the growth plans of the Company. The growing market potential in air cargo, automobile sector, food supply chain management and coastal shipping offers scope for diversification which will be effectively worked upon.

The putting back of the Indian Economy on high growth paths is bound to result in additional transport demands. This, coupled with the anticipated changes in profile of traded goods -from intermediate to finished goods, is bound to increase the opportunities for containerization in domestic market. Added to this, the large number of Industrial Parks, SEZs etc. being established by State Governments and Ports offer your company the excellent opportunity

for adorning the role of Logistics Partner for the states/industrial estates through arrangements of mutual benefits. The implementation of GST has thrown up potential for developing large and modern Warehousing especially customized to the various requirements of the customers.

FUTURE OUTLOOK

With the economic scenario picking up and with Goods and Services Tax (GST) having been implemented, your Company is determined to achieve higher growth rates both in EXIM as well as Domestic segments. The aim of your Company is to tap on the enormous potential becoming available in the coming months in areas such as Coastal Shipping, Offshore as well as expanding network in international arena for development of Dry Port, Warehousing, E-commerce, Value Added Services, etc. CONCOR is also expanding its business by way of using Mobile App for long haul and short haul transportation.

Information Technology (IT) will play a very important role in this endeavour with the objective of providing continuous visibility of cargo. CONCOR Mobile App is being expanded to provide various services to the Customers. Your company has also made a progress in "Know Your Container Location" KYCL which will give the exact location of the customer's container.

Double stack movement from the fast growing North Western ports especially with the commissioning of our MMLP at Kathuwas has helped increase the rail coefficient of container movement and attract more light weight cargo from the road sector. More than 200 Double Stack Train are being run per month and this will be increased regularly.

STRATEGY TO MEET THE CHALLENGES

Your company has formulated a strategy for further growth with profitability, despite the challenges of an increasingly competitive market. The broad strategy includes:

- Setting up of Multimodal Logistics Parks at vantage locations along the Dedicated Freight Corridors (DFC) and at major industrial estates.
- Setting up of Private Freight Terminals (PFT) with road bridging solutions.
- Increase in Double Stack Long Haul Trains and development of Rail Transshipment Hubs (RTH).
- To Make CONCOR a One Stop Logistics Solution and providing Services at the Customer's Door step.
- Providing more and more Value Addition Services such as Cross Docking, Wrapping, Labeling, Palletisation, Bar Coding, Inventory Management, KYCL, Mobile APP, customized to the requirements of the customers.
- To Venture into E-Business.
- To make a foray in Integrated Logistics and Manufacturing Zones (ILMZ).
- Increase in Revenue by diversification and product differentiation.
- To venture Internationally.
- Further growing in the Air Cargo Business.
- Providing innovative 3PL/4PL solutions to the customers.
- More extensive and innovative use of Information technology in various activities especially for minimizing transaction costs, and meeting customer expectations.
- CONCOR started the Extended Gate Facility at TNPM. With arrangement from Port & Customs, the first train service from Chennai port to Extended Gate Facility at TNPM has been started on 28.03.2018. It will help in garner greater market share at Chennai port.
- To lead the changes in supply chain in the post GST (Goods and Services Tax) scenario.

MEDIUM AND LONG TERM STRATEGY

1. CONCOR has planned to increase Throughput capacity from 3MN TEUs in 2016-17 to 7 MN TEUS by 2020 to increase its Market Share.
2. From its Market Share of 74% in India's Rail Container freight market, CONCOR plans to achieve a MARKET SHARE of 80% by 2020.
3. CONCOR had an Annual Turnover of ` 5,895 Cr. and a Networth of ` 8,846 Cr. in 2016-17. Further, CONCOR plans to achieve a Turnover of ` 12,000 CR & Net worth of ` 10,000 CR by 2020.
4. CONCOR is the only Navratna PSU of Indian Railways and it is one of its further ambitious plans is to achieve MAHARATNA status by 2024 for which CONCOR will have to achieve an Annual Turnover of ` 25,000 Cr. & Networth of ` 15,000 Cr. & PAT of ` 5,000 Cr.



5. To make CONCOR a "ONE STOP SOLUTION" & an "END TO END" service provider.
6. For a Transportation system its Terminal Network defines its reach and presence. Presently, CONCOR has formidable Network of 79 Terminals (14 EXIM Terminals, 22 Domestic Terminals, 36 Combined Terminals and 7 Strategic Tie-ups). Its further plan is to reach a figure of 100 Terminals by 2020.
7. CONCOR is planning Multi Modal Logistics Parks (MMLPs) at vantage locations where industrial demand is expected to be build up along the DFC and its feeder lines.
8. Double Stake Operations offer opportunity for better Rake utilization and higher sectional throughput and are beneficial to CONCOR as well as Indian Railways and the Economy at large. CONCOR plans to increase Double Stake Operations after Increase in Double Stack Long Haul Trains and development of Rail Transshipment Hubs (RTH) . Rail Transshipment Hubs (RTHs) will enable movement of containers from a gateway port or a hinterland ICDs without being destination specific.
9. Providing innovative 3 PL/ 4PL solutions to the customers thereafter graduating to a full-fledged 4PL Organization. Further, approaching the next level by broadening the scope further to e-Business and becoming a SPL service provider.
10. CONCOR has planned to closely coordinate with the Research, Design and Standard Organization (ROSO) of Indian Railways for evolving modern and cost effective rolling stock designs for specific types of Cargo as new business opportunities are explored. CONCOR will also closely study the freight designs being evolved for bulk transportation of cement, aggregates, liquid cargo, auto cars etc.
11. Dovetailing the Cold Chain and Reefer Businesses as one Business Unit.
12. CONCOR is having PAN India Network and is exploring offshore possibilities with a strong foothold on foreign lands.
13. CONCOR has a detailed policy bringing out its responsibilities towards environment. A Green Audit will be done of our various Business processes and specific initiatives adopted to project ourselves as the premier "Green Logistics Company in India".

CAUTIONARY STATEMENT

Statements in the Directors' Report and Management Discussion & Analysis, describing the Company's objectives, projections and estimates, expectations, predictions etc. may be "forward looking statements" within the meaning of the applicable laws and regulations. Forward looking statements contained herein are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Actual results, performances or achievements may vary materially from those expressed or implied due to economic conditions, Government policies and other incidental factors such as litigation and industrial relation, etc. Readers are cautioned not to place undue conviction on the forward looking statements.

For and on behalf of the Board of Directors

Date: 21.08.2018
Place : New Delhi

Sd/-
(V. Kalyana Rama)
Chairman & Managing Director