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/Vol.-IV/

दिनांक : 18.08.2016

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 09.08.2016
Ref: Letter of even no. dated 09.08.2016.

Dear Sir/Madam,

The transcript of Conference Call held on 10.08.2016 in respect of the unaudited financial results of the company for the quarter ended on 30.06.2016 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.

पंजीकृत कार्यालय : कॉनकॉर भवन, सी-3, मथुरा रोड, जसौला मैट्रो स्टेशन के पास, नई दिल्ली-110076 दूरभाष : 41673093, 94, 95, & 96, फैक्स : 41673112
Regd. Office : CONCOR Bhawan, C-3, Mathura Road, New Delhi-110076, CIN : L63011DL1988GOI030915
Tel. : 41673093, 94, 95 & 96, Fax : 41673112, ई-मेल/E-mail : co.pro@concorindia.com, वेबसाईट/Website : www.concorindia.com
कंटेनर की बात, कॉनकॉर के साथ, Think Container, Think CONCOR

"Container Corporation of India Limited Q1 FY'17 Earnings Conference Call"

August 10, 2016

MANAGEMENT: **MR. ANIL K. GUPTA -- CHAIRMAN AND MANAGING DIRECTOR, CONTAINER CORPORATION OF INDIA**
MRS. DR. P. ALLI RANI -- DIRECTOR (FINANCE), CONTAINER CORPORATION OF INDIA
MR. V. KALYANA RAMA -- DIRECTOR (PROJECTS), CONTAINER CORPORATION OF INDIA

ANALYST: **MR. HARSHAVARDHAN DOLE -- IIFL CAPITAL LIMITED**

Moderator: Ladies and Gentlemen, Good Morning and Welcome to the Container Corporation of India Limited Q1 FY'17 Earnings Conference Call hosted by IIFL Capital Limited. As a remainder, all participant lines will be in the listen-only mode. 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 Telephone. Please note that this conference is being recorded. I would like to hand the conference over to Mr. Harshavardhan Dole from IIFL Capital Limited. Thank you and over to you, sir!

Harshavardhan Dole: Thank you very much, moderator. Hello, everyone and welcome to the First Quarter FY'17 Earnings Call of Container Corporation. To discuss the results in detail and share the outlook for the rest of the year, today we have the senior management of the company represented by the CMD -- Mr. A. K. Gupta; Director (Finance) – Dr. P. Alli Rani; and Director (Projects) -- Mr. Kalyana Rama.

Without much of the delay I would hand over the call to the management for their initial remarks post which the floor will be open for Q&A session. Over to you, sir!

Anil K. Gupta: Good morning, everybody welcome to this con-call. We had our board meeting yesterday and which results are accepted and these results are with you already in the newspaper today. As you can see and our results have actually the quarter has been very subdued. Our physical handling in the quarter went up in international by 2.86% as compared to the Q1 of last year, but in domestic handling there was drop of 4.27%. Overall handling increased by 1.8%.

Our top-line however declined by 5.71% and so far, income from operation is concerned. Other income went down by around 14% -- 14.48%. Total income was down by 6.18%. Our operating expenditure was down by 5.21% and our net profit as per the IndAS standard now was Rs. 178.90 crores down from Rs. 207.68 during the Q1 of last year.

These are the brief highlights, we can now proceed to the question-and-answer session so with we can clarify the things.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We have first question from the line of Manish Aggarwal from Bernstein India. Please go ahead.

Manish Aggarwal: The first on EXIM margins see our EXIM margins are improved sharply sequentially, what has been the key driver for it as higher double-stacking load, empties or there were other factors as well?

Anil K. Gupta: Yes, we were able to do a lot many double-stack trains in the quarter, our average was around 65 trains per month we did in the quarter that has helped us quite a lot.

Manish Aggarwal: Okay. And on the empty front if you can share the empty running charges for the quarter?

Anil K. Gupta: Empty running charges have been a bit on the higher side, in fact our empty repositioning in EXIM flats has gone up from 5.02% in the Q1 of l to 7.53% total expense was Rs. 34.07 crores in Q1 of last year this year it is Rs. 49.05 crores. So there has been a sharp increase of around 2.5% in the empty for flats in EXIM sector. In domestic sector we were able to reduce the empty running of flats by 4% from Rs. 2.03 crores to Rs. 1.94 crores and of empty containers there was a marginal increase from Rs. 25.06 crores to Rs. 26.18 crores, marginal increase of 2.24%. Overall domestic we paid 27.64 in the Q1 of last year this year it's 28.12 so, there was a marginal increase of 1.75%. Coming to the overall of the company we paid empty repo of 62.37% last year, this year it was 77.62% it was (+24.45%). As a proportion freight it has gone up from 6.96% in Q1 of last year to 9.14% and that is the main reason for dipping of the overall net profit of the company.

Manish Aggarwal: Okay. And sir lastly, on the revenue front sir, EXIM volumes have improved despite that the revenue number are down sir, what is the reason for that?

Anil K. Gupta: The leads have gone down significantly, even the port wise distribution has been responsible for the going down of leads. EXIM leads in 2015-2016 first quarter was 906 it is down to 850. For loaded containers leads were 917, it has gone down to 860. So that is the main reason that although handling has gone up double-stacking has gone up but lead is going down and we also resorted to cane running in port area it is like some of our competitors are doing from JN port outside within the JN port area, we also started doing that. Now that significantly brought down our average lead because that distance is within the first slab itself. So, leads has gone down that was mainly responsible the dip.

Manish Aggarwal: Okay. If I may add more last question, when can we see a benefit of this service tax removal in domestic traffic coming in available 2Q or sometime later?

Anil K. Gupta: Well, service tax removal in domestic tariff see basically it is like this the incidence of service tax was being borne by us earlier as you know. So now that incidence is no longer being borne by us but as regards public tariffs there has been no change. Domestic market as it is very low and you would have seen our PBIT for domestic quite low so, that is leading towards rethink on the entire thing as to how we can really go below cost just for increasing volumes.

Moderator: Thank you. We take the next question from the line of Harish Biyani from Kotak. Please go ahead.

Harish Biyani: Sir, quickly I have couple of questions, one is if you can share the handling volume originating volume for the quarter also the depreciation charges is lower on a Q-on-Q and Y-o-Y basis the reason for the same and apart from empty repositioning cost are there any other cost which has led to lower profitability in this particular quarter? And second question is the benefits of

Khatuwas Terminal getting commissioned late last quarter plus import congestion surcharges going away so, what are the benefits of these and how is that being counted by the overall slowdown which is we are seeing in segment?

Anil K. Gupta: See, as far as the figures are concerned international handling we have handled 6,31,918 TEUs in this quarter of international as again 6,14,353 TEUs in Q1 of last year. Domestic handling 1,03,142 as against 1,07,742 last year in Q1 so, total handling was 7,35,060 as against 7,22,095 this is 1.8% up. Booking wise, international booking was 4,45,810 in this quarter as against 4,46,412 in the Q1 of last year, domestic booking were down from 53,281 to 49,691 and overall booking was down from 4,99,693 to 4,95,501 that is a situation respect of handling and booking figures. About the depreciation you asked, our depreciation was slightly lower 90.66 was the last year's Q1 depreciation this was it was 87.22 this is basically on account of certain changes which were necessitated by conservation to IndAS as you know it is mandatory for us and our Q1 results are actually IndAS modified results. So there is a marginal drop in the depreciation that is very marginal. Our main in cost was of empty haulage as I gave a figure from Rs. 62.37 crores empty repositioning charge, we have incurred Rs. 77.62 crores empty repo charges this year in Q1 24.45%. You asked about Khatuwas, Khatuwas is now getting into the radar of line see there is after the notification Khatuwas has started getting a lot of imports but still foreign companies are looking at it they are visiting the terminals, we have got confirmation from four big major users will be starting so, Khatuwas we feel that from September onwards Khatuwas will be really going full-fledged getting all the benefits of import exports clearances in Khatuwas. But till now it continues to a transshipment terminal and we have been handling double-stack case and clearing most of the things over from Khatuwas. Did I miss any question of yours?

Harish Biyani: Sir, import congestion surcharge did it help and how it will balance….

Anil K. Gupta: Import congestion surcharge has momentary helped in fact this handling some minor handling increase is because of import congestion surcharge removal but yes, what we are thinking removal of this surcharge should be leading to increase in volumes that has not happened in fact the scenario is very-very in this as you know there are these MIPs in steel and there are imports, there are a lot of problems, as a result of which imports have refuse to pick-up, exports have not taken off so, that problem remains and international sector has not grown according to our expectation that we were expecting.

Harish Biyani: So how is the export import imbalance broadly at this point in time?

Anil K. Gupta: Import export imbalance was marginally up this time last year the import export imbalance was of the order of 23,000 this time it is 31,000 so, import export imbalance has gone up slightly.

Moderator: Thank you. Next question is from the line of Jai Kakkad from Haitong Securities. Please go ahead.

Jai Kakkad: Sir, continuing on the point of import export imbalance, can you give us export and import figures for this quarter separately?

Anil K. Gupta: For us imports was 3,30,983; exports were 3,00,935 so, imbalance was of 30,048 TEUs. Last year these figures were 3,18,964 and 2,95,389 so, imbalance was around 23,575.

Jai Kakkad: This export number this also include the empty containers also, right?

Anil K. Gupta: Yes, whatever is moving by rail so it is included, Yes.

Jai Kakkad: Okay. Sir, on the empty just on clarification empty cost. The cost that you mentioned for EXIM which is the range of Rs. 50 crores it is non-revenue generating cost, right?

Anil K. Gupta: Yes, this is EXIM flat.

Jai Kakkad: EXIM flat.

Anil K. Gupta: These are EXIM flat. See, what happens today also for instance I am handling eight trains in Mundra, five are in back loading for various ICDs three of the rakes are being sent empty from Mundra to Pipavav where I have import demand. So for these three rakes I will have to pay to railways, it is this kind of movement. So then similarly JN port there are often times when we have reposition empties into JN port we do not have enough exports so, we have to position empties so, these are empty flats moving on operational accounts from one place to another because of overall import export imbalance and also because of port imbalances.

Jai Kakkad: Port wise imbalance, okay. Sir, lastly on the haulage charges the railways have taken one step they have removed the port congestion surcharge in your discussion with railways do you see an inclination to push volumes by taking further haulage cuts?

Anil K. Gupta: No, see they are in a dilemma their overall cost have gone up so, they are not in a position to actually give rebates in haulage charges but what they are still thinking is doing two things, one is the improvement at delivery front now in last two months they have actually given us a facility of running the schedule time cargo trains for the first time in India in Indian railway history this has happened but now we have schedule trains running between Delhi -- Bangalore, Delhi -- Chennai and Delhi Secunderabad and these are running within because our target time delivery customer are saying that we do not know when will the container reach will it reach in five days or six days or seven days so, railway has now given us a target of 65 hours to 66 hours and I am happy to say that in last two months first train started on I think 13th of June and last two months we have ran around nine plus five, 17 plus 18, 35 trains all 35 have run within the schedule times that is going to improve the customer confidence in us it has started showing results and our occupancy of domestic trains is going up. Second is that there is a commodity restriction on many commodities under RC-V commodities restriction. There railway is seriously reviewing and we are hoping that within a very short term there will be liberalization on that. So we will be able to move more and more commodities.

Jai Kakkad: Okay. Sir, lastly just on the import fronts, last time you mentioned that there is some you have seen the metal scrap coming back, is that a…

Anil K. Gupta: It has not come back still the steel market is very bad and metal scrap has not come back that is why our long lease cargo has got further downward push because metal use to come for places like Ludhiana where you have a lot of foundries from different areas metal scarp has not picked up.

Moderator: Thank you. Next question is from the line of Ashutosh Narkar from HSBC. Please go ahead.

Ashutosh Narkar: Two questions, first one is we have seen the EXIM volumes for the current quarter for the railways go up by 6% so, we have grown a little lower any specific commodity or particular reason why we are losing out market share right now how the fact that we are at level playing field second on the domestic front as well despite diesel prices having gone up are we seeing any improvement in market share or we still kind of at the same levels?

Anil K. Gupta: As regards first, I do not know yes, there has been improvement in railway international handling but it is not by 6% it is 3.35% they have gone up 9.25 million tonnes to 9.56 million tonnes and so as we. We have actually matched, there has been no change in the market share in EXIM. Minor drop it is 73.01% to 72.48% so, this is momentary and this will be corrected very soon, that is not an issue. Sorry, can you come again with the second part of the question?

Ashutosh Narkar: The second was on the domestic business, is there any specific reason are we seeing any improvement?

Anil K. Gupta: In domestic in fact railway has gone down from 2.26 to 2.09 there is a loss of 0.27 we are down by 0.12 only. So in fact there is an improvement in our market share. The point is cargo is simply not available and today the road sector is also so much starved of cargo that even despite diesel hike they are not increasing the prices, the prices remain the same, the vehicle hire charges most of these guys are giving vehicle on hire to the big transporter they remain unchanged and therefore this is such a mismatch is there that is exactly the issue despite withdrawal of commission surcharge etc. we continue to be much higher above the road rates level that hikes in diesel prices which had happened two times or three times of course now there has been decline in last two occasions has not really helped us.

Ashutosh Narkar: Sir, and just lastly if you could give us some color on how has been the progress on the Delhi Bangalore route, how many trains are we running and what has been the performance?

Anil K. Gupta: No, Delhi Bangalore we are now able to run see, earlier we were running a weekly train but the occupancy of that train was very-very less. Now we are running, we have run five trains last month and occupancy is absolutely 100% so, there is a look up a lot of people are talking to us and we are expecting more cargo to come on this route.

Moderator: Next question is from the line of Bhoomika Nair from IDFC Securities.

Bhoomika Nair: Sir, just wanted to get some sense on this double-stacking which you said that has increased to about 65 trains per month so, what kind of improvement is this versus what you were doing earlier and what can these levels increased to going forward?

Anil K. Gupta: See, last year double-stacking had almost stopped in the last third quarter - fourth quarter we were not able to get any double-stack loads. So, we have now taken a decision to deliberately increase the double-stacking and because that is we want to take full advantage of cost savings plus the faster clearances from the port for destinations or which we do not have enough pendency. Otherwise we were waiting for full 90 containers to arrive at the port before picking you the cargo. So, we are giving more and more stress double-stacking which is giving us very good result.

Bhoomika Nair: Okay. So sir, in that sense we have not seen reduction in the empty running charges typically when we do hire double-stacking it addresses the empty runs to that extent but that is still gone up as such…

Anil K. Gupta: You noted as such that we are promoting it even though volumes may not be justifying so naturally my overall rates are more and enough traffic is not available for all the rates. So there are empty movements being resorted to different places so, I am able to stable many rates in our terminal, we do stable those rates in our terminal but empty running is basically function of inter port balancing of traffic. Now there the problem is that actually Pipavav traffic Pipavav shares has gone down in the Q1 of this year. So that is why we are having to run some partial loaded trains to Pipavav for clearing the exports and also partial loaded trains that for imports so, that has resulted in the empty running increase. There are certain sectors also like we have started running trains between Krishnapatnam and Bangalore, most have started calling it Krishnapatnam, it is a port in Andhra and we have started running trains from there to Bangalore. So, exports are full but imports are not full so that also is contributing this empty running. Although we are very careful on specific empty hauls yes, there is unavoidable empty running which had to be resorted to.

Bhoomika Nair: Okay So sir, could I just get the port wise break-up in terms of the volumes have panned out and also if I could get an update on the CAPEX over the logistics parks and what we are looking for the full year because I understand that you know IndAS has resulted in lower depreciation but would that mean that for the full year also we would not see increase in depreciation?

Anil K. Gupta: See so fourth figures are concerned, JN port our proportion of traffic has actually gone down this time to 37.9% from 41.3% in the Q1 of last year. Mundra is stronger we have 28.3% as against 24.01% last year. Pipavav we are down to 15.6% as against 20.5% last year, HOM 6.3% against 7.1% last year. So, our major port is almost same at 55.3% but in the minor ports there was a shift from Pipavav to Mundra because quite a few liners have rephrased some of the services to move out of Mundra with their exports. What was the second question, sorry?

Bhoomika Nair: On the CAPEX and depreciation.

Dr. Dr. P. Alli Rani: Yes, let me push and see…

Dr. Dr. P. Alli Rani: Depends on what we are going to capitalize during the year Bhoomika.

Anil K. Gupta: So we have a plan of 1,150 CAPEX this year, we were supposed to do in Q1 245 we have done 182 as against it. So we are likely to cross this figure and in fact remained around 1,100 so part of it will be capitalized that will basically result in what the final depreciation figures are.

Bhoomika Nair: Okay. And tax rate now going ahead are we shifting to a 28% kind of a regime?

Anil K. Gupta: Well, yes, it is appearing so.

Moderator: Thank you. Next question is from the line of Nishant Shah from Antique Stock Broking. Please go ahead.

Prateek: Sir, this is Prateek from Antique. Sir, my follow-up on this double-stack trains you mentioned you have done like 60 trains - 65 trains per month versus you were doing literally nothing over first-half second-half of FY'16 so, due to this we have now seen improvement in margins to around 19.6% overall better margins in EXIM. So do we see further scope of upside in this double-stacking now because Khatuwas will ramp up further and from September as we mentioned and is there a scope of further upside in this…

Anil K. Gupta: There is we are hoping that I mean my talks with our officers have been talking continuously and we all get a feel that in September volume should be increasing that is the feel that we get that exports are definitely going to increase from September and even imports volumes may go, now once the export import volumes today I am running double-stack primarily in imports I do not run them in exports because exports are very time sensitive and I have lot of rakes available so, I need to position these rakes so I move exports directly. So, our strategy would be as imports increase to move more and more imports to double-stack and also simultaneously move exports also to double-stack so, that will be our planned strategy and double-stacking will be good boosting factor for our CAPEX and we are also as I told you there are three customers - four customers who have now confirm their willingness to move to Khatuwas, many more are in the pipeline within another two and half months to three months Khatuwas should be doing very good business. Everything added from Khatuwas will be double-stack, so double-stack will definitely grow up.

Prateek: And the improvement in this quarter was also due to double-stacking at Khatuwas or is it at some other terminal?

Anil K. Gupta: Primarily Khatuwas was responsible for that.

Prateek: Okay. And sir, you say that we are from one of the competitors that there is an increased discounting or incentives in the EXIM business so, the drop in realizations which we saw which you mentioned because of lead distance is responsible from the discounting also on….

Anil K. Gupta: No, discounting so my principle is very simple, in fact my rebates in discounts have dropped this in Q1 from Rs. 18.01 crores to Rs. 12.97 crores for this year. So because I mean my volume growth has not been in the first quarter so discounts have leads have gone down so, my discount figures overall numbers have also gone down. As I told you our discounts are related to the full year figures and because we want people to really be with us for full year and not divert volumes. So for us I think as the business grows we will get back to the discounting streams but we are not trying the strategy of giving unnecessary discounts just in sake of getting the numbers.

Prateek: So this new customer you have acquired so, these are from the Rajasthan location or these from some of the NCR areas?

Anil K. Gupta: They are from Gurgaon also, they are from Delhi also, because you know Delhi now entrance and exit there is a green tax so, people are now making their calculations and using other terminals to avoid green tax also.

Prateek: Okay. And sir, one last question on this logistic park again so, are we expecting any further roll outs you said in the last call there are three more which we expect this year so, are we on track on those?

Anil K. Gupta: We are one of them is fully ready will be make it operational this year itself this month itself in a place called Jharsuguda in Odisha that is ready we will also be starting rail activity in place called Kila Raipur in Punjab that rail connectivity rail line is already laid it has been connected, it will be up in October positively it will up so, in October that facility will become available we are also very closely monitoring our facility in Mihan in Nagpur and this will become operational for road traffic immediately. For rail we will wait for the connectivity but for road traffic it will become operational immediately. Cochin or Vallarpadam CFS is ready and we are starting its operation.

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

Atul Tiwari: So, sir now that we have seen the first quarter what is the sense on the full year volume number, I believe in past we have talked about 10%-11% kind of year-on-year growth so is that likely or we are likely…

Anil K. Gupta: No, we have already lost one quarter so, we have been trying to do an exercise and at present it appears that in EXIM we will have a growth of around between 8% to 9% and in domestic we will finish between 4% to 5% so, total will be around 7.5% that is the outlook at present stage looking at what we have done up to now in Q1 and kind of forecast we see double-digit will not be possible but I think around 7.5% we will definitely we will definitely be able to have.

Atul Tiwari: Okay, sir. And my second question is on Indian railways haulage charges so, now it has been almost 15 months or 18 months' kind of time since the…

Anil K. Gupta: Do not remind them at all.

Atul Tiwari: But sir, is it kind of inevitable because their costs are obviously going up with passage of time.

Anil K. Gupta: See, that is what we have told railways that it is you have to correct it. When there was no haulage charge increase in railway fair for last four years - five years you were increasing container charges. So, why you should be penalizing container charges, railways also realized that DFC whose existence is based on container traffic only, whose whole viability is based on container traffic if container traffic is driven away then what is the justification of DFC so, I think that is why they realize and at this stage I do not think there is any danger of anybody touching the haulage charges.

Atul Tiwari: Okay, sir. And sir, finally what is the progress on DFC so, 2018-2020 there are differing views?

Anil K. Gupta: I think do official target we have given is June 2019 and I find no reason for them slipping because now I think they have acquired land at all the places. There were two critical sections where work had not started I think both critical sections have now been addressed. In Bombay area they have got the land and they have finalized the alignment. On this between Dadri and Prithla and Rewari I think they have floated tenders and tenders are likely to finalize other tenders are well on the way, so I do not see any reason at this stage and the kind of monitoring that this project is getting at various levels makes me very confident that June 19 will be June 19.

Moderator: Thank you. Next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Sir, first can you tell us what has been stabling charges versus last year?

Anil K. Gupta: I would not be able to give you specific figures. It is a small amount.

Rakesh Vyas: Okay. So we have not seen any major increase because of this?

Anil K. Gupta: No.

Dr. Dr. P. Alli Rani: We do not disclose such details.

Rakesh Vyas: Okay, fine. Sir, also can you just highlight as to how many new rakes are we likely to induct this year because we were planning to induct close to 20 rakes last year.

Anil K. Gupta: No, last year we had reduced from 20 to 8. This year we are going slow and not more than 4 rakes we will take during the year not more than 4.

Rakesh Vyas: Okay. Sir, is it possible to give the mix of 20 feet container and 40 feet container in the EXIM for our volume handling?

Anil K. Gupta: We would not have those figures readily available but I think around 50% of the throughput is now in 40 feet containers.

Rakesh Vyas: This is in terms of number of containers, sir?

Anil K. Gupta: Yes.

Rakesh Vyas: Okay. And sir, my last question, what is the status of this wage hike increase which is effective January 2017 so have we constituted a commission?

Anil K. Gupta: Government has constituted a committee under the Chairmanship of a Retired Secretary Mr. Jugal Kishore Mohapatra and there are two people **(Inaudible) 37.05** so that secretary is having individual meeting with different players they wanted our views also we have sent our views so, I think it is going to take some time it is premature I think committee has been given three months - four months which should expire in October - November.

Moderator: Thank you. Next question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: First question is basically in terms of the margins for domestic business how do you look at the margins given the improvement in the volumes for the Delhi-Bangalore, Delhi-Chennai**?**

Anil K. Gupta: Delhi Bangalore, Delhi Chennai, etc., is not a problem these are sector which can support them on their own. We have good movement on other side. Our problem is other movements which we move from cargo we move from North to East and North to South we are not having full returns in the other direction so, that is what is creating problem. We are trying to increase this intercity movement from between Delhi and metros but the extent is very-very less overall. Our domestic margins are very tight, in fact as you can see my PBIT was just 3.93 against a total domestic revenue collection of 348.14, so that is a cause of worry, and that is why we are keeping a very-very strict eye on our MTV positioning here which as I told we in the flats we actually reduced by 4% and in containers there was increase of 2.24%. We are trying to minimize that but then we do not want to lose the traffic either. We are talking some big customers on the basis of these dedicated trains which have now been run for last two months and which are giving quite a confidence to the trade so some talks are going on and we are looking for forward in getting into some agreements with some big customers which will change the way but we are operating at domestic business that is a positive thing on the basis of which I was dare to make this revise estimate of around 4% to 5% in domestic.

Achal Lohade: So in terms of the margins if I look at on a per TEU basis or percentage basis it will be below 2%, would that be fair?

Anil K. Gupta: Yes.

Achal Lohade: Okay. Sir, second question is basically on the new competition we are hearing that basically there are a couple of ICDs have come up in North and two or three more are expected to come up, are you seeing a risk of overcapacity being crated actually on the ICD front at this point in time?

Anil K. Gupta: Yes, that risk is there. In fact, it is already there and today, today customers have to bear these charges I mean somebody wants to position his empty from my ICD to Garhi Harsaru he has asked to pay Rs. 5,000 and vice versa somebody wants to bring an empty container which goes out from Garhi Harsaru for factory de-staffing and it comes to ICD transporter will be charging some extra so overall transaction cost goes up making all of us unviable unattractive that risk is definitely there.

Achal Lohade: And in terms of the competition have you seen new players coming into it?

Anil K. Gupta: No, there is just one change which had happened I think Reliance has sold its license to one terminal operator company so, which was operating three terminals, one in Kanpur, one in Ludhiana and one near Patna, just that has happened I am not aware of any new license being taken.

Achal Lohade: Understood and in terms of the just the trade you said the overall volume growth we are looking at about 8% or 9% for EXIM what is giving you that confidence where do you see that improvement actually coming in, is it more to do with the trade or is it to do with the shift from road to rail sir?

Anil K. Gupta: No, this is based on our talks with the **lines 42.20** because we have been in constant touch with **lines** what is happening why their number of vessels and the discharge per vessels is going down. They tell us for instance there were some condition in some European ports as a result of which their average vessel discharge went down from around 1,800 to 1,200 last month. Now that meant sever cut in the imports so, the talks with them is revealing the kind of queries that they are getting from the market give an impression that from September there is upturn. Normally also September first two months, first two quarters are lean quarter and third quarter there is a pick-up in the business. Third is the best quarter and then fourth quarter goes down a bit so we also feel that in September there should be a turnaround. From exports we are already noticing places like Moradabad which is popular for handicrafts which has now got revived. Christmas consignment will now be starting by the end of this month, all Christmas orders are available and I was talking to them and they said they have got very good orders this year. They are expecting a bounty. These kind of interactions are people keep on having at all levels. In our region they talk to the customers. We talk to the customers these discussions which are responsible for these kind of confidence.

Achal Lohade: And anything on the market share gain like this guidance….

Anil K. Gupta: See the point is there is a glut in the market and market share I think will hover around the same levels which are currently there. Currently we have around 72% share we hope to remain around the same.

Moderator: Okay, thank you. We take next question from the line of Bhavin Gandhi from B&K Securities. Please go ahead.

Bhavin Gandhi: Sir, most of the questions have been answered just wanted to check on the multimodal logistics park that you were envisaging after the completion of the existing 15. So, are those still on the drawing board to there is some concrete steps that you have taken on those?

Anil K. Gupta: No, we are in the acquisition stage in many cases so there will be there, so they have formed up we will have around five - six more parks.

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

Ankur Periwal: Most of the questions have been answered just a couple of clarifications, realizations per TEU on a year-on-year basis is down around Rs. 1,500-odd is it essentially due to the lead distances?

Anil K. Gupta: Yes, primarily that is the reason.

Ankur Periwal: So there is no adjustment or netting-off of discounts here just to clarify?

Anil K. Gupta: No, as I told you discounts have actually gone down this year.

Ankur Periwal: Yes. Okay, so fair to understand that it is primarily the increase in empty running around Rs. 15 crores year-on-year because of that margins went down otherwise things were pretty stable overall.

Anil K. Gupta: Yes.

Ankur Periwal: And second thing to clarify, the double-stacking volumes which you mentioned around 190 odd trains in this quarter what was the number last quarter Q1?

Anil K. Gupta: I am not having it readily available, I will tell you later Ankur.

Ankur Periwal: Sure. And the benefit of this double-stacking was not fully visible because of the empties again same thing?

Anil K. Gupta: Yes.

Moderator: Thank you. Next question is from the line of Harshad Borawake from Motilal Oswal Securities. Please go ahead.

Harshad Borawake: Sir, just question on logistic parks so, just wanted to check how much of the CAPEX have we capitalized till now and what is the planned CAPEX for this year and next two years to three years and also if you could guide us how do we look at the revenue ramp up slash profitability? And lastly, will we be showing this logistics parks revenue separately or will it be part of the domestic business? Thank you.

Anil K. Gupta: Now see, logistics parks are not only domestic business parks. As I have been telling you logistics parks are culmination of ICD, DCT and a PFT facility and in most of the cases international will be the main part so our profitability of logistics parks and the business out of the logistics parks will be continue to be deflected in the same manner in which it is being done now by having a EXIM business segment and domestic business segment. The plus side that we are expecting there is that a) on our PFT business we are quite gung-ho we are quite optimistic. Unfortunately, overall railway demand has stagnated therefore, we are not getting an opportunity to handle the railway rakes. The movement the railway demand is back we will have a great demand for handling railway rakes which will allow us to handle railway wagon traffic which we are totally missing today. This is all together new line of business. Secondly, we will come warehousing that we do. Now railway business and warehousing business that will be generated out of the logistics park will be a part of the domestic revenue. So, that I want to fully clarify that this is how the classification is going to be. As regards capacity utilization, I will be talking to you separately those figures I have not brought readily available here but my work in progress is of around Rs. 1,500 crores is the work in progress and further we are going to undertake capital investment of around Rs. 1,150 crores in this year. So Rs. 1,500 plus Rs. 1,150, Rs. 20,650 and the closing balance of CWIP is also expected to be around Rs. 1,500 crores. Out of this Rs. 1,150 that we have undertaken to commit this year, we have already committed Rs. 182 and we feel that we will be able to actually cross Rs. 1,100 if not Rs. 1,150 entirely because most of the projects are in advance stage and works are now on the completion side.

Ankur Periwal: Right. And of this Rs. 1,150 what would logistics parks comprise of as a percentage roughly?

Anil K. Gupta: Rs. 1,150 I think around 60% is for parks this year.

Moderator: Thank you. Next question is from the line of Ankit Panchmatia from ICICI Securities. Please go ahead.

Ankit Panchmatia: Most of the questions have been answered. Just to get an understanding that with the time table trains which have been scheduled now on the three lines which you mentioned, what kind of cost saving which we can expect from this kind of activity.

Anil K. Gupta: My earlier turnaround of rake was 140 hours on an average now it is 55 hours. So, that itself gives you almost if I was able to do eight loading in a month I will be able to 15 loading in a month now. The turnaround will improve and my production capacity of the wagon and containers will improve in the same proportion.

Ankit Panchmatia: Okay. So we would be able to handle same volumes in half of the cost if I am right in understanding the same?

Anil K. Gupta: Yes.

Ankit Panchmatia: Okay. And sir, just wanted to understand the Khatuwas has gone live so, how much investments we have made in Khatuwas just Khatuwas?

Anil K. Gupta: I would not have that individual figure with me just now, I will give you later.

Ankit Panchmatia: Okay, no problem.

Moderator: Thank you. Next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf: Sir, firstly on the Khatuwas you had mentioned that there are a few customers that have already agreed to move to Khatuwas. If you could give a sense are these customers were earlier using some of our own terminals or moving from competition to us could you give some sense about that?

Anil K. Gupta: See, as you know Khatuwas is located in this Neemrana EPIP area this is, Export Promotion Industrial Park of Neemrana. Khatuwas is in close vicinity of that. There are almost 100 Japanese units and around 70-80 Korean units which are being set up there. Most of them have commenced their production. It is these units which we are talking to. Some of those major units which has already producing and moving by road some of the volume have agreed to shift to rail. Then Khatuwas also has its catchment area, area right up to Rohtak - Bhiwani, Hisar, Alwar, so there are people from those areas who are having a lot of interest and they were earlier some of them were going to Garhi and other places so they are likely to shift from Garhi to us. So, it is both going to be new business as well as a business to be shifted from some of the competitors.

Mukesh Saraf: Okay. So could you give some sense on say how much of incremental volumes we can generate out of Khatuwas apart from the whole the double-stacking that we are doing, organic volumes that Khatuwas can generate say this year or next year?

Anil K. Gupta: See, I would not be able to give you an estimate at this stage but we are depending on Khatuwas growth organic volume that is one of the key things in our strategies. I would not be able to give exact figure right now.

Mukesh Saraf: Sure, sir. And my second question on the domestic business sir, now that GST is obviously just around the corner we are kind of hearing that a lot of the road operators will get significantly benefited because there would not be any check post so the turnaround time for them for them would be lower. So do you see the competition in your domestic business rather getting speaker with road operators and hence the profitability in the domestic business are you positive about that?

Anil K. Gupta: See you are right road blocks getting remove but according me the volume of business is going to increase significantly which road will not be able to cater to me. See one of the major benefit that we are looking at is that distribution strategy will be changed all together after coming of GST. Today it is a sale at the factory after paying of all the octroi duty and other thing chalan is made is made and the sale is at the factory level and then the person to whom it is being sold goods move on his behalf. What GST is going to do is taxing at the destination, GST is going to give rise to different distribution channel in which producers will more goods to their secondary godown on factory transfer basis and that is a very big advantage. If you are looking at that situation then these benefits of five trucks and six trucks reducing is not materialistic then they will be moving larger volumes to these secondary warehouses from where we will be able to offer to these customers okay, you give me your order book I will supply to this factory, I will pay taxes on your behalf, and I will seek reimbursement from you. So, there is an entire change that we are expecting in the distribution strategy of direct distribution to the factory transfers and there is a dealership pattern that we observe now according to me is going to change. Secondly, there will be GST is likely to move the cascading effect which is today killing us tax on tax and tax on tax. For our international business we have three customers. There is an exporter, there is a shipping line and there is a freight forwarder, now there are three stages at three stages where the cascading effect person pays and pays CENVAT credit advantages some of them are not able to claim full advantages some of them are able to get advantage after sometime. So overall transaction costs are going up tremendously in the rail mode which is not there is in the road mode, the streamlining will help, so according to me the GST will help in improving competitiveness, give a boost to the large movement the scale movement so that we can take the advantages of scale economy.

Mukesh Saraf: Sure, sir, thank you and just one bookkeeping question, the other income in this quarter came down significantly any because the CAPEX is not like gone up significantly so what would that be related to?

Anil K. Gupta: My cash in hand last quarter was Rs. 2,800 this time it was Rs. 2,300 so, we have been investing a lot of money plus interest rates as we are down so, these two reasons which led to the reduction in the other income.

Mukesh Saraf: Sure, sir. The CAPEX is continuing in this way probably these are the levels of other income we will maintain going forward?

Anil K. Gupta: My fear is it may go down further.

Moderator: Thank you. Next question is from the line of Chockalingam Narayanan from Deutsche Bank. This is the last question for today. Please go ahead.

Chockalingam Narayanan: One was if you can elaborate on market share versus road say, let us take two points; one being before the rail haulage increases say 18 months back what would it have been and what it is today if you can throw some light on that?

Anil K. Gupta: It is a very difficult question but in my opinion there is total container movement of around 250 million tonnes that is happening in the country and our market share was last year 36 million tonne. So, that is around 15% or so. I think it use to be around 20 it has come down to 15.

Chockalingam Narayanan: Okay. This 20% you are saying at what would it have been sir, just a ballpark?

Anil K. Gupta: I mean we did move 36 last year, year before that it was higher, year before that it was 40, at that time the total traffic was around 200 million tonnes.

Chockalingam Narayanan: Okay. So in two years' time this has happened.

Anil K. Gupta: Yes.

Chockalingam Narayanan: Okay. And second question is on this average leads is this purely because of higher volumes happening out of Mundra or is it a lot of commodity end user market has moved to shorter leads or how should we look at this?

Anil K. Gupta: Actually both **there are there**, there is a lot of movement in Mundra that has cut down leads as compare to JNPT straight away by around 250 kilometer to 300 kilometer that is one reason. Second is also my fastest growing ICD is today for instance Khodiyar is my fastest growing ICD. Now Khodiyar is just 200-odd kilometer from Mundra and Pipavav so, that depressed my lead. Nagpur has grown very fast. Nagpur is around 860 kilometers from Bombay so, it is less than average. We have had good growth in the local traffic which I mentioned earlier that we have started moving trains every day from port to my facility in DRT out there, two trains a day so, okay, so I am getting the number, I am getting the throughput but the distance between DRT and JN port is only less than 15 kilometers so. It kills my average in that way on the contrary the long distance traffic there use to be two traffics which were long distance traffics of metal scrap which was moving for an average distance of around 1,800 kilometers from JN port and around 1,500 kilometers from Mundra that has dried up and also our paper waste has gone down tremendously. Paper waste you know all the paper industry in Uttarakhand for instance they were mixing waste paper import and local raw material from there on the wood now that waste paper has gone down so, this long distance ICD traffic have decline and short distance terrific has increased so, this is also responsible partly.

Chockalingam Narayanan: Okay. And one last thing, you talked about the time table traffic. What percentage of the volumes on EXIM happening on this?

Anil K. Gupta: Not EXIM we have started this time table experiment on domestic only three sectors, very limited as I mentioned we have run out around 36 trains up to now in last two months.

Chockalingam Narayanan: Can this be extended onto the EXIM side?

Anil K. Gupta: We are in talks with railways, actually EXIM side today the volumes actually do not justify that kind of demand and see, for EXIM it is very clear for EXIM customer wants his vessel to be connected and as long it is connected it does not matter for him whether it reaches two hours later or two hours earlier. It is the domestic in which it is critical because Delhi-Chennai was taking around five days - five and half days. So people are saying five days it is taking do not know eight days can be taken so what is the guarantee. So now we have established that no, it will be with you in 60 hours' time, in odd failure case it can be 70 but it will not be beyond that. So they are actually able to do their inventory planning accordingly.

Dr. P. Alli Rani: Harsh, I think we should wind up now?

Harshavardhan Dole: Yes, so this was actually the last question and I would actually request Mr. Gupta to give his final comments please.

Anil K. Gupta: Thank you very much, thank you everybody for talking to us.

Harshavardhan Dole: Thank you, moderator. Thank you everyone for logging on to the call. Thanks.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of IIFL Capital Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.