

Transcript

“Container Corporation of India Limited Conference Call”



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Moderator: Ladies and gentlemen, good day and welcome to the Container Corporation of India Limited Q2 FY'14 results Conference Call, hosted by SBICAP Securities Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, you may signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Manish Kumar from SBICAP Securities. Thank you and over to you Sir!

Manish Kumar: Good morning everyone thank you for joining into the call. We have with us Mr. Anil Kumar Gupta, Chairman and Managing Director and Ms. P Alli Rani, Director Finance to discuss the Q2 FY'14 earnings. We will start the call with starting remarks on the quarterly performance by the management and will be followed by the Q&A session. Over to you Sir!

Anil Kumar Gupta: Thank you Manish. Good morning and welcome everybody to this conference. Our Q2 results were presented to our board on Friday and they were approved. They have all appeared, you must have had a look at it. I will just briefly summarize. This quarter was quite good in terms of physical throughput. This quarter we grew by 14% that was our total throughput increase was by 14% comprising a 14.26% international handling and 12.69% in domestic handling. So for the first time after many quarters, international handling was very very good.

Our international booking was up by 10.14%, domestic booking was up by 13.08%. Our topline grew by 18.88%, it was a very impressive growth. Other income was marginally short by 3.1%, total income grew by 17.31%; however, there was problem in expenditure, expenditure had grown by 21.74%. We will come to the reasons when we discuss the detailed results. As a result of which the bottomline growth was restricted to 4.39% and as against 17.31% in the topline growth. These are the main features of the result. Now we can move to the discussion.

Moderator: Thank you. Participants we will begin the question and answer sessions. We have first question from the line of Mr. Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Good morning Sir and congrats for the great set of numbers. First sir, if you can put some light on the strong EXIM growth that we have witnessed in this quarter?

Anil Kumar Gupta: Our EXIM growth as I mentioned was to the tune of 14.26%. In last quarter in Q2 of last year we had handled 528148 TEUs, which went up to 603475. This was 14.26% with the first quarter growth that we had already the cumulative growth has now in first half year has come up to 8.52%, you remember we have been targeting 10% for the overall year, so we have now inching near to 10%. The main reason for this was a very good growth of exports. Exports really grew well and as a result of which it helps me in continuing my empty positioning cost also in export and import. Exports grew by 13.93% in the first six months now, whereas imports have grown by 4.23%. So total growth has been 8.52% in the first half, mainly fueled by Q2, as Q1 was not that good in exports.

Ankur Periwal: The reason I asked was port volumes are still showing a negative sort of degrowth in terms of volume growth for this quarter?

Anil Kumar Gupta: Port volume for the major ports the volumes actually declined by 4.49% for the major ports, but if you add Mundra and Pipavav figures, then total port volumes also grew by 1.7%, so there was a marginal growth, but we were able to actually increase our market share especially in the export traffic and gain perhaps at the cost of other players due to our aggressive structure and as a result of which we were able to grow at quite a handsome growth rate.

Ankur Periwal: Great sir, any geographic spread that we have seen probably NCR has grown a faster pace while other geographies have not or it was a widespread growth across?

Anil Kumar Gupta: It has been widespread. Everywhere there has been a good growth even ICD in Central India like Nagpur ICD has done well, Secunderabad has done well, Khodiyar has done well, Northern India has done well primarily as I said it was primarily a growth which was driven by some growth in exports.

Ankur Periwal: Sir I presume the same trend must have continued in the first month as well in October as we speak today?

Anil Kumar Gupta: We are quite bullish.

Ankur Periwal: Sir on the margins front especially on the empty front that you mentioned there is significant increase in the rail freight cost as well, so how has empty turned out both for domestic and EXIM in this quarter?

- Anil Kumar Gupta:** For international our empty positioning cost was lower as compared to last quarter. In last in fact if you look at the cumulative figure of this particular year my empty positioning cost in ISO is 6.19% as against 8.10% in the last year first half, so there is a saving of almost around little less than 2% in the empty freight.
- Ankur Periwal:** If you can help with the absolute numbers that will be great?
- Anil Kumar Gupta:** Out of total freight that I paid, it was 8.1% of the total freight paid for EXIM movement last year in first half. This year it is 6.19% of the total EXIM freight paid. So there is a saving of almost 2% point and this has helped us, but domestic empty has been a problem as was the case in the first quarter even in second quarter our domestic empty positioning cost have increased whoppingly in fact in the first half combined my domestic freight movement as a proposition of total freight was 12.19% last year. This is 14.88% this year. Primarily, it is due to movement of empty containers on our own account, element which is totally missing in international, in international we have only balance moving empty, because of mismatch between ports and mismatch between exports and imports in domestic, because of the mismatch between traffic moving between North and South. North to South movements are very good, South to North movements had really heated off similarly North to East movements are quite good, but from East to North again cargo eluded us, so we had tune effect, we had a lot of empty movement for longer distances. So as a result of it my empty freight actually went up by 78.29%. It was in first half of last year, we have incurred almost 30.95 Crores on movement of empty containers and wagons in domestic sector in first six months. This year it is 55.18. So this additional 24 Crores has really resulted in, you must be very disappointed with the PBIT that you see in the segment wise analysis it is all a result of this, but the point is we went ahead and we did not want domestic cargo movement to be brought down. There was an issue that suppose if I not increase my domestic throughput and I continued at the last year level, may be I did not have to incur these empty haulage cost, so we took a deliberate decision of increasing our throughput and then waiting for the movement to increase throughput in the reverse direction also, which according to us is a much better strategy, so long as my marginal returns are positive this is what we thought was a better policy.
- Ankur Periwal:** Sir, just one last thing, you mentioned our EXIM empty cost there is a 2% saving on a total freight basis in the first half this year when comparing the same to last year, but if I look at the absolute EXIM margins on the per TEU basis we are more or less flattish, so is there a lag over here?
- Anil Kumar Gupta:** Margins of course you would remember, this first half of this year is direct reflection of the two hikes in the freight that we have taken here in November and February, so the last years' first half and this years' first half bears the impact 18% if you remember, 18% was the average hike we had assessed and we were able to pass on only 13%, 13.5% in overall. So there it is the impact of this empty repositioning saving is actually to some extent mitigating that empty that loaded haulage that we have to pay extra, that explains the level being constant.
- Ankur Periwal:** Thanks a lot. I will get back to the queue in case I have more questions. Thanks.
- Moderator:** Thank you. We have the next question from the line of Mr. Pradeep Kumar from Religare Capital. Please go ahead.

- Pradeep Kumar:** Sir just firstly domestic volumes what was the numbers?
- Anil Kumar Gupta:** Good morning Mr. Pradeep. Q2 of last year was 106175 was the handling and this time it was 119646, so there was a 12.69% increase for HY1 it was 202521 and this time it is 233652, so that is 15.37%.
- Pradeep Kumar:** Sir obviously we see a lot of volatility in terms of EBIT per TEU for domestic versus what we see for EXIM that is primarily driven by obviously higher empties for domestic?
- Anil Kumar Gupta:** Yes I just now explained when Ankur asked me that was the explanation that I was giving.
- Pradeep Kumar:** What kind of margin we can take for next year; there is a lot of volatility here?
- Anil Kumar Gupta:** We should get back to our old 9% for next year. There are some good signs. We are talking to railways and railways appeared to be agreeable to take back those commodity class rates all together. They are just negotiating. They want some increase in empty freight. We are telling that no empty freight should not be increased, but we feel that if they permit us all the commodities and maybe our need for movement of so many empties will go down, so those are the thing which we are working on, something is likely to come in very soon, may be in fortnight or so and then we should be able to capitalize on the sense of this increased traffic in one direction, which we should be able to compensate. Of course all this is with the provisions that economic situation improves. Today the problem is economic situation even otherwise even in the roads the movement from North to South is there, but South to North movement has come down substantially, so those provisions are still there.
- Pradeep Kumar:** Sir domestic 9% EBIT margin you are saying?
- Anil Kumar Gupta:** I am talking about PBIT.
- Pradeep Kumar:** There was a recent freight hike from start of October and also refueling surcharge, which factored other cargoes probably not containers, so would that expected to impact in near term like major hike which is pending for containers, which was taken for cargo, other cargo?
- Anil Kumar Gupta:** See this particular hike this is the levy of busy season surcharge which is there every year, so it is now indication of our rates also increasing, other than that they have increased some general rates, now those rates are applicable to us also because those commodity class rates, earlier they had separate commodity class rate per TEU charge, but from June onwards railways have now said that it is the same railway rate which will be applicable to us also, so if that railway rate goes up by 4%, we also pay 4% extra. The only thing is we do not pay busy season surcharge. Now that we have seen it does not really help us because in the current rate structure we are actually 10% to 15% above the original rail freight, so even after levy of busy season surcharge, we do not become more competitive.
- Pradeep Kumar:** I am not talking about the busy season surcharge, the other regular rate hike which happened for cargoes that is also applicable for containers that is around 4%?

- Anil Kumar Gupta:** It is not except for those commodities which are being moved by us on the same basis, you will remember that sometime back line commodities we are supposed to be paying railway freight minus 15%, so all those commodities automatically goes up for us also.
- Pradeep Kumar:** Sir any update on the capex front the PFT terminals?
- Anil Kumar Gupta:** That program is moving very smoothly. We had given a target of almost 1100 Crores this year investment 1096 Crores. In first half, we had committed something like 290. We are already up by around 30%. We will be crossing this limit. I am very optimistic. The only thing is two facilities, which are there in Andhra Pradesh, suppose that division we feel there may be problem wherefore we may not reach 1100 ultimately, we may reach around 1050 or so, but all things are going as per schedule. All our logistic facilities there are 15 of them now on the drawing board level and at different levels and we are quite hopeful now pursuing them in a wonderful manner, in the planned manner.
- Pradeep Kumar:** Sir, in the recent conference probably you talked about expanding aggressively in the eastern market?
- Anil Kumar Gupta:** If you really look at the 15 facilities quite a few of them are coming on the eastern sector, there are facility in Odisha, there are facilities in Vizag and they will be strengthening the eastern coast, this was in conference where people asked us why do not we have many facilities in the eastern coast and there we told them that it is not correct, we are coming up with a lot of facilities, there is Jadugora on eastern coast, there is Rajpur on eastern coast, Paradip is coming, Vizag is coming, then Naya Raipur we are making which will also linked to Vizag and eastern coast main so there are lot of facilities coming there.
- Pradeep Kumar:** Sir, but pretty much lot of container volumes goes from west coast only?
- Anil Kumar Gupta:** That is today's position, but the fact is that if you really look at the numbers even eastern coast ports do carry a lot of containers. There our share is very low. I will confess that in Kolkata for instance port does around 230,000 we do around 15000 only then Vizag port does 130,000, we are doing around 10,000, Chennai our share is low and this is primarily what we are strong is in Mundra, Pipavav and JNPT Port. So company is feeling that if we have to grow, we have to grow in all other ports also and therefore those linkages are being planned, so that we can become major shareholder even in those ports.
- Pradeep Kumar:** Did we add any rakes during the quarter?
- Anil Kumar Gupta:** We had plan of adding 20 rakes this year. We have added six up to now. There was some technical problem because of which the sources now held up. We will not require ultimately I think we will fall short of around 6. We will be acquiring 14. Six we have already acquired in remaining six months period, we will be acquiring 8 more rakes, so 14 rakes will be acquiring.
- Pradeep Kumar:** One last thing can we have the port wise volume share for concall like we get every quarter?
- Anil Kumar Gupta:** Port wise our share this time in 2013-2014 it was for JNPT Port it has touched 46.8% as against 53.4%, last year in first half. In Mundra we are up to 21.6% as against 17.6% in last year first half. Pipavav we are up

20.1% as against 15.1%. So these three combines now we have 47% + 41, 88% is in these three ports. It was 87, 85 last year, but the JNPT port share has fallen to 46.8 and Mundra and Pipavav have risen.

Pradeep Kumar: Chennai would be?

Anil Kumar Gupta: Chennai is low. Chennai is 7.6% as against 8.9% last year.

Pradeep Kumar: Thanks a lot for the answers. I will get back in the queue.

Moderator: Thank you. Next question is from the line of Sanjay Satpathy from Merrill Lynch. Please go ahead.

Sanjay Satpathy: Sir good to see the volume growth coming back. You mentioned that your growth is mainly driven by market share gain because the market give 1% or 2%, can you just give us some more idea on that how and who are really you are getting it from?

Anil Kumar Gupta: I cannot tell you whom I am getting from, yes my share certainly it was...

Sanjay Satpathy: My pessimism is more like are you getting it from road versus rail or it is more or between the container rail terminal operators?

Anil Kumar Gupta: From both the sources. A lot of people are coming to us, because in exports we have launched this drive and we were giving heavy offers, so as I mentioned earlier during this period first six months period my exports have actually grown by 13.93% as against 4.23% growth in imports and total growth is 8.52%, specifically coming to EXIM, my share in first six months of last year was 77% that was Concor share, we have gone up to 80%. Overall we were 75%, we are marginally up to 76% now.

Sanjay Satpathy: This 77 to 80 we are talking about only railway share, among that railway itself has gone up?

Anil Kumar Gupta: No railway share has in fact remained constant or slightly reduced.

Sanjay Satpathy: Here you mentioned 77 and 80 and also some number 76 I could not get what was that?

Anil Kumar Gupta: Overall, the first 77 to 80 was EXIM and overall if you take EXIM plus domestic we were 75 last year and this year we are 76.

Sanjay Satpathy: Another thing I wanted to understand is that you mentioned this port wise volume share that is JNPT 46.8% etc., is there is anyway to find out whether the ratio of your value added services are they also split in the same ratio as that the volume?

Anil Kumar Gupta: No I think there has been a drop. During this period there has been a drop in the value added services utilization, because see everything is in value term, so what you will notice this year is that there has been an income from operations actually gone up by 18.88%, it is result of both the freight hike as well as the actual volumes. So this growth is primarily come largely from the freight hike which itself is around 78% of the total realization. So other value added services have not grown, they have remained constant, they have remained

almost constant and therefore if you really look at the percentage share of other value added service it has gone down.

Sanjay Satpathy: Anyway to quantify this number Sir? Can I ask this question little differently that it looks as it got anything to do with your mix sales away from JNPT?

Anil Kumar Gupta: No, no it has got nothing to do with that. Typically it depends on the scenario where the people are in fact like to work, like Tughlakabad my biggest ICD. Plus today people are just very curious to get the container cleared and take it out today itself because the demand is so high, they are spending so much money in carrying cost and paying heavy custom duty that they do not really want to wait here may be the large sizes have come down, traders volumes have changed all those kind of factors keep on playing in the day-to-day business, so demand for warehousing has not increased proportionately to the demand to the throughput that is exactly what it means. It has remained same.

Sanjay Satpathy: Is it possible for us to understand that you said about Tughlakabad, but how about the ports and how that it vary between JNPT, Mundra and Pipavav?

Anil Kumar Gupta: I do not understand. What will value added thing have to do with the port wise distribution. See it is shipping line. Today Maersk has double dip. Maersk vessel first comes to JN port and then it comes to Pipavav. Now Maersk takes a decision today to discharge north boxes not at JN port, but at Pipavav, because JN port is having some problems, so Maersk takes it to Pipavav. Now customer is the same, just because it comes from Pipavav his demand for value added service will not differ.

Sanjay Satpathy: Understood. Just last question wanted to get to from this data that you just mentioned about export versus import, can you get what is the percentage that is of the total throughput how much is export and how much is imports now?

Anil Kumar Gupta: Well, for this April to September out of 1151094, that is 11.51 lakhs TEU imports were 6.16 and exports were 5.35.

Sanjay Satpathy: Thanks a lot Sir. I will be back in queue.

Moderator: Thank you. Next question is from the line of Lokesh Garg from Kotak. Please go ahead.

Lokesh Garg: Good morning. Sir I wanted to ask you basically your share from Pipavav and Mundra, essentially your throughput from Mundra and Pipavav are essentially the same, but very cursory observations are just that Mundra is at least 3X the Pipavav size, so what factors contribute to relatively higher share from Pipavav or a relatively lower share from Mundra also?

Anil Kumar Gupta: Mundra you have many lines calling. Pipavav not almost all the lines are calling. So Pipavav shares are high. As you know Mundra has moved quite ahead of Pipavav overall in the first six months. Mundra has handled 1 million, 1.02 million TEUs whereas Pipavav has handled only 0.3 million TEUs. So Mundra is handling much more and almost all lines are there in Mundra and there we have moved 172000, which comes to around 25%. Pipavav we have moved 160 out of 306, so we are high.

- Lokesh Garg:** But why is that basically, are you facing more competition at Mundra wherein more container line operators are operating out of Mundra as a terminal?
- Anil Kumar Gupta:** Obviously we are facing more competition. In Mundra you have MSE who has got totally different package with Adani Port Limited. We are not in those things. They have some deal that if they handle so many, I do not know I am not aware of the full exact details of the deal, but Mundra Adani Port has lot of deals with lot of shipping lines and they give them. I am sure the Maersk also would be having similar deals that Pipavav, but I think more and more cargo that Maersk handles the Pipavav its own cargo, so there are different things, but our share is almost around 50% that was last time when we saw that whatever containers are moving by rails from Mundra our share was around 50%. Mundra rail share is lower. Overall rail share is also lower. So Mundra, Pipavav, I am not carrying the figures of others moving through Mundra, but Mundra I suppose rail share would be around 35% to 40% whereas in Pipavav rail share would be almost 75%. Mundra a lot of cargo get dissipated in the CFSS there.
- Lokesh Garg:** Sir which are the other containers line operators, as a container train operators, who are operating out of Mundra and taking away this other 50%?
- Anil Kumar Gupta:** Almost everybody is doing.
- Lokesh Garg:** So basically it includes everybody from let say Adani Logistics itself to Gateway Distripak and all that right?
- Anil Kumar Gupta:** Yes. Whosoever is in international traffic, whosoever is moving international traffic and there are many players who are not moving international traffic, there are some players who given the rake from lease to others.
- Lokesh Garg:** But for you to grow consider Mundra is growing so well you are obviously one target would be to get Mundra market share also along side with the national market share that you have of 75% to 80%?
- Anil Kumar Gupta:** Mundra, basically I said Mundra is handling big vessels of MSC and APL. Those two are themselves the container train operators, whether they will allow me to take their line cargo is something which is the main challenge for GTL and us because they have full control all the activities, they have their own vessel, they have their own train, would they like to share with me that is the issue.
- Lokesh Garg:** You are seeing this MSC and APL investing in?
- Anil Kumar Gupta:** I do not think. We will refine to my results. I am not authority; I am not authorized to talk about others there.
- Lokesh Garg:** I had another question, which is just as you had share port wise let us say volume share, I just want to ask you how much business is contributed by top 5 for 7 ICDs whatever number you have and which ones are those?
- Anil Kumar Gupta:** Can we discuss this separately? I am not doing that analysis now. I do not have any figure with me just now. Please confine to the results of the second quarter.
- Lokesh Garg:** The other question that I had is there was some fare hike which happened recently, is all of it passed out or is there some which is being observed, which can get passed on to the market in the next few quarters?

Basically the freight hike that happened in November and February last year, some of it still absorbed by Concor or all of it has passed out to the market?

Anil Kumar Gupta: I think you are talking very old subject now that we have already repeated so many times, today morning also I have repeated, out of 18% we passed out 18% was the total hike that Concor faced and we passed out, we were able to pass around 13% or so, I mentioned in reply to Mr. Periwal.

Lokesh Garg: I think I must have missed that I joined a little bit, but is the remaining 5% incrementally what is your view on that can we pass it into the market?

Anil Kumar Gupta: Today, we do not find any scope for passing on any hikes, traffic as it is not showing any encouraging sign and I cannot touch my own feet by passing on hikes at this time.

Moderator: Thank you. We will take the next question from the line of Mr. Krishnendu Saha from Quantum Mutual Fund. Please go ahead.

Krishnendu Saha: Thank you for taking my question. I just wanted to understand you spoke that on the next fortnight ahead in your notification, which could allow you to carry more cargo on the domestic front, Sir is it possible for you to quantify us to how much your domestic cargo could improve by?

Anil Kumar Gupta: I cannot, we do not know what is coming, so we do not really be able to say anything, but once this comes then we will have a tool, we will approach the customers to it, try and minimize the impact of the empty running.

Krishnendu Saha: And it will be mostly over those one of those will be nine commodities like cement and pig iron, or raw steel whatever it was?

Anil Kumar Gupta: Yes.

Krishnendu Saha: Sir could you can just give us what you call the lead distance and the H1 EXIM volume please?

Anil Kumar Gupta: This year it was 1151094. This is the EXIM as against 1060687 last year, domestic was 233652.

Krishnendu Saha: Lead distance if you could please?

Anil Kumar Gupta: Lead distance, my international lead distance this year had gone loaded. I will talk the total had gone down from 1023 to 1003. For domestic it has gone up from 1403 to 1504. The main thing is that in this in domestic the MT Lead distance has gone up from 770 to 885. So that is outperforming, so that is disturbing.

Krishnendu Saha: Sir just for my knowledge this is very layman question, on like-to-like basis the same distance the haulage charges on the EXIM route and on the domestic route suppose 100 Kilometers or 150 Kilometers would be the same right?

Anil Kumar Gupta: Yes.

- Krishnendu Saha:** There will be no difference?
- Anil Kumar Gupta:** Yes.
- Krishnendu Saha:** Thank you Sir. That is it.
- Moderator** Thank you. Our next question is from the line of Mr. Rajesh Kumar Ravi from Karvy Stock Broking. Please go ahead.
- Rajesh Kumar Ravi:** Congratulations for good set of numbers. Sir would you say like in this quarter we have seen the benefit of exports picking up now that the last two to three quarters we were suffering because the currency volatility so how is this situation currently? Do you believe that with the currency now stabilized at around Rs.60, import levels you see any uptake in that happening?
- Anil Kumar Gupta:** That to be very honest, I think we are seeing the lag effect of this currency volatility. When it went up to Rs.68 I think the effect of that is coming now. Now today my tendencies in port have gone down tremendously because I mean whosoever booked two months back there is a process of people making things after receipt of the order and then dispatching and then shipping taking around 30 to 45 days and perhaps it is the impact of that if we are feeling now import tendencies have gone down very, very much in last fortnight or so. Now this is stabilizing at Rs.60. I think it is going impact another one-one and a half months later but overall we do feel that with Rs.61 there would not seem to be much of an issue and import should be coming back. We are banking on that.
- Rajesh Kumar Ravi:** When I believe import EXIM margins are better compared to the export margin?
- Anil Kumar Gupta:** Actually we priced it like that, that elasticity of demand for export is much higher and we see very good price sensitive in importing to some extent so that has always been the case import export pricing parity has been there and in fact that is one of the main reason I mean if you really somebody could ask me that if you have grown in volumes at 14% why income from operations is only 19% and not more because freight increase is also there and everything was there. So it is basically primarily this because my rate of growth of exports has been good 14% but import growth is 4%. More growth in export brings me slightly lesser growth in the revenue of import.
- Rajesh Kumar Ravi:** So going forward if you see the import side of the growth picking up based on the Rupee stabilization, should the margins improving?
- Anil Kumar Gupta:** Overall I think, we have now reached a level we should continue maybe marginal changes in that. The levels that we have reached now are slightly stronger levels and in my EBITDA this time is 28.46 if you include other income also and if you exclude other income it is 23.02 it is down from 24.42. This 2% drop this is something, which we were expecting, built in because of pressures on us and all other peoples to absorb the rate because of the market condition.
- Rajesh Kumar Ravi:** Sir, would you throw some light on the PFT expansions? What sort of revenue contribution of the PFTs have in FY'14 and in FY'15 based on the current projects which are up in running?

- Anil Kumar Gupta:** PFTs are now coming into play. We have got two notifications. Now we are actively talking with people and those PFTs revenue will now start flowing in. We have not factored in any significant revenues from PFTs in current year 2013-2014. For 2014-2015 it will be a significant one.
- Moderator** Thank you Sir. We will take the next question from the line of Mr. Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** Good morning Sir. Congratulations on good set of numbers. Sir just one classification that I was seeking is that if I look at the absolute EBIT per TEU numbers for the EXIM business despite the higher market share from the non major ports the profitability seems to have remained intact, as I understood I think JNPT NCR was the more profitable route for Concor so what is compensating this you are having higher market shares from the non major ports despite that the profitability has now gone down?
- Anil Kumar Gupta:** See as I mentioned earlier also primarily one is this composition of exports and imports and my exports are generally priced lower than imports because of very high price elasticity of export. Here I have slight disadvantage if you have very large number of fleet, then you have to bother about the empty running of 270 rakes there are small players who has five rakes he looks on some niche thing exports of five rakes and imports of five rakes in batches which he keeps on moving it very fine so that is why we have to be aggressive and we have gone ahead and targeted exporters and converted that my offering them quite good rebates etc., so that is one thing in my all margins today exists here we have made a rebate provision in first two quarters of almost Rs.38 Crores whereas this rebate figure for last year were combined was Rs.46 Crores so we are hoping these rebate become payable at the end of the year. We are hoping that we will have significant volume gains and therefore these heavier rebates will become payable, so to have less realization from the comparative relatively lesser realization from exports. We have the increased rebates and these two are the client factor, which have led to our margin and of course absorption of around 5% to 6% of our haulage charges hike. These three are the main factors, which have pulled the margins, net margins down from what they should have been if there were no constraints on these three plants.
- Bhavin Gandhi:** Sir just one clarification, the port wise volume shares that you given out are on origination volumes and not on any handling volumes?
- Anil Kumar Gupta:** No origination.
- Bhavin Gandhi:** So can I have the origination numbers also for EXIM and domestic?
- Anil Kumar Gupta:** Origination numbers for international in this quarter was 453068 for domestic it was 59270 total 512308.
- Bhavin Gandhi:** Thank you Sir.
- Moderator** Thank you. Next question is from the line of Mr. Abhishek Ghosh from IDFC. Please go ahead.
- Abhishek Ghosh:** Sir you have given the empty running lead distances for domestic is that 885 versus 705 could you also share the same for EXIM sir?

- Anil Kumar Gupta:** For EXIM, loaded has gone down from 1044 to 1020. Empty has gone down from 695 to 614 overall 1023 to 1003.
- Abhishek Ghosh:** Just one more things, you said capex incurred in one half FY'14 is about 296 Crores is that right?
- Anil Kumar Gupta:** Yes 296 was target I have already incurred around 330.
- Abhishek Ghosh:** Sir just one last question on any commentary in terms of how do we see empties going forward from here so we have done well in terms of EXIM so domestic commentary you have already given but in terms of EXIM what is the kind of empty?
- Anil Kumar Gupta:** EXIM now it should stabilize at this level around 6.19 in fact I mean I don't mind it being around 6.5 that have been the traditional empty report. We are now well within that range.
- Abhishek Ghosh:** Sir just one last thing would you have the absolute number in terms of empty running for EXIM and domestic?
- Anil Kumar Gupta:** I am carrying this year's number. This year I have made from EXIM 7.4 Crores in the first half and for domestic it is 55.18.
- Abhishek Ghosh:** Could I have the corresponding FY'13 number?
- Anil Kumar Gupta:** Domestic it was 30.95 and EXIM was 76.96.
- Abhishek Ghosh:** Thank you so much Sir.
- Moderator** Thank you. Our next question is from the line of Mr. Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Sir Good morning. Thanks a lot for taking my question. Sir first thing you had mentioned something about the rebates. For first half you said was 38 Crores is the provisioning you have done so for the year basically you have increased the provisioning if I remember right, you had targeted at about 66 Crores of provisioning for the year?
- Anil Kumar Gupta:** Yes now that we have got more agreement with users. We are hoping now. For first half it is 38 total we are expecting around 74 kind of thing.
- Mukesh Saraf:** So that basically the increase in rebates is resulting in your volume growth?
- Anil Kumar Gupta:** Yes.
- Mukesh Saraf:** Sir my second question is on the PFTs last quarter you had mentioned that Secunderabad and Kathuwas were you had already approvals in place but there was...?
- Anil Kumar Gupta:** Secunderabad we have started handling rakes. There was a change in the policy of PFT by Indian Railways. At the time of announcing budgets what they did was earlier for PFT there was a provision of terminal handling

charges, separate levy of terminal handling charges, 50% of which could be retained by the PFT operator, 50% had to be shared with the Railways. In the budget they did away with the terminal handling charge. They substituted in the Railway freight. Now that created the bit of problem and people said that if your charges are going to be higher than Railway charges why should I come to you. So those kind of issues had started coming so what we have done is we have said okay you come just for the value added I will not charge you anything if you take my value added I will give you a charge-based service so we have started we have started getting some Cargo. It is a matter of time. We will definitely get them on our side and then start revenue activities also so at both the places at Secunderabad we have already started we have handled 5-6 rakes already in last two months and there are some marginal revenues which has started flowing in. For Kathuwas terminal, Rewari, our notification has been done One and a half months back and we are yet to make a headwind but we are talking to lot of customers and will soon be getting into Cargo. My construction was also going ahead so it is not fully ready also but this is something, which we should start in the fourth quarter aggressively.

Mukesh Saraf: But in FY'15 we do expect to get the usual revenues not just from value added services?

Anil Kumar Gupta: Yes from FY'15 we expect them to be to become

Mukesh Saraf: So basically Railways will change this 50-50 share that they have with you because I do not see them...?

Anil Kumar Gupta: It is basically their share is also not from Day 1. It is basically share is supposed to be after a period of around two years. That is a period of two years. So initially whatever charges extra we will be able to retain. So there is a resistance. They say railway traffic is also down. Railway is not getting that much of demand for terminal, which they were expecting had traffic grown at the same rate that each of us going last year so today we are in a situation where people say Railway in Railways budget we are not charging, why should I come to you? But it is a matter of time, I think we will be able to get customers from service levels that we will be providing we will be able to get them on our side, ultimately it is a win-win concept. It will become easy.

Mukesh Saraf: In the past you had mentioned that our realizations have been growing because although volumes might not be growing the tonnage has been growing per TEU, can you share some sense on the tonnage this quarter? How it has been?

Anil Kumar Gupta: In fact this time it has moved in a similar manner unfortunately, my tonnage in the first six months have grown by 6.8% whereas volumes have grown by 9.62% so tonnage is slightly subdued this time.

Mukesh Saraf: So that means, but in the first quarter we saw the tonnage was higher growth so that means the second quarter especially the tonnage has come down significantly?

Anil Kumar Gupta: Tonnage is not that significant.

Mukesh Saraf: So that could also be factored in your lower profitability because you had mentioned that not able to pass?

- Anil Kumar Gupta:** Yes this just implies that higher bucket higher weight import containers which were there in first quarter Q1 as a slight has subsided in the second quarter, but then this is something which is fluctuating. A lot of cargo that we are now moving gives me a hope that for Q3 my tonnage again should go up.
- Mukesh Saraf:** Do you also expect some improvement in profitability in your Rail operations because of double stacking? Are you seeing that pickup significantly?
- Anil Kumar Gupta:** Yes double stacking is picking up but our competitors are also moving double stack container in a big manner from Mundra to Gadi and Mundra to Patli and they are actually passing on the benefits of these customers so there is not a way when our customers will also start asking us to share the benefits in the double stacking with them. So I would not be really to phrase anything on that at this stage. We are talking to some big parties. We are telling them it is okay I will give you special rates based on a double stacking, we are in fact waiting for our Kathuwas to be declared as an ICD, then this traffic will start getting handled there. Today I bring the double stack cranes to this place called Kathuwas, which is around 25 Kilometers short of Rewari, but customers do not take delivery from there because it is not notified yard. We just do double sack. Up to there we bring one train and then from there between there and Tughlakabad between there and Dhadri it is a two trains. So we just get, we have to pay the handling charges additional. We have to pay additional freight so traffic, revenue gain is not so much as would be when people start taking delivery there. So some people who are in located in Gurgaon once they shift to Kathuwas and do custom clearance there then I will get the full benefit after a first sharing some of them with the customer.
- Moderator:** Thank you. We will take the last question from the line of Mr. Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** Thanks for the opportunity again. Just wanted the revenue breakup the Rail freight revenue in this quarter?
- Anil Kumar Gupta:** In this quarter Rail freight revenue was up from 1599 Crores to 1916 that is around 19.85%.
- Ankur Periwal:** Great Sir.
- Moderator:** Manish, would you like to add any closing comments here.
- Manish Kumar:** On behalf of SBICAP Securities, I thank all the participants and the managements for taking time out for the call. Have a good day ahead. Sir, anything you would like to add?
- Anil Kumar Gupta:** Thank you everybody.
- Moderator:** Thank you Sir. Participants with that we conclude the conference. Thank you for joining us. You may now disconnect your lines.



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