कॉनकॉर
CONCOR

भारतीय कंटेनर निगम लिमिटेड
Container Corporation of India Ltd.
बहुविध संभारतंत्र कंपनी
A Multi-modal Logistics Company
(भारत सरकार का नवरत्न उपक्रम)
(A Navratna CPSE of Govt. of India)

कॉन/आइआरसी/SE/104/V-IV/

दिनांक : 30.05.2016

Through E-mail

1. The Bombay Stock Exchange Ltd., Mumbai
   Phiroze Jeejeebhoy Towers, Dalal Street
   Mumbai-400001

   Code No.531344
   Fax : 022-22723121/3719/2037/
   2039/2041/2061/1072

2. National Stock Exchange of India Ltd.
   Exchange Plaza, 5th Floor, Plot No. C/1,G Block
   Bandra-Kurla Complex, Bandra (E)
   Mumbai-400 051

   Fax: 022-2659 8237/38

Dear Sir/Madam,

Sub:TRANSCRIPT OF POST-RESULT CONFERENCE CALL OF CONCOR ON 26.05.2016
Ref: Letter of even no. dated 25.05.2016.

Dear Sir/Madam,

The transcript of Conference Call held on 26th May 2016 in respect of the audited financial results of the company for the quarter and period ended on 31.03.2016 are enclosed.

This is for your information and record please.

Thanking you,

Yours faithfully,
For Container Corporation of India Ltd.,

(Harish Chandra)
Group General Manager (Finance) & Company Secretary

Encl : as above.

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

“Container Corporation of India Q4 FY16 Earnings Conference Call”

May 26, 2016

MANAGEMENT: **MR. ANIL K. GUPTA - CHAIRMAN & MANAGING DIRECTOR, CONTAINER CORPORATION OF INDIA**
DR. P. ALLI RANI – DIRECTOR (FINANCE), CONTAINER CORPORATION OF INDIA

MODERATORS: **MR. HARISH BIHANI – KOTAK SECURITIES**

Moderator: Good morning ladies and gentlemen, welcome to the Container Corporation of India Q4 FY16 earnings conference call hosted by Kotak Institutional Equities. As a remainder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now like to hand the conference over to Mr. Harish Bihani. Thank you and over to you sir.

Harish Bihani: Good morning and thank you for joining the call. We have with us the senior management of Container Corporation led by Mr. Anil K. Gupta – Chairman and Managing Director and Dr. P. Ali Rani – Director (Finance). I will now hand over the call to Mr. Gupta for his opening remarks post which we will open the floor for Q&A. Over to you sir.

Anil K. Gupta: Thank you and good morning everybody. We had a board meeting yesterday and we have adopted the results which you would have seen. They have all been printed in papers and they are on our website also. As you can see our quarter was quite subdued in fact this was one of the bad quarters.

Our international handling was down by 5.23%. Our domestic handling improved for the first time in this quarter by 6.18 but overall we were down by 3.47%. Our topline income from operations were down by 5.22%. Other income was down by 18.77. Total income is down by 6.16. The bottom line was also depressing. Net profit going down to 138.7 crores, a dip of 52.62% as compared to the Q4 of last year. We will come to the reasons for that. Coming to the overall year we had our EXIM handling going down by 5.5%, domestic handling going down by 8.42. So overall total handling was down by 6% as compared to last year. Topline income from operations was up by 3.1% as you know because last year we had raised the rates and because of the rise in rates despite a drop in throughput we had a increase in income from operation by 3.1%. Other income declined by 9 17%. Overall total income was up by 2.34%. The bottom line here for the year was down by 25.1%. We have now closed the standalone profits after tax of 784.63 crores this year as against 1047.55. These are the brief details we can discuss them in detail as the conference goes on.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take our first question from the line of Harish Bihani from Kotak Securities. Please go ahead.

Harish Bihani: Sir just wanted to understand the decline in EXIM margins better especially for the Q4?

Anil K. Gupta: What has happened is basically our EXIM traffic took a severe hit in the Q4. This was similar situation in Q3 if you would have noted basically because of imports getting down. Now our imports are also down and exports were also down as a result of which we had to run a lot of empties. Our empty repositioning cost being the fourth quarter had gone up. We paid around

28.37 crores, etc., in empty running as compared to the Q4 of March 2015. We also had to stable a large number of rakes because of which we incurred an expense of around 10 crores. So 28 plus 10, 38 crores we lost in this. There was another impact. We were able to actually run very less double stack trains during this quarter. In fact, during Q4 of last year we had run 142 double stack trains in the quarter. In this quarter we ran only 37 trains. This means the freight earning of 6 lakhs almost average 6 lakhs per trains that we used to save in a double stack trains, we were not able to save for almost as many as 105 trains. So this also resulted in loss in balances. So that has led to a situation like this. We had a dip in originating because of which we lost around 11 crores. We had effect of increase in the rail freight payables. We lost 16 crores increase in empty running, 28 crores, increase in stabling charges 10 crores. There was service tax impact on the domestic rail booking of 10 crores. Dip in handling because of decrease in volumes was 10 crores. There was a decline in the storage charges also because volume this year had gone down tremendously. So the storage charges that we generally recover from people who store their containers with us in our ICDs, they had done down by about 28 crores during this particular quarter and there was a dip in interest income by around 13 crores and increase in administrative expenses by about 15 crores. Increase in depreciation by around 17 crores. So overall around 150 crores impact was there in Q3 results which were reflected in the PAT. Their differential is 154 in the PAT if you notice of Q4 of 16 vis-à-vis Q4 of 15 and these are all the impacts. So it was a bad quarter with these reflections coming in various forms.

Harish Bihani: So just a clarification if we compare it to the Q3 of FY16. Is it that things got really much worse versus the Q3 FY16 where in even the volume are slightly up versus Q3 on the EXIM side still we saw such a sharp impact due to various measures, stabling charges etcetera that you have incurred and also if you can share similar numbers for the full year fiscal year 16 on the various additional charges that we have incurred it will be great.

Anil K. Gupta: Q4 was bad except for some marginal improvement in domestic. For domestic we had a marginal improvement and we were able to run some freights. We were able to minimize empty running of the domestic freights. But everything got countered by increase in the international expenses on various grounds. As regards the yearly differential if you see our PAT last year was 1047. This year it was 784. There is a difference of 263 crores. 83 crores out of this is due to dip in originating traffic. Our originating traffic which went down by 6% resulted in our margins going down by 83 crores. 84 crores is impact of empty running increase. This I am talking about overall both EXIM and domestic combined. 83 crores was a dip in real margin due to less booking. 84 crores increase in empty running. 23 crores dip in handling margin due to less handling. Service tax impact of domestic rail booking was 30 crores as you remember in last 3 quarters we have decided to absorb the service tax on domestic because domestic sector was not able to absorb the service tax shock at all. So we were taking abatement but we were not passing on the increases to the customers because we could not take the CENVAT credit. So this year we had absorbed 30 crores, dip in terminal service charges, storage and wharfage was around 18 crores and there was an impact of increase in reversal of deferred tax by 42 crores. So this total comes to 264 crores. There is some minor compensation in some main thing like reduction in tax provision by 17 crores helped us save some money but overall there was an impact of 263 crores which is explained by these 5-6 factors.

Harish Bihani: Sir the last question is the Indian railways in April had declared a volume growth of about 9% for container volumes plus you have commissioned Kathuwas recently where 4-5 trains we understand is running at this point in time. With that how do you see the overall scenario in terms of the EXIM growth for the country, growth for Container Corporation in FY17, the benefit that we will get since Kathuwas has got commissioned and on the domestic side the likely margin improvement because of the service charge changes?

Anil K. Gupta: In fact, we are quite bullish. Railways have also removed the 10% import congestion surcharge. There are some more changes in offering. Railway is also planning to run dedicated trains. They have now fixed up for a domestic traffic. Bangalore to Delhi and Delhi to Bangalore. There are some paths which have been decided yesterday. We will be starting fixed scheduled trains for the first time, dedicated freight scheduled trains will be running for CONCOR. So these are all positive signs. So as a result of based on all this our outlook for this year is that we will be growing by around 13% in ISO and there will be growth of 8.5% in domestic. So total weighted average growth rate we are expecting of 12.5%. Turnover wise we would be expecting 14% growth, of course hoping that there will no changes in the rail freight. Currently that is the outlook that we have and our Kathuwas facility has been declared. It is now getting notified by almost all lines as the handling facility. This is normal procedure. It takes around 3-4 months' time before all lines come on line. But our double stack trains, as I told you, last to last year we had run total of 665 double stack train in the full year. Last year that number had gone down to 388. This year in first two months we have crossed almost 100 trains, I mean up to date in April we ran around 40 trains and today we have run 61 trains, so 100. We are expecting an average of around 50 trains per month. So it will be back to 665 definitely. We will increase that. So this benefit will come back to us and Kathuwas should be attracting lot of other traffic. So this we are quite bullish. There are some issues which have not been sorted out. For instance there are some commodities which we lost last year for instance in Rajasthan we had terminals like Bhagat Ki Kothi and Jaipur where used to send guar gum**.** Now guar gum traffic has gone away. In fact guar gum traffic had decline of 43% last year. Rice had a decline of 14%. Buffalo meat had a decline of 26%. Buffalo meat is coming back. Then we had yarn declining by 26%. I am talking about exports. In cotton goods 27%. Guar gum this is a problem I do not know how the government is going to sort the problem. There is no demand for guar gum now. Iron artwork has gone down by 23%. In imports, waste paper went down by 31% and this seems to be gone forever. Waste paper now is not coming. Good thing was heavy melting scrap came back and we are expecting this heavy melting scarp will increase and we will have more volumes for our long distance ICDs. We had a problem in VAT which came down by 26%. So it is basically, scenario overall we are bullish. But still some commodities we tend to analyze. We are doing that analysis by and by on a continuous basis. So we will be coming back with a revision in the growth forecast. But at this stage we are quite hopeful that we will be able to achieve 12.5% growth in the current year.

Harish Bihani: Sir last clarification is that the volume growth number on the EXIM side, is the target more out of market share gain from the rail operators as also roads and also with higher volumes, how will the empty repositioning stabling charges, etc., come down?

Anil K. Gupta: Firstly, imports are likely to grow back. Imports in April, there was good pendency**.** In fact, that import congestion surcharge it had actually given an opportunity to road operators to take entire traffic from ports. Overall port traffic did not go down but our rail traffic went down because of that comparative conditions of rating, road rates are going down, diesel prices are going down and we have this import congestion surcharge staring at us and people are not coming. Now it was removed in April first week or so, 10^{th} April, we saw an impact. Even now import pendency are pretty good. We have already started, I mean last Q4 we ran 37 trains in 3 months' double stack. This quarter first month and three weeks we have already run 100 trains. So these are the signs that things are coming back.

Moderator: Thank you. We will take the next question from the line of Abhishek Ghosh from IDFC Securities. Please go ahead.

Abhishek Ghosh: I just wanted to confirm the empty running charges for the quarter in terms of EXIM and domestic separately. Would you have that number?

Anil K. Gupta: I will give you empty running charges for this particular quarter was 79.98 crores and for full year it was 285.60. This is as against 51.61 crores in the Q4 of last year. So there was an increase of almost 55%.

Abhishek Ghosh: Between EXIM and domestic would that breakup be available?

Anil K. Gupta: EXIM we had 23.6 crores in the Q4 for last year and this year it was 45.15. 91% increase and in domestic 28 crores last year, 28.01 and 34.83 this year, increase of 24.36%. Overall for the year our EXIM positioning charges was actually 101.25 crores towards last year and this year 167.93, that is an increase of 65% and domestic it was 99.96 last year. It is 117.67 this year. So overall it comes to around 6.21% of freight that we paid to railways last year was for empty freights or empty domestic containers. This year it had gone up to 7.83%.

Abhishek Ghosh: And sir if you could help us the rebate number for this quarter as well?

Anil K. Gupta: Rebates had gone down as we expected. 16.95 crores was the rebate in Q4 as against 21.86 crores of last year. Overall for the years rebate this year was 66.34 crores as against 85.21 crores last year. So there was a decline volume decline and the rebate decline was there.

Abhishek Ghosh: Coming back to the EXIM margin as you mentioned the double stacking proportion had declined meaningfully in Q4 FY16, so was that attributable to the cargo mix with the lesser amount of FEUs or if you could just help us?

Anil K. Gupta: No overall decline. There was an overall decline and there was a decline in 40-foot container also and situation was such that you know we had empty rake and you tell the railways that I will not load empty I will just make double stack and then you run empty, that empty rake running itself will cost me 10 lakhs. Average if I run a rake between Mundra and Tughlakabad empty, I have to pay 10 lakhs to railways. So why should I for the sake of saving 6 lakhs pay 10 lakhs extra. So we have to do a very fine balancing and therefore there were many adjustments here. We did not run in the double stack trains at all. But that was overall scenario. But this year in first two months we have not left any opportunities and even if there are 10 containers which can be put on top, let us put those 10 on top and take it out especially in places like Mundra. Mundra we are doing empty stacking in a very big manner because Mundra pendency have gone up. So Mundra is very good for us. We are able to do. So that is a very fine management between you know when to run empty and when to run double stack is dependent on lines, on the pipeline in both the directions etcetera. So that is a very sensitive decision to be taken at this spur of the moment.

Abhishek Ghosh: And sir just last question on Kathuwas. So which are the catchment are that Kathuwas is going to be servicing to and what is the kind of ramp up that we are looking in next say 12-18 months from there?

Anil K. Gupta: See Kathuwas is as I had disclosed earlier, Kathuwas is on the DFC alignment. Now on both sides of DFC there is this 150 KM stretch which is designated as DMIC. Now in Rajasthan in the DMIC portion of DFC there are 5 investment regions. Kathuwas is catering to 2 investment regions out of these 5. These investment regions are growing, so they are in the Neemrana area. There is an area called EPIP area Neemrana. In addition, Kathuwas also look for Gurgaon traffic which will move in the upper direction, which is moving to Garhi Harsaru which is moving to Adani, we are expecting that some will start moving to us. Then Bhiwadi area which is very big industrial area in beginning of Rajasthan. There is Neemrana EPIP. There is Alwar area and there is area right going up to Bhiwani on the riverside towards Haryana. So that area entire we are expecting around 150 KM catchment in suitable direction to be coming to Kathuwas. So this facility will take care of that catchment area.

Abhishek Ghosh: So sir in 12-18 months what kind of trains, number of trains we are looking to?

Anil K. Gupta: See we have already made 4 big lines there, 4 lines of 1500 meters each. So technically we can cater to 8 trains every day. In Tughlakabad I can cater to only 4 trains. I have four lines of full length. Here I have 8 lines of similarly**.** So technically my capacity is going to be double Tughlakabad. Tughlakabad we are doing 4.5 lakhs every year for many years expect last year when we did 4.1. So there we can easily do around 1 million TEUs at the beginning. But all one million would not be customs cleared in Kathuwas. Kathuwas is basically our terminal, it is a rail transshipment hub also. So we have 9 ICDs in Northern India which are beyond Kathuwas. What our plan is that as the traffic increases these ICDs traffic combined will be brought to Kathuwas, may be 10% of it or 20% of it we should consign it for the catchment area we will be handled there. Remaining will be sent forward in the form of single trains from Kathuwas. So that is the concept with which Kathuwas has been developed.

Moderator: Thank you. We take the next question from the line of Atul Tiwari from CITI Group. Please go ahead.

Atul Tiwari: In Q4 what was the EXIM and domestic volume both handling and originating which you normally share sir?

Anil K. Gupta: These volumes were international handling in Q4 was 613,543 as against 647,425 in Q4 of last year. Domestic handling was 125,342 as against 118,045 last year. Total handling was 738,885 as against 765,470.

Atul Tiwari: And sir originating volume?

Anil K. Gupta: Originating EXIM was 442,198 as against 460,455 last year. 613,97 was domestic as against 594,69 last year and 503,595 as against 523,524.

Atul Tiwari: And sir my last question is on the balance sheet. I noticed that your other current assets have gone up quite sharply and…

Anil K. Gupta: There is a classification now. There is a more than one-year deposit has to be put in other noncurrent assets. So you can see the current assets have also gone down and there is a shift from current to noncurrent.

Atul Tiwari: Okay, so the decline in cash equivalent is basically shift of cash from, I mean it is just a classification**?**

Anil K. Gupta: Less than one year to more than one year.

Atul Tiwari: Okay sir and that is why your other income has not come down that much because you are earning other income on a substantial catchment.

Anil K. Gupta: Other income, we are very unhappy. Other income has come down. It is 18.77% fall in the Q4. The point is as you would have noticed we have been having very large good CAPEX programs. So we have been expecting other income to go down. Our many of the facilities are under construction at the last phase of construction. So we will be requiring money. So this other income we were expecting to go down and it has gone down.

Atul Tiwari: And sir what was the CAPEX in FY16 and what is the rough number for FY17 and 18 which if you could share?

Anil K. Gupta: Last year we have been able to spend 1058. That is the commitment. We committed 675 crores on ongoing projects, 182 crores on new projects and then investment in subsidiaries and JVs were 7 crores and 194 crores in the bonds. 1058 was total shift of cash and bank balances. This year we are expecting, target is 1150 but it depends on many things like our being able to complete land acquisition successfully as we are planning. So we will end up somewhere between 1000 and 1100.

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

Pratik Kumar: Sir my first question on your guidance in the EXIM segment in the last concall you gave the guidance that only towards the second half of FY17 we expect some recovery in terms of volumes. Now we are guiding for like around 12.5 for the year. So the improved outlook is purely on the basis of the changing stance from Indian railways on several fronts, all of it related to EXIM, actually trade volume improving which you see in the first two months?

Anil K. Gupta: We expect an improvement in the trade volume this year as you know, of course it is only an expectation. Secondly see what you guidance this year what you are doing is on last years' number which is low. So base is also going low. So that is why we are quire hopeful that at least 13% we should be able to achieve.

Pratik Kumar: And sir have we lost further market share in Q4 because it seems the Indian Railway's container volumes fell lower than what we have registered on decline of like 5%?

Anil K. Gupta: There was a slight dip in the market share. We had a share of 74.1% last year. This year it went down to 72.35% and the dip has been primarily in EXIM and the main reason for this is there is one private CFS, there are two CFSs in Bombay just outside the port that one is run by Navkar and another is run Hind Terminals Private Limited. They are doing lot of local containers between their terminals and ports. So they are for instance nowadays running out to trains every day from there. Now in the volumes that comes in but if you really look at the lead I am not aware of the lead profile, etc. So NTKM wise our share would be, I am sure is much higher. But volume wise, yes it has gone down. I am also having this facility in Dronagiri Node, we are also running two trains now. But it is two of our projects, 4 of theirs against 2 of us for a distance of only 45-50 KM. So that has resulted in EXIM share going up for them and we were 76.73% in EXIM, we have come down to 73.4%.

Pratik Kumar: Because there is lot of incentives which are also offered by JNPT for the rail based evacuation, let us say Mulund ICD or some other ICDs in the vicinity. So is that the reason why because other two operators also operate rail based PFT or ICDs, so?

Anil K. Gupta: The point is, in port there is tremendous congestion for moving containers out by roads. So these people have been asking for rail evacuation for a long time but railways minimum distance of charge is 50 and the rail handling charges there are higher. For road handling in ports the charge is just Rs. 400, for rail handling is Rs. 1600. Therefore overall people are not moving by road as a result JNPCT one of the freight terminals decide to give rebate for some terminals. So that has helped. That has encouraged this movement. Other terminals are also now being approached and they are likely to give rebate for this movement. So that will help in evacuation by rail of this very short lead almost merry go round traffic.

Pratik Kumar: Okay and sir previously last year you have highlighted that we have changed focus from a margin-based growth to a volume-based growth. This year also we are guiding quite high in terms of volume numbers. How do we model margins going forward? Do you expect the margins to remain as in the EBIT per TEU or EBIT margins to remain in this range or should we see some revival because historically over past 4-5 years it has been EBIT per TEU it has been shrinking for all different reasons?

Anil K. Gupta: Yes you are absolutely right. EBIT has been shrinking and as we told you that with our last CAPEX we have almost now spend in last four years we have spent around 4600 crores or so of CAPEX. Now these facilities are coming up. By the time they will be going for break even. We will have heavy depreciations going out and our margins would still fall further. Issue here is that about the further trend we cannot really comment at this stage because we do not know what is happening to the road market. Road market today is in a deep slump and road vehicles are excess and these people in some sectors they are moving even on a very small margins. He says I cover my diesel cost and I will move and there is that thing moving away from us. The only way that we can fight them is by reducing our unit cost. Now unit cost must be reduced by better utilization and which was eluding us because volumes are not coming. Now we have said that as the volumes come as we are able to run more and more double stack trains we will be able to offer reduction in the unit cost and this will help us regain the margins also. So it is not exactly a very isolated story. It is basically everything is linked to the market condition, the volumes and the way we are able to tackle the unit cost and we are actually emphasizing on all 3 aspects.

Pratik Kumar: And sir one last question, what is the status on the multi model logistic park as we know that only 4 are commissioned till now, so any further commissioning we expect in near term?

Anil K. Gupta: Yes, there are some which are likely to be commissioned. There is one which is actually ready for commissioning in Jharsuguda. It can be anytime in next 15 days we will be commissioning it in Punjab. The first portion of the facility will be commissioned by August-September positively in Pithampur in Indore will be ready for commissioning one facility. These facilities are going up as per our plan. So they all will be coming up.

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

Bhavin Gandhi: Sir my question is, most of the other questions have been answered, just a couple of things. If you can share the port wise market share first?

Anil K. Gupta: See port wise, now we are down to 40% in JN Port, 40.03 as against 42.28% last year. In Mundra we are up to 25.35% as against 24.53%, Pipavav we are slightly down 17.68% as compared to 20.95. H1 is up 7.85 from 7.27. Overall, in major ports we are now 56.86% of our traffic moves from major ports and 45.14% moves from the private ports, other ports of Mundra, Pipavav**.**

Bhavin Gandhi: And just one more thing sir. We have also now started seeing newer ports scaling up in terms of volumes, like Hazira where we have started running trains and also Kattupalli is also kind of ramping up, Krishnapatnam coming up. So…?

Anil K. Gupta: Krishnapatnam we have started service last month. We have started the service from Krishnapatnam. Kattupalli we started around 3 months back. Hazira, we have entered into an agreement with Kribcho and Adani for running trains through Kribcho's terminal in Hazira. Unfortunately, not many vessels are going there. So the frequency has not increased to what we expected may be because of overall slump. It has not happened. But we feel that it will now come. The JN Port has got that 330-meter berth commission. That is given some new capacity, supposing that was not there then this traffic would have definitely gone to Hazira. Mundra has crossed around 2.5-2.6 last year. We have ourselves moved 429,000 TEUs from there. So this traffic will come to other ports also and you are ready for moving that.

Bhavin Gandhi: The question was that as we see proliferation of traffic to the new ports where the service levels are lower, how do you see that mix changing towards the other ports impacting our profitability going forward?

Anil K. Gupta: See it is inevitable, of course today that is not the situation because in JN Port we have lot of rail capacity available and we can go up to 26 trains. We are running only 15-16 trains combined nowadays. But ultimately this new ports will be required. My ICDs today are loading 15 times of Mundra. They have loaded 14 trains yesterday. Now if you load 13-14 trains everyday 42 trains on almost single line section, they have will not reach destination we will again have the same problem about transit time and turnaround will go bad. So distance wise there will be differences in margins, but I think it is inevitable. That is how he sector develops.

Bhavin Gandhi: And sir with the service tax ratio, etc., being resolved then the band commodities now being allowed to be carried on domestic freight, where do you see domestic profitability going from here on?

Anil K. Gupta: We should recover. Unfortunately, the commodity list has not come out so far. Railways is still working on it. But we are quite hopeful that once the list comes out, ones we are able to carry more commodities there will be increase in traffic. Currently we have this problem of empty repositioning of containers. In last quarter also we have spent 31.58 crores in repositioning empty containers. Because in one direction we had demand, in another direction we had not demand. So 31.58 crores as against 25 crores in Q4 of last year. Total I have spent in the year 108 crores on positioning empties from one place to another. Now EXIM empties when I position I charge the shipping line, so that is the revenue earnings thing for me. But this 108 crores is total cost which if I can get any traffic I would love to eliminate this cost. So we are hopeful that we will start getting some traffic once the steel industry shows some improvement. There is a huge problem in the steel industry with the stocks piling up there. There has been problem in the Aluminum industry, there movement has gone down. So we are hoping the domestic economy also gets revived and the situation changes.

Bhavin Gandhi: Sure and sir with railways taking very proactive approach are we also looking at some cuts in the base rates as well?

Anil K. Gupta: See we are talking to the parties and always seeing what is the best way to go forward in the rates. But we would basically instead of giving the rate cuts we will like to strengthen our volume discount schemes so the people have a long term commitment. So that we are doing. On case to case basis we are talking to the parties and refining our volume discounts scheme.

Bhavin Gandhi: No sir, I was coming more from the perspective of railways that Indian railways will it look at after the reduction in port congestion charge they are also looking at reducing the base rate also?

Anil K. Gupta: No, I do not expect to reduce the base rate but only request that we have made to them is please given us a holiday, do not increase the haulage charges this year at all because they actually did a calculation of the cost, they said cost has gone up and they have refrained from increasing any further haulage charges. We are hoping that they do not increase during this year at least. Technically they are due to increase, twice a year they can do and last increase was on 1st March 2015.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Sir first to start with can you give the breakup between export and import volumes in this quarter?

Dr. P. Alli Rani: April '15 to '16, import 1266,058, exports 1209,810.

Ankur Periwal: Just continuing with the earlier question the mismatch between export and import is continuing and that is more to as a fall out of the overall slowdown that we are seeing. But any green shoots or any initial signs that we are seeing probably there could be some improvement going ahead, for example Mr. Gupta mentioned on the metal sector for example. So anything else we are looking at or probably we should be watchful of?

Anil K. Gupta: See the point is actually if you see the mismatch had actually reduced in Q4. In Q4 of last year we had actually import export imbalance of 647425 to you which actually went down to 613,543 TEUs this year because as I mentioned imports had also gone down. Now we are seeing a sign in imports going up which we hope will be matched by exports also. So mismatch overall will continue to be there but we are expecting that both of them will grow. Last year there was a decline in both. Exports decline by 8.06% in Q4 of this years and import declined by 2.2%. So overall decline was 5.23%. We are now seeing and expecting an increase in both.

Ankur Periwal: You know the reason where I was coming from was in terms of operating margins. So one is you rightly mentioned that you probably will continue to offer more and more discount to grab more share from road so to say overall. But apart from that the import-export mismatch may also continue to keep the margin under pressure?

Anil K. Gupta: That will happen and in fact as I said there is a very critical level. If we are not able to increase exports and if imports also goes down, we get into a worse problem of empty repositioning in both directions happening. So it is at least increase in import without a corresponding increase in exports, that helps us to that extent. The empty repositioning will be minimized in one direction. Now this is what actually happened here. Last quarter sometimes we knew the vessels are falling in and we will need to position empty. There were no exports, so we ran out empty from here also. So that kind of issue is we have to look at overall empty repositioning cost being under control at 7.89%, 7.83% their high. This 7.83% we have to bring it down by developing more and more **(Inaudible) 46.10** from exports and that is our priority.

Ankur Periwal: On the domestic front so can we with the service tax abatement and the other benefits coming in can we expect the domestic margins to rebound to 1000-1500 odd levels?

Anil K. Gupta: I am first expecting domestic volumes to grow up. Margins is a second priority. Today the problem is domestic volumes. Now if domestic volumes wound not come back this service tax thing, last year see we were absorbing. We were not allowing market to be affected by this service tax. We were absorbing. Only thing is now that absorbing is not required. So the margin condition remains the same. We are hoping that there will be changes and we will get traffic in, there will be improvement in some industries which will force traffic to come back. That is our goal.

Ankur Periwal: But in terms of our guidance we still mentioned sort of mid-single digit number for the volume growth overall. So probably…

Anil K. Gupta: I mentioned 8.5% we are expecting.

Ankur Periwal: And sir just on the new terminal front, you did mention 3 or 4 terminals coming in. But that is it or there could be some more terminals also Jharsuguda, Punjab, Pithampur?

Anil K. Gupta: These three are of course going to be commissioned. Some of them will come, one is ready, Vallarpadam is ready. I forgot to mention. Vallarpadam is already ready. It will be commissioned anytime. So four. One in Tamil Nadu is ready. We are having some problems its being in SEZ and they are not permitting us to handle outside SEZ consignments. SEZ has failed to take off and we wanted to bring outside SEZ traffic there and move it to the ports that they are not permitting, we are in dialogue with the Ministry of Commerce. So once that issue is sorted out this will also be ready. So there are these terminals at various stages. Some terminals are yet to start. There the process has just begun. Those terminals will take around another 1-1.5 years to get into the first phase of commissioning.

Ankur Periwal: Lastly, if you can help me with the revenue breakup between the rail and the road for the year and for the quarter?

Anil K. Gupta: For the quarter our rail freight income was 1116.54 and road freight was 41.32. For whole year rail was 4558.72 and road freight was 158.75.

Moderator: Thank you. The next question from the line of Vikram Suryanavanshi of PhillipCapital. Please go ahead.

Vikram Suryanavanshi: Basically I got most of the answers. Can you just share what kind of revenue addition we can expect from this additional logistics parks which we are going to start this year?

Anil K. Gupta: We are not having the break up. In our budget it is there. But we would not be able to share this figure with you just now.

Vikram Suryanavanshi: And I just missed the originating volume numbers, can you just repeat for full year originating volume?

Anil K. Gupta: Originating volume international was for full year?

Vikram Suryanavanshi: Yes.

Anil K. Gupta: It was 1797,285 for EXIM and domestic it was 220,690. Total 2017,975.

Moderator: Thank you. We will take the next question from the line of Chandra Gopal from JM Financials. Please go ahead.

Chandra Gopal: My question was on realization front, when we see the volumes have declined by 5.3% for EXIM realization has come down by 1% Y-o-Y and in last 3 quarters it has increased because the rail haulage was increased. So just wanted to understand why this realization has come down?

Anil K. Gupta: Our leads have gone down. See our average leads of traffic because in 2014-15 our total average leads was 1032 and we have not gone down to 1002. In EXIM this lead used to be 917 and we are down to 903 for EXIM loaded from 930 to 918. So overall the volumes have gone down with lead declining, the realizations have fallen further.

Chandra Gopal: And sir if you can just throw some light on the shift in rail shift to the road, if you have some number, if some analysis has been done on that, how much is this shift as compared to….

Anil K. Gupta: I am not sharing the numbers here but overall when we did the analysis last time we are now down to around 19% of the port share, the EXIM traffic, the total port handling is in the range of 11.9 million TEUs that is almost 12 million TEUs and we have handled 1.66 that is originating that we have moved from these places. So overall it comes to around 19% share that we have been moving.

Chandra Gopal: And sir is it going to improve in this year given the things, I mean if the trade picks up?

Anil K. Gupta: We are trying. We have talked to the ports. Ports have given some relief in the handling charges which can help us attract the short term traffic. Port congestion surcharge removal already had its impact in the first month we had very good offerings and in fact these offering were from the existing cargo which were lying in port. The fresh cargo arrivals have not started because normally there is a lead of around 2-3 months before these announcements go out and they start impacting the decision of the people and so we are hoping that because of these things we will be able to increase our shares and then there is this question of reduction in the unit cost which resorting to double stack trains and handling in Kathuwas will enable. This month as I speak to you as I mentioned this earlier also we already handled 60 double-stacks trains in 7 weeks up to now. All double stack trains will result in our being able to improve our margins and give better rating to the customers. This all should help in shares to go up.

Moderator: Thank you. We will take the next question from Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Just a structural question as we look at the next few years, clearly the Railway Ministry also wants more and more traffic to move towards railways compared to road. But from a management perspective do we think that the incremental volume comes at a lower profitability. So basically for us the PAT actually keeps in growing but it does not grow at the same level as topline grows going forward. Just wanted to pick your brains on that.

Anil K. Gupta: This is basically going to be a number game leading to this situation. Railways have an interest in increasing this traffic because after all they are making such a big inter-circle DFC and the viability of Western DFC is only linked to container traffic. It is only linked to container traffic, they are looking at this in a very big manner and that is why they are giving so much emphasis on this and they are so sensitive about it. How does it help us? It helps us in reducing our cost. It improves our operations. If it improves our running time, and it improves our loadability, we will be able to reduce our cost and offer a better operating cost to the customer. Once I offer better operating cost to that customer and if it gives me volume then PAT is just a resultant of that. Now those high PATs of course are not going to come back. We have our PAT this year also for instance 786 including other income of almost 345 crores. Now this other income is also something which we cannot really take for granted. I am replying to the specific question that we have asked according to me, if we go forward we will have to concentrate on this 786 minus 345. This much of money and how I can link incremental volumes to get more and more of PAT and for that I will have to move efficiently and negotiate better trains on this particular corridor which will be the majority. According to me around 65% of traffic we will be moving on this corridor only. 35% traffic will go to other places, on Eastern corridor, on corridor in Southern India, in other places for which different kind of consideration will come in but for DFC for around 2/3rd of the traffic, consideration would be on….

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Harish Bihani for his closing comments.

Harish Bihani: We thank the management for taking the call and participants for joining the call. Thank you so much.

Anil K. Gupta: Thank you very much.

Moderator: Thank you members of the management team. Ladies and gentlemen, on behalf of Kotak Institutional Equities that concludes this conference. Thank you for joining us and you may now disconnect your lines.