



**Southern Asia Ports, Logistics and Shipping 2006 India**

# **RAIL CONTAINER OPERATIONS IN INDIA**

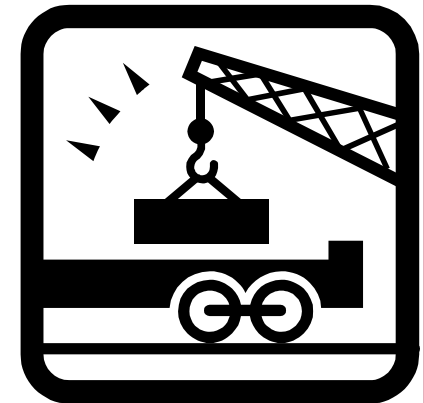
**S.K. Tuteja, Chairman**

***Central Warehousing Corporation***



## Key Messages

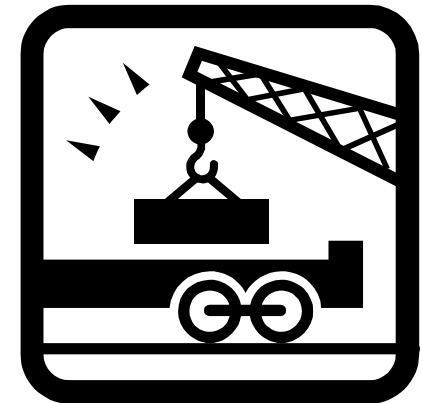
- **Logistics costs in India are high and could rise up even further**
- **Several key initiatives are being put in place to address this, making the logistics space very exciting**
- **CWC plans to be leading player in logistics**





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## Indian logistics cost are one of the highest in the world...

**World bank study shows :**

<b>(i) Developing countries</b>	<b>6-8*%</b>
<b>(ii) China</b>	<b>10*%</b>
<b>(iii) India</b>	<b>14*%</b>





## Three key factors are primarily responsible for these high costs

### Freight costs

Freight costs for rail and road are quite high. For example Indian rail freight costs are ~2.5 times Chinese freight costs and ~2 times the Japanese freight costs\*

### Congestion costs

Congestion at ports and inland depots and roads has steadily increased which directly increases logistics costs and also results in overall high inventory costs as delivery times increase

### Transaction Costs

Administrative costs including insurance and government taxes continue to be high



## Costs could be rise further due supply and demand factors

### Demand Factors

- Rising container traffic (expected to increase by ~11% annually)
- Increasing traffic congestion (rail and road) as economy grows at ~8%, specially from B and C class towns
- Increasing congestion at ports and inland depots as exports and imports expected to increase between 20-25% annually

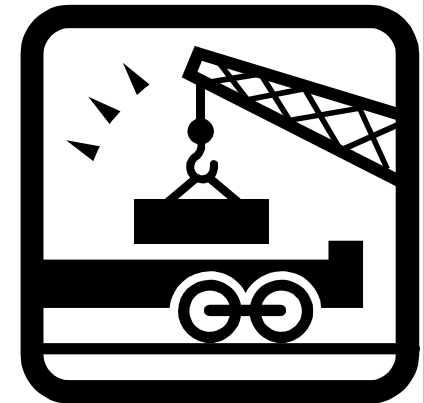
### Supply factors

- High costs of terminal development along with relatively little innovation in financing strategies resulting in only moderate pace of supply addition
- Poor quality of road infrastructure in class B and C towns
- Lack of logistics specific professionals



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## Several innovative steps including policy changes are planned to address this situation

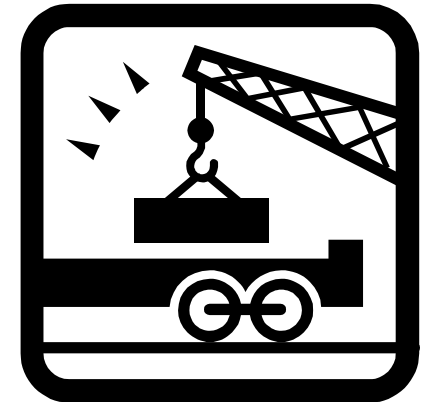
- **Dedicated Freight corridor**
- **Terminal Development**
- **Modal mix of Transport-opening up of container business**
- **Arteries connecting hinterland**
- **Road movement inside port**
- **Administrative facilitation in B & C towns**
- **Technological up-gradation in hinterland**





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## CWC is a leading logistics player...

- ❖ **Established 1962 and a Schedule 'B' Mini Ratna PSU**
- ❖ **Network of 517 warehouses with 10.3 MT warehousing capacity**
- ❖ **Overall turnover of ~600 crores and capacity utilisation of ~72**
- ❖ **Certified ISO 9001 and ISO 14001.**





**..with presence in different parts of logistics value chain**

- **First ISO 9000 CFS in Country**
- **Promoted demutualised on line Commodity Exchange**
- **Setting up **RWC** at 22 locations**
- **Re locatable container scanner**
- **Land Custom Station **Petrapol****
- **Cold Storage at Kandahar**





**...it now plans to consolidate and be leader in all major logistics areas**

- **CWC in the field of container transportation by Rail**
- **Investment of \$ 33 million for Container Rakes**
- **Development of Logistics Park as RWCs**
- **Focused development around upcoming Ports**
- **To be a major Logistics solution provider**





# Conclusion

- Existing network : Methodological solution
- IT application and data pool creation
- Balance investment in all modes
- Competition must become **REALITY**





THANKS

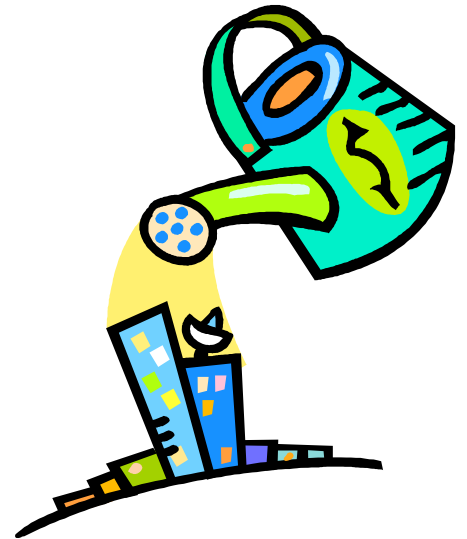


# BACKUP



## Key Message

- **Strategic global position**
- **Effective competition for success**
- **Hinterland Development At Micro Level**
- **Entrepreneurship centric approach**

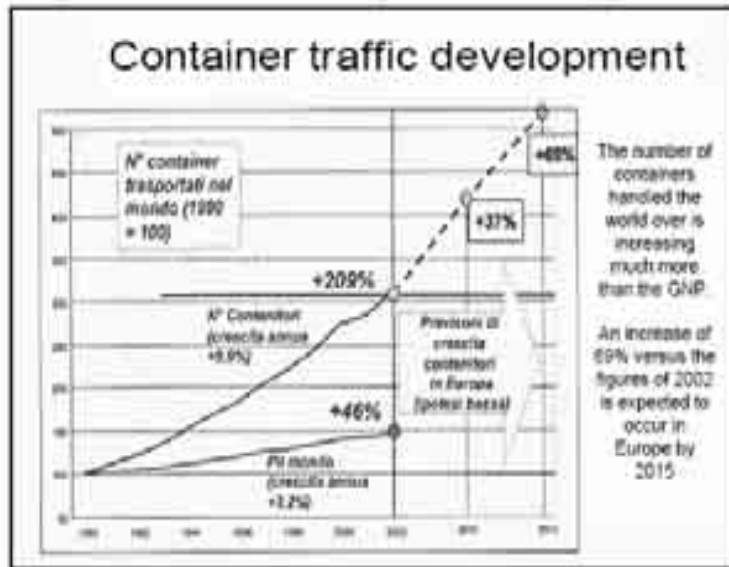




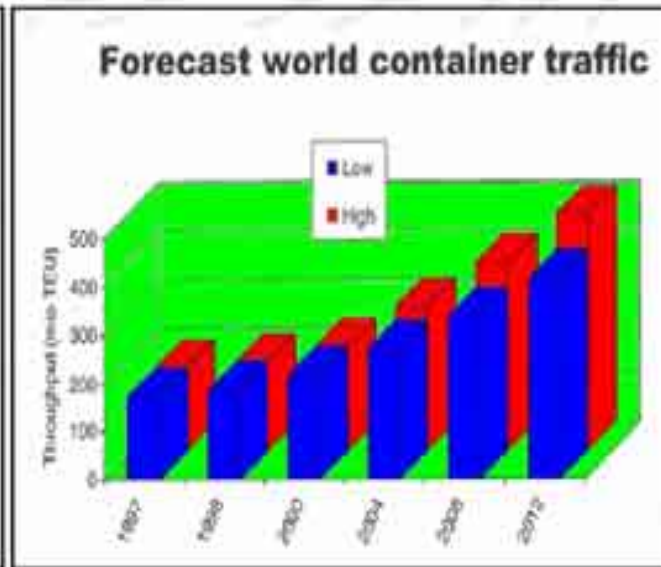
# The Existing Scenario : Global

- Container – Precious Commodity

## FORECAST IN CONTAINER TRAFFIC



Source: Assologistica

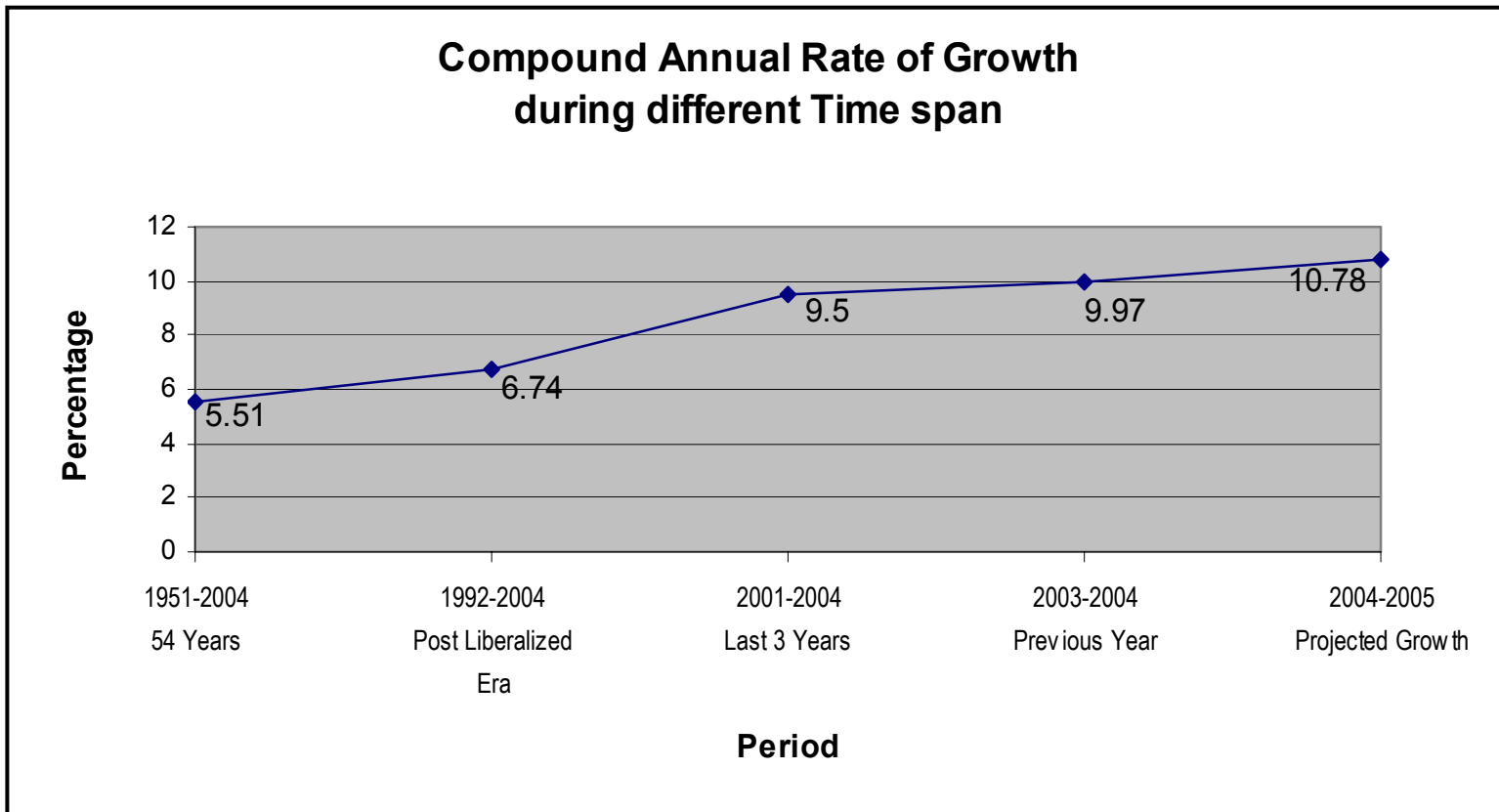


Source: WorldCargo News



# The Existing Scenario : India

## Growth of Traffic at Ports





## Areas of concerns

- **Logistic- precise time & cost**
- **Changes in facility design**
- **Facility shift from Rail to Road**





## CWC at a Glance

(Rs. In Crores)

Parameter	2003-04	2004-05	2005-06
Turnover	262.86	522.87	619.50
Profit before tax	33.88	60.42	106.95
Profit after tax	22.43	41.30	70.62
Dividend paid	6%	12%	21%
Occupancy in Lakh mts	55.24	61.58	71.59