"Container Corporation of India Limited Q3 Financial Year 2016 Results Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the CONCOR Q3 FY 2016 Results Conference Call, hosted by Antique Stock Broking. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance, during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Prateek Kumar from Antique Stock Broking. Thank you and over to you Sir!

Prateek Kumar: Thank you. Good day ladies and gentlemen. On behalf of Antique Stock Broking, I welcome you all to the Q3 FY 2016 post results conference call of CONCOR. I take this opportunity to thank the management of CONCOR for the call. I now hand over the call to Shri. Anil Gupta Ji and Dr. Alli Rani from CONCOR for their opening remarks. Over to you Sir and Madam!

Anil Kumar Gupta: Good morning everybody. This is Anil Gupta, CMD, Container Corporation along with my Director (Finance), Alli Rani on the line. We welcome you all. You would have seen our results, which was announced, which was adopted by the Board on Monday. They all have been published and the detailed results are available on our website.

This quarter has been rather a bad quarter. This was the lowest volume quarter in the last 10 quarters. Our total handling volume was 710000; earlier worst was 661000 in Q1 of June 2013. So our volume was down in this quarter. Everything else got related to that.

Our total volume as I mentioned was 710322 TEUs. Our topline income from operations in this quarter was 1404.56 Crores. Our PAT in this quarter has come down to 206.11 Crores. There are reasons. I will go into those reasons when we discuss the detail. Up to Q3 now our topline is a little better than last year cumulative. Up to Q3 topline is 4327.35 Crores as against 4076.25 Crores marginally up by 6.16%, about the PAT bottomline we are down to 645.92 Crores as against 754.84 Crores up to Q3 of last year. There is a drop of 14.43%.

In the volumes we are down in the handling by 6.83%. Our cumulative handling was 2.18 million last year up to Q3 and this year it has gone down to 2.18 million from 2.34 million last year.

With these brief comments, I would declare the conference open. Please shoot your questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin with the question and answer session. We will take the first question from the line of Vikram Suryavanshi from Phillip Capital.

Vikram Suryavanshi: Good morning Sir. Can you share the volumes in terms of EXIM and domestic and how was the empty running this quarter?

Anil Kumar Gupta: Our volumes in this quarter, international handling was 599506 TUEs, domestic handling was 110816 TEUs. Total handling was 710322 TUEs. This was basically a decline of 7.55% in the international handling, domestic improved by 6.27%; total handling was down by 5.64%. As regards empty running, empty running was quite high. Our total empty flat payments during the quarter was 46.5 Crores as against 31.94 Crores in the Q3 of last year. For empties container movements, we spent 25.02 Crores this year as against 17.86 Crores last year, so last year in the total Q3, total empty haulage payment was 49.8 Crores. It went up to 71.52 Crores in this quarter. There was an increase of 43.61 Crores. Over the year, our empty flat payments have now aggregated to 205.61 Crores in the cumulative three quarters as against 149.61 Crores up to Q3 of last year, which is an increase of 37.43%. There has been a very high increase in the empty volumes.

Vikram Suryavanshi: Just that the reason for increasing authorized capital and the tax rate was also high this quarter, so these are the last two questions?

Anil Kumar Gupta: Authorized capital the company feels that we might be requiring more investments, some raising of the sources, or even government has issued guidelines for issuing of bonus shares, if you have some surplus cash, so we are still debating, so this is one of the first steps that we have taken, increase in the authorized capital has been proposed by the board.

Vikram Suryavanshi: Tax rate was higher compared to last year?

Anil Kumar Gupta: Tax rate actually because of the changes in the Company's Act and the rates for as per Section 80 and other rates the tax rebates, tax deferments that we used to have earlier was not there, so there was a deferred tax credit which was there in the last Q3 quarter of almost 29.82 Crores. It was down to 1.8 Crores this year.

Vikram Suryavanshi: That was quite helpful. Thank you. If required I will come in queue.

Moderator: Thank you very much. We will take the next question from the line of Ankur Periwal from Axis Capital.

Ankur Periwal: Thank you Sir. Sir, just one clarification on the empty running movement this quarter you mentioned 71.8 Crores is this quarter's full quarter number? Can you help with the breakup within Exim and domestic? I missed that number.

Anil Kumar Gupta: In Exim for flats in this year in the third quarter we incurred an expense of 43.96 Crores as against 24.08 Crores in the Q3 of last year. Overall Exim we have spent 122.78 Crores in first Q3 of this year as against 77.66 Crores which is an increase of 58.1. Now this is primarily because of very strange phenomenon this year that while exports did not grow you would know exports have actually declined for 13th month in continuation, they have gone down, and even imports went down tremendously during third quarter. We have done an analysis for our ICDs Chinese imports went down tremendously. So, we had a situation where sporadically we had exports, but did not get imports in the return direction and vice versa. Though we did stable some of the rakes, tried to minimize the empty repositioning but this was inevitable and therefore there was quite a substantial increase. In domestic, our empty flat repositioning actually reduced. We have spent 7.86 Crores in the Q3 of last year. This year it came down to 2.54 Crores. So, total domestic empty flat running was 19.65 Crores in Q3 cumulative last year, it came down to 6.42 Crores. But in domestic empty container running went up tremendously because of that high this Q3 and last Q3 are direct comparison of the freight hikes that we witnessed last year. Last year in this particular quarter freight was almost 28% lower than the freight that we now have to pay. We were able to recover only around 13% we had passed on so that 15%, 14% hike, which we had absorbed, actually is reflecting in this quarter. In domestic on top of this freight hike we also had to pay this service tax because the rule in this income tax this time chased that if you are taking abetment you cannot take the credit. So, we were in a peculiar situation where we took abetment for domestic customers but we were not able to take credit because of which there was an additional liability and some sectors became very, very costly. As a result of which in containers we had spent 17.86 Crores last year in Q3 for empty container running. This quarter it was 25.02 Crores. Overall, for container in the first three quarters the empty repositioning costs have gone up from 52.31 Crores to 76.42 Crores. There is an increase of 41%. Therefore overall if you look at it empty running has gone up from 49.8 to 71.52 in the quarter and 149.61 to 205.62 during first three quarters. As a percentage of total freight, our empty freight as compared to total railway freight that we pay was 6.02% in Q3 of last year; it was 8.08% in the Q3 of this year. Overall for the year, 6.38% was last year that we paid empty repo this year it has gone to 7.54%.

Ankur Periwal: That is pretty helpful. If you can help on the rebate provisioning any change in that number?

Anil Kumar Gupta: Rebate actually volumes have gone down because there has been a very bad thing, I mean slight silver lining we have changed, we have saved some rebates total last year cumulative was 63.35 Crores in first three quarters and this year they are 49.39 Crores. So there is a saving of almost 14 Crores, in the Q3 rebates were 19.13 Crores last year and this year it is 15.07 Crores.

Ankur Periwal: Probably the increase in empty running has been sort of negated by the decrease in rebate as well essentially because our EBIT margin on a per TEU basis is broadly flat if I compare it versus the Q3? Any comments you would like to make on the volume front because last quarter the volumes were lower because the port activities were sort of stopped for a couple of days but this time, I presume those activities were fully operational?

Anil Kumar Gupta: Those activities there was no stoppage anywhere except for a brief stoppage in movement at one place, but that did not effect, this year it is basically imports going down. This year basically there was some stoppage in Gujarat because of floods, but it is mainly the import volume, which has tremendously gone down, and in fact our Q3 I will just give you the figures. In Q3 of last year, our imports were 350168 and this year 306805, so there was a drop of 12.38% in imports. Exports declined from 314962 to 292701, 7% decline in exports. This 12.38% drop in imports was actually killing. This came after a long time so while it is good for the country, but for our company it was not very good.

Ankur Periwal: Just one last question on KhatUwas Terminal especially and the overall Logistics Park when can we expect, whether we have got all the approvals for KhatUwas?

Anil Kumar Gupta: We are moving as per plan. KhatUwas we have got section 7, section 8 notifications. Section 45 is expected any day and our KhatUwas now ICD very soon. We have started handling domestic rakes also there. The PFT work is going on. We are handling automobile rakes on behalf of a company called APL VASCOR, which is a company, which has been set up by APL along with VASCOR of US, and they own six rakes for automobile transportation, which are being handled from our KhatUwas Terminal. So that terminal is doing very well. All of the terminals are also doing extremely well. Pantnagar, we have inaugurated around one and a half months back and in fact this increase in domestic in this quarter is primarily on account of Pantnagar. We were able to handle almost 25 trains in the first month itself in the place. It has come up very well. Other terminals are also under construction and as per schedule and we are keeping a close watch.

Ankur Periwal: Great Sir. Thanks a lot.

Moderator: Thank you very much. We will take the next question from the line of Atul Tiwari from Citi Group.

Atul Tiwari: Good morning Sir. Sir, could you share your originating volume, Exim, domestic and total?

Anil Kumar Gupta: Our originating during this quarter was 432716 for Exim, for domestic it was 54441, total 487157.

Atul Tiwari: Sir, how does the environment look over the next two quarters and is there any hope for recovery in the volumes in the fourth quarter or maybe the first quarter of next year. I mean what is the signal or the sense that you are getting?

Anil Kumar Gupta: Actually the environment continues to be pretty bad. We have been talking to all the lines. We are seeing hardly any sign of recovery. Imports continue to be down. I do not know what the issue in detail is, but we keep on hearing that the labour cost in China has gone up, eroded the competitiveness of Chinese exports. The result is that for everybody to see exports have not taken off. Every month we are hearing that now the tide will turn but it is not happening. This quarter we are also hearing exports dropping quite substantially, readymade garments exports dropping quite substantially, so this quarter we are not really able to see any ray of hope. We will be happy if we try and maintain what we achieved in Q3 slightly better than what we achieved in this Q3, but it will not be definitely anywhere near Q4 of last year. Q4 of last year was pretty okay, 464000 TEUs. I do not think we will be reaching 464 booking. So this quarter does not appear to be very promising, but we are gathering that the things will turn in the last quarter of this year that is what general consensus is. All the shipping lines and others were talking about recoveries coming in the last quarter. That is beyond October. We have still not firmed up our minds with the railways we are given a target of almost 13% plus for next year in our volumes. That is the guesstimate we have given, but I hope we can achieve those targets and we hope the things will be recovery will start much before what we feel, but talking to individual shipping lines and individual shippers at present does not give us confidence.

Atul Tiwari: Sir, if I may ask one follow up, I mean what is driving this view that there maybe some recovery after October, is it mainly the base effect because by the time the volumes in this year obviously would have come into the base?

Anil Kumar Gupta: That also would be true but I think there are exports, there are lot of measures that government has been taking recently and they have reintroduced some of the concessions which we have withdrawn earlier, there is talk about SEZ review, just a month back. Statements have been coming that SEZ some rules would be reviewed to give an impetus. The scene that we witness around ICD is like KhatUwas where there is this Korean and Japanese clusters of industries coming almost 200 industries are coming up there gives a lot of promise that these industries will start producing and they will add to the main stream, similarly, in the SIDCUL area in Pantnagar we do feel. So there are these kinds of signs in individual pockets where there are a lot of activities going on and we feel that once they start producing they start the production, everything will be going up. Plus domestic economy is also I think is likely to pickup because it has been very bad in the steel sector, iron and steel, because they have a lot of inventories, we do see that some activities like construction are likely to get some impetus soon, which we see increased consumption of steel and it will spur the local economy also. So only that and the informed talks with the customer give us the feeling.

Atul Tiwari: Sir, last one on DFC I mean what is our sense of the progress on dedicated freight corridor?

Anil Kumar Gupta: I am very happy. I think according to me I have been talking to DFC people. Things are going on very smoothly and they are talking about June 19 I think, it will be available by that time, full DFC. Other individual sections are coming up. They will increase the capacity in the meantime also so we are quite bullish about DFC.

Atul Tiwari: Thank you.

Moderator: Thank you very much. We will take the next question from the line of Pulkit Patni from Goldman Sachs.

Pukit Patni: Thanks a lot for taking my question. Sir you have mentioned that there are certain capex plans and more capital could be needed if you could just elaborate is it beyond the 12 to 15 MMLPs that we planned. Is there anything else that is on the cards right now? Is it related to that? If you could just elaborate on the entire plans for the next two to three years?

Anil Kumar Gupta: Currently, as you would know we are well on the way to achieve those 6000 Crores that we had set up for the Twelfth Five year plan under which 15 MMLPs are coming. They will all be there. One or two facilities, which we plan, may not be there, but we have been able to gather some replacement facilities. So, we will have around 15 facilities up in running by 2017. In addition, we have already identified almost more than 10 other projects, which will take off after these projects, which will take after these projects are completed. Those projects have already been identified at some places, land acquisition process has also started because as you would be knowing when we shared our plan, we said, we are going to increase in the first phase our capacity from 3 to 5 million now we will have 5 million capacity by 2017 end, we will have 5 million capacity, next thing is to increase this 5 to 7 to 7.5. Now we are planning for that. Now for that because now our model is that we necessarily have to procure land and land procurement is around one to two years. Our gestation period for the projects becomes very large. So we have already started looking for both as I said more than 10 projects are already there for which land acquisition process is now under activation. These facilities we may have land by 2018, 2019 and after that certain structure. So that planning has already started because we know that we are going through this business cycle phase, which will get over maybe after one year, maybe after one and a half year then again if we want to go for growth of 12% to 13% we will require capacity increases. So we are already planning for that. The company is taking adequate steps. It is in view of that that our capital requirements for the next plan that is Thirteenth Plan will come up which we are planning for.

Pukit Patni: Sir as part of this capex plans could we entail taking some debt as well on the books or is it likely to be more equity form of funding near term?

Anil Kumar Gupta: Well up to now our management ceiling has been that for CONCOR it will not be prudent to take debt on the CONCOR balance sheet, and that is what we have tried to especially now when you have gestation period of a project going from four to five years, within four to five years when you construct the facility at that time itself you will run into a debt trap if you take a loan for 10 to 10.5 or even for net cost of 12% or so, so by the time, your facility comes to breakeven you will have used debt which is what we are trying to avoid on CONCOR'S balance sheet, but debt is being taken on the JVs balance sheet which are smaller projects so in all these projects we do plan to come up with a large number of JV projects like KhatUwas itself my board has now permitted in the board meeting that we had day before yesterday that we will have four CFSS and three warehousing complex. Now these seven complexes will be coming up. We are going for station of interest asking for private sector participation and we have told them that in case you given it on the basis of your bidding and subsequently if you want to make a JV with us we will be open to the idea. In that case, we will not expose our equity to full extent we are going for equity debt model, so that is the plan. That is the plan that the management is taking to.

Pukit Patni: Sure Sir. Sir, secondly I wanted to just get a sense of the broader railway sector, over the last one to one and a half years have you seen in terms of any sort of positive momentum for the company per se obviously the haulage increase was not something as positive, but in general and do you see stress being taken where long-term one could see shift of traffic from road to rail which has not been the case so far?

Anil Kumar Gupta: You asked a very tough question, and I hope my minister is not listening. The point is railway has a good intention, but railway has its own problems. Haulage charges we had this 10% concession surcharge imposed in last year November. It is still on. There is no concession, but the charge is still on. So we spoke to railway people and we said Sir, why do not you reduce this cost. They have a genuine problem. They say our costs have gone up.

How do we manage our resources? Now this new Pay Commission which is going to come up there will be a liability of 32000 Crores on railways, additional liability. They said we have since our costs go up by 25% our total expenses go up by 25% we will have to raise resources by increasing freight. He said no, please do not increase freight, we are dying because of last haulage increase. So there is that dilemma that railway also has. What we are now looking at is basically railways are going forward on execution of these projects like DFC, which will imply reduction in the cost. DFC as I have been telling you it will imply at least 10 times increase in output. Today, we have a train of 90 containers taking around 45 to 50 hours within port and ICD in North India. In DFC this 90 will become 400 containers, and train time will become 20 hour or less. Now that will imply 10 times increase in the throughput. In that case, increase in operating costs will not be more than three times. Now that will imply a reduction in the operating costs, which will result into a spur of traffic from road to rail shift of traffic from road to rail, we are just hoping that that comes as soon as possible so that railways becomes enabled to reduce the per unit costs.

Pukit Patni: Thank you.

Moderator: We will take the question from the line of Ankit Fitkariwala from Jefferies. Please go ahead.

Ankit Fitkariwala: Good morning Sir. Sir just wanted to get a broad sense of if I look at the nine month number, the container volumes at the port would probably be flat but we are seeing a drop in the container volumes, so just wanted to understand I understand that a lot of it is shifting probably to the roads, just wanted to get your sense? Do you see further increase in containers moving to the roads or is it like competition from private players? Is there any change there?

Anil Kumar Gupta: Well, to answer your question, the very honest answer is yes, on both accounts you are right. First coming to the shift to other container haulages I must confess that there is slight increase in their share in Exim. In Exim the total tonne is railway has moved till December end this year is 27.93 million tonnes out of which CONCOR has moved 20.74. So our share has come down to 74.25% from 77% last year in Exim. Then domestic railways have moved 6.7 and we have moved 4.47. Our share was 66.7% and this is an improvement from last year, which was 64.4. Overall last year in first nine months our share was 74.28 and it has come down marginally to 72.8. This is a fact that there is a 1.5% drop in our share especially in the international sector where these lines like APL and MSE they have been able to beat the market by cross subsidizing on perhaps the freight element. That is what is there because they control shipping line, they control railway, and they control the terminals. They have full control. It has happened that they have cross-subsidized in some other segment and therefore their share has increased and that is the primary result of this thing. So there is minor share loss is there but even they are not growing. Even they are in the red from as compared to last year and the main culprit is the road. The main culprit is this 10% concession surcharge for imports. With 10% concession surcharge on imports has really done the thing. People are saying why should pay 10000 on a freight of 45000. It comes to 4500. Now he says, I will not pay this 4500, there is lot of road trucks are variable. Nowadays this domestic economy you are very well aware that it is not doing well, there is no surplus capacity. Iron ore traffic has not still resumed except for one or two places in South Central India, iron ore traffic has not resumed. There is a lot of recession in the steel industry; steel moving is not there, so thousands of trucks are available who can reduce their rate given at a drop of a hat. They take this cargo. So there is a tendency of more and more imports getting destuffed in the ports and moving by ordinary road, not in the form of containers. The container is getting destuffed at the ports and it is moving in **(inaudible) 33.41** trucks. So that is happening. That is the biggest villain.

Ankit Fitkariwala: Just to carry that question forward, what I was trying to say is that in the road sector probably changing the tariff is probably much easier than probably it is for you because the tariff can because of the drop in the diesel price and everything the tariff can be changed. It is more real time rather than what it is for you? That will also be an impact?

Anil Kumar Gupta: The point is diesel prices for instance have gone down by almost Rs.11 since last April. Now on the contrary we had this increase of 27%. Now there the diesel cost is counting for around 40% of the cost in the road truck. That 40% cost is going down, and even lubricants and other oils which is costing another 15% to 20% that also is under control and then they have this fixed cost element they find it very easy. They said okay my truck is going, I will forego the capital recovery, which he may have already done for maybe using it overused truck. So those kinds of advantages are available. There have been some cases where even big corporates they have come up with the reverse auction. We participated in the reverse auction through our subsidiary. Our subsidiary gives the lowest rate but then these people show those rates to the truck hauler and truck hauler says okay, I will max these rates and give you actually 5% concession and that moves over to the road. So that is what is happening. That is an advantage of trucks, which is under those situations that are presently of surplus availability of trucks. That is being exploited fully well by them.

Ankit Fitkariwala: Thanks a lot for your answers. Just lastly, you may choose not to answer this question. I am just trying to understand that the most important private player in this case will probably be Gateway, right? So, because you named a couple of them, so I just wanted to understand is it like Gateway also gaining significant market share?

Anil Kumar Gupta: I have not done that analysis frankly. So it will not be fair on my part to comment, but when I was talking about the players like APL and Hind Terminal. Hind Terminal, which is a subsidiary of Eversee and APL Shipping line. These two shipping lines that have their own companies. I was having them in mind because they are in a position to cross-subsidize from the other lakes.

Ankit Fitkariwala: Thank you so much.

Moderator: We will take the next question from the line of Devrat Mohta from Fidelity.

Devrat Mohta: Good morning Sir. Sir just a couple of questions from me. One you know when you were talking about the massive rail deficit that you would have with the Pay Commission and of course we understand that with the DFC maybe 2019 onwards the efficiencies improve significantly and costs go down, but is it likely that in the near term there could be further haulage charges just because railways need to sort of maintain their budget deficit and it has been a year and three months since the previous haulage hike and typically we have seen in the past it has been about one and a half years every time when the railways come in and hike haulage charges, so in the current environment do you think it is a possibility that haulage could up further?

Anil Kumar Gupta: Last hike was with effect of March 1, 2015, so it is not one year.

Devrat Mohta: I was referring to the December 2014 announcement, sorry?

Anil Kumar Gupta: December 2014 was first partial hike then March 1 was the full hike which was there, so technically it has not been a year and what we are telling railways in our discussions just around two weeks back there is a Private Container Train Association (ACTO), which had a new President and they called on the minister and they made a presentation to everybody reiterating the same thing that how traffic has gone away and how these concession and surcharges are effecting in response to which this thing came up that what to do we have a deficit, we on the contrary have to increase the freight, indication is that railway does understand because of the **(inaudible) 38.21**. As I told you this particular quarter, our handling was the worst in last two years, it was the worst, so, we know if this goes down their total kitty if they increase freight further the total kitty will not increase, so that will not serve the purpose. That has been put forward and I think railway does appreciate that so I am very optimistic that at least for next six months they will not try to increase any rail haulage again.

Devrat Mohta: Sir, the second question from me was there were newspaper reports which also spoke about your retirement some time later this year. Could you just take us through what is the process in terms of how the next CMD gets elected internally, externally? How does the whole process work? If you could give us some colour on that it would be very helpful?

Anil Kumar Gupta: Selections have already taken place on last Friday. New MD has been selected. It is one of the directors of the company. He has already been selected. Now the normal process is around three to four months. So by May or June, I think there will be a new MD designate who will be available together with me for another three months and then he takes over. So there are no sufficient crises all these, my two directors are also retiring, their replacement, and one director's replacement has already been decided. Another director's replacement will be decided maybe another one or two weeks there will be selections. So Government of India has a policy they initiate the process one year in advance. That process has already been initiated for all the three processes.

Devrat Mohta: So, basically as things stand the person is formed within CONCOR and well versed with in the way dealing with Indian Railways so that is something which we need not worry about right?

Anil Kumar Gupta: You would have seen even in the road shows that we are doing, we are always taking our other officers together with us. Normally when I come, I normally associate the Mumbai Regional Manager or one of the directors will be with me. So the person who is selected has already been with me on various road shows and has handled those road shows independently. I would just introduce. I will have the first session and he will take another five to six sessions. So that is not an issue. Fully familiar, fully involved in the process, already a director on the board, privy to all the decisions and privy to all the thinking of the company, so there will be no issue on that.

Devrat Mohta: Thank you so much.

Moderator: Thank you very much. We will take the next question from the line of Bhoomika Nair from IDFC Securities.

Bhoomika Nair: Good morning Sir. Sir, just wanted to get some colour obviously you discussed a lot of stuff, but on double stacking how it has panned out in this current quarter, given the weak environment in terms of imports and exports both.

Anil Kumar Gupta: In fact we are not doing. Now it is minimum double stacking happening because if we do double stack then we ourselves have to stable our rakes and pay money for stabling charges.

So currently it is down. There is hardly any double stacking going on. There are no pendencies in the ports. Today also total pendencies all the seaports today morning was around 1800 or so, so we are able to load much more than that. So that demand is not there currently.

Bhoomika Nair: So double stacking in effective pretty much gone down to very negligible levels and thereby there is no double stacking to that effect?

Anil Kumar Gupta: Yes.

Bhoomika Nair: Sir, the other thing is obviously we have discussed a lot earlier in the call in terms of how domestic is getting impacted because of less amount of competitiveness versus the road what is the strategy now going forward? This used to be something like almost 100 Crores EBIT and which is now running at a run rate of 22 to 25 Crores on an annual basis. So, does that make sense to continue focusing or is it more of a long-term strategy that once this comes in, so what is our strategy in terms of domestic?

Anil Kumar Gupta: Basically my EBIT of last few years in domestic PBIT, was 55.42 Crores last year about three quarters combined and this year it is down to 14.65 Crores and to this you can add 26 Crores of service tax that I have borne the liability of which I have borne which is an expense for domestic so 15+26 is equal to 41 where actual decline is from 55 to 41. That is there. The issue is that it is not that I have devoted incremental resources exclusively to domestic. Our strategy has been to leverage the international business with the help of domestic business on the stretches where you have movement of demand or movement of empty you fill it up with domestic empty, domestic loaded. So that way we will continue to target this. Secondly, actually if you look at the scope of domestic, India has done around 172 million tonnes of international cargo last year at all ports together, around 172 million tonnes and domestic also there is a potential of around 75 million tonnes. We are doing hardly 7 million tonnes everybody put together. Last year it was 7.98 so there is a lot of potential, which is currently not moving because road scenario is not well. Once this cost benefits come in, once this operational costs go down this domestic will have a potential for zooming back. So we are being very cautious deliberately going down. As you would have seen my PBITs 1.8% only in this thing against 6.8% last year, but if there is any increase in domestic now there will be a substantial increase in this because we will be talking only on the empty reverse direction. See today, I have tremendous demand for moving domestic from north to east and north to south, but return directions I am not getting anything. I have to move empty and therefore I have to bear this cost, so in the return directions as the scenario improves this will become a net addition and I will come back to that level of 8 to 9% of PBIT. We will still be there.

Bhoomika Nair: Just a continuation on this in terms of the service tax liability will it we will have to continue bearing this?

Anil Kumar Gupta: That is something which we are talking to government, our minister has written to the finance minister and this has been lobbied that okay this is being unfair in road tax, road there is no service tax like this and in railways if you have service tax then you are actually disowning railways so that we are talking but nothing has happened up to now. We are hoping something will happen.

Moderator: Thank you very much. We will take the next question from the line of Rakesh Vyas from HDFC Mutual Fund.

Rakesh Vyas: Good morning Sir. Sir three quick questions from me First one can you just give the port wise split of the cargo that you normally provide?

Anil Kumar Gupta: The cumulative in 2015-2016 about JNPT was 41.18%, MDPT was 24.98%, Pipavav 17.78%, HOM was 7.73%, and these are the main shares. JNPT the percentage was down from 43.13% last year. In MDPT there was an improvement from 24.78% to 24.98%. Pipavav there was a drop from 20.82% to 17.78%. HOM this is Chennai there was an increase from 7.13% to 7.73%. So effectively we would see that JN Port remains at around 41%, Mundra and Pipavav are also now around 42%. So combined they have overtaken JN Port. There is slight improvement in HOM.

Rakesh Vyas: Sir, my second question slightly more strategic in the sense that you are saying that you are increasing losing the market share compared to road, but you are also not doing double stacking. So I was just wondering because double stacking will bring in the freight benefit eventually to the consumer as well as to you. So, is a road rate significantly lower than the double stacking?

Anil Kumar Gupta: The point is today; my double stacking is an operational double stacking. I am not able to provide any rate incentive to the customer because the KhatUwas is still not an ICD and therefore in today's circumstance, everything I have to transship and move further, so there is a cost for that also. So when I compare the benefit, I say that if stable a rake, I pay some money, if I move a double stack I have to stable more and more rakes which is more beneficial that is the strategic decision making that we do on a day-to-day basis. It is not that we have stopped double stack running all together we are still running. This month also we have run around 10 trains in first 15 days. It is not that we have stopped all together, but we had gone to a level of 2.5 to 3 trains per day, which there is no necessity as on date. Once my KhatUwas becomes an ICD, which it will become in the month of February or latest in the month of March then all KhatUwas containers will be brought in double stack basis only. Then advantage will be given. So it is basically a cost benefit analysis. They day it suites me to have a double stack, I will immediately go for double stack.

Rakesh Vyas: Fair point Sir and my last question is given the environment that you are talking about where recovery is expected only from October onward. Can we expect 5% to 7% volume growth for next fiscal on the overall basis or the number could be higher than that? What should we look at?

Anil Kumar Gupta: As I told you through Railway Ministry have committed 13%.

Rakesh Vyas: That seems too high. You are very ambitious. You know the environment.

Anil Kumar Gupta: I have committed 13, but I think around 6% to 7% should be there. I mean it will be otherwise very bad for us. It should be there 6% to 7% for half a year if everything starts moving in October then I guess it should be around and there will be lower base for this year so it should be around 6% to 7% minimum.

Rakesh Vyas: Thank you so much. Best of luck.

Moderator: Thank you very much. We will take the next question from the line of Achal Lohade from JM Financial.

Achal Lohade: Thank you for the opportunity Sir. Just two quick questions; first how does the Seventh Pay Commission impact us? What is the extent of impact for us?

Anil Kumar Gupta: This Pay Commission does not impact us directly. We public sector have a separate Pay Commission which has not yet been constituted also, and there will be due with new basis with respect from 01/01/2017. Like government people are due with the new basis from 01/01/2016 public sectors will have increase from 01/01/2017, and normally looking at the past trend this increase will be finalized only after 2018 or so. So currently there is no danger of that sort. Our staff, which is non-officers that is executives our executive have a Pay Commission for five year, so there it was 01/07/2011 to 31.12.2011. In 2012 their thing was due which we have already negotiated and given the arrears to them last year and that is why we would be finding that my staff cost in fact if you look at this year, my staff costs are actually down from last year. My staff cost last year was 121 Crores in the first three quarters, it down to 114 Crores in the first three quarters. So, at least for two to three years, we do not see any impact, but our Board has directed us to be very prudent and to also halt the fresh elections till the volumes come back. Till there is a normalcy so that also will be and that is the step we are taking. We are halting our new inductments and we will match them with the increase in traffic when it is coming three or four months before that we will start the process again.

Achal Lohade: Sir, you talked about double stacking. You have reduced consciously because of various factors. Would it be the same case even for other players with the likes of Gateway or APL or Hind Terminals?

Anil Kumar Gupta: Gateway has the ICD, so it will make a sense if I am in their place it would make a sense for moving every train on double stack basis and they are making more terminals so by using double stack they can divert rakes from one stream to another stream which would be new stream so that is the benefits that they would be having. I on the contrary have a large number of rakes, so what we have done is what we could do we have halted the process of accretion in rakes. This year for instance, we had plans for 20 rakes but we have taken only seven so far and we have halted this process for the next year also, we will put a brake. We will not take more rakes in order to reduce these empty running till the volumes are guaranteed; volumes are there in the pipeline.

Achal Lohade: Last question, in terms of the entry of diesel vehicles in Delhi, their orders restricting that how does that impact CONCOR? Does it impact Tughlakabad?

Anil Kumar Gupta: Tughlakabad case was referred to NGT. It has been argued upon to NGT on many occasions in the last eight to nine months. We have actually been able to demonstrate how we are actually the best solution because all the ways we are beginning by rails, which is saving a lot of carbon emission. In fact, we have been able to prove that how carbon emissions per tonne kilometer goes down in case of rail to 28 gm/CO2 per tonne kilometers as against 84 gm/CO2 carbon emission by road and we have said that if you ask us to deal with this traffic outside Delhi this will be more suicidal and things seems to have gone down very well with the authorities and therefore they have not passed any directive against us, only thing that they are asking us to do is to ensure that non-destined vehicles do not come to Delhi. That is vehicles from outside Delhi do not come or do not go, containers are not going outside Delhi. Towards this they have put those border crossing charges, which were earlier 1400 and now increased to 2500. So I think that is pretty okay. That will ensure since we have lot of cargo demands for Delhi proper also up to now we had around 80% to 85% traffic of Delhi and 15% to 20% of outside Delhi, it will gradually become 100% Delhi traffic, they are fine with it.

Achal Lohade: So it does not impact much actually?

Anil Kumar Gupta: It would not impact much.

Achal Lohade: Thank you so much Sir.

Moderator: Thank you very much. We will take the next question from the line of Aditya Makharia from JP Morgan.

Aditya Makharia: Just wanted to get some clarity around any plans for fund raising because you just mentioned about the authorized capital going up?

Anil Kumar Gupta: Currently we have authorized 200 and subscribed 195. So there is hardly any margin, so there was a discussion that we must have a higher authorized so in case there is some sort of eventuality where we need more capital then we can immediately go in for if we have an interesting project, we get some good opportunity to make a beginning outside India since we are a Navratna now in the new line, we might require capital and this should not come as a bottleneck. So that is the reason we have increased this authorized capital. We will be going to our AGM to get their approval for increasing the authorized capital.

Aditya Makharia: Sir, and just on the ground question, in terms of the container charges which CONCOR levies let us say on a container from JNPT to Delhi like a 12 or 20 tonne container what would be the charge which you levy versus what a truck would levy?

Anil Kumar Gupta: It would depend on the loadability. There are four slabs. So, there are slabs, there are rates of up to 10 tonnes, 10 to 20 tonnes, 20 to 26 tonnes, and 26 to 30 tonnes and there are also 30 and above also which has been reduced. Normally, we have noticed that charges up to 15 to 16 tonnes cargo if there is in a container road is cheaper because what is happening is because vehicle of 9 tonnes carries up to 15 tonnes indiscriminately openly. There will have a rate for 9 tonne and then they take per tonne so there is a lot of overloading, so we cannot match, if up to two containers can go in a truck there we cannot match. Where there is cargo exceeding 16 to 17 tonnes we are much more economical today, but then there are the first and last mile cost. For customers it is door-to-door cost, which is more important then first mile, and last mile in containers are heavy cost. So everything depends on the total inland haulage cost.

Aditya Makharia: Sir, about Rs.45000 would be a fair amount? Just a ballpark maybe for a 12 to 15 tonne kind of container for what you charge?

Anil Kumar Gupta: No, we charge only around Rs.24000 to Rs.25000 for a 14 tonne container. I think it would be Rs.24000 to Rs.26000. That is our charge. Our handling would be around Rs.2000 so may be Rs.28000. Shipping line maybe charging around Rs.42000 to Rs.44000 because shipping lines takes into account what is their import and export in balance. I have not gone through it in this month. Last month I gather that they are levying around 23% MTV provisioning. So for every Rs.100 they will say Rs.23000 if I do not get an export I will have to move this empty on my own, my rate is Rs.23 so we will add 23% of that. So that varies. My charges are on my website and these lines what they charge is the inland haulage are also on their website. You can make an easy comparison.

Aditya Makharia: Thank you Sir.

Moderator: Thank you very much. We will take the next question from the line of Lokesh Garg from Credit Suisse.

Lokesh Garg: Good morning Sir. Basically I wanted to ask you now that Pantnagar and KhatUwas have sort of close to being inaugurated, Pantnagar already inaugurated so essentially wanted to ask what is the total capex now in both of these assets individually? And let us say for Pantnagar you shared first month numbers of something like 20 rakes. So what is the number that needs to be for us to be making some amount of money from let us say Pantnagar as an individual ICD? Just sort of taking some initial understanding from your side on this?

Anil Kumar Gupta: Total expenditure in Pantnagar has come to around 90 Crores. That is the investment. We have made a JV. AS you would know we have made a separate JV and that JV is expecting a gross margin of around 26% to 27% in the first year itself.

Lokesh Garg: But basically this current run rate is not enough, right? What has to be the run rate for you to be making?

Anil Kumar Gupta: 26% is the current run rate also only, which means it is very good. Show me a business where we will make 27% gross margins first quarter.

Lokesh Garg: This was gross margin, I was thinking in terms of more return on capital, so if you have to make let us say something like 10 to 12 Crores on this what is the number that needs to be there on the traffic side?

Anil Kumar Gupta: Lokesh Ji I have given you 90 Crores, you find out the annual capital recovery, you see the operation cost 15% margin there, you find out the numbers yourself. Do not force me to share all these details with you on a conference call about how to run a business, sorry.

Lokesh Garg: What is the same number for KhatUwas investment number?

Anil Kumar Gupta: KhatUwas the total investment plan is around 480 Crores, but currently I am sorry, I am not carrying the actual figure, but we would have invested up to 140 or 150 Crores so far or 150 for the past two years we have been doing the operations. We have recovered enough annual capital, maybe land cost, I have already recovered. So, I am sorry cannot discuss the individual process like this on a conference call basis. Please be assured that management of Container Corporation is quite prudent in these cases. Our IRR for the facility is well beyond 15% and there is no reason for you to start developing doubts about whether we will be able to do well in that facility or not.

Lokesh Garg: Sir, I wanted to ask you basically this 6000 Crores of total capex does not seem to add up, if we add up let us say 90 to 140 Crores type of numbers. These are much smaller numbers for let us say if we add up 15 or 16 such MMLPs. So it will not add up to 6000 Crores. Are we missing something? Obviously there is rake capex and possibly others?

Anil Kumar Gupta: These are all everything. Capex is just not MMLPs.

Lokesh Garg: So MMLPs would roughly be half of it, right?

Anil Kumar Gupta: I will not be able to share the details with you. Currently the only thing that I can tell you is that as against 6000 we will be doing a capex of around 5300, 5400, we will be able to achieve. That the capex is also in MMLPs, new facilities, repair and maintenance of the old facilities, equipment addition at different places, we are getting for instance now for two facilities in Khodiyar and this place you are buying RMG, RTG, which will be a heavy cost of equipment, we have given an order for 25 restackers, which will be heavy investment then there are those wagon purchases for wagon we have to purchase the components, everything comes together would imply, would entail our spending around Rs.5300 Crores over a period of five years in the Twelfth Five Year plan as against Rs.1800 Crores investment we made during the Eleventh Five Year plan.

Moderator: Thank you very much. Should we take more questions from participants?

Anil Kumar Gupta: I think we have addressed every issue.

Alli Rani: Well past time. I think we should wind up.

Prateek Kumar: Sir, would you like to give some closing comments?

Anil Kumar Gupta: I would request all the participants if you still have any further questions, please come on the line. You can talk to me or Alli. We will answer all your questions. If you want to send mails, please feel free to send us the mail. You will get a proper reply also.

Moderator: I would like to hand the floor to Mr. Prateek Kumar for any closing comments.

Prateek Kumar: Thank you Sir. Thank you Madam for the call. We will end the call now.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us. You may now disconnect your lines.