

# “Gujarat Pipavav Port Limited Q3 FY19 Earnings Conference Call”

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**MODERATOR:** **MR. SHIRISH RANE – ANALYST, IDFC SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to the Gujarat Pipavav Port Limited Q3 FY19 Earnings Conference Call hosted by IDFC Securities. 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 the conference, please signal the operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Shirish Rane from IDFC Securities. Thank you and over to you.

**Shirish Rane:** Good afternoon everybody. Welcome to Gujarat Pipavav Port Limited's Q3 FY19 Earnings Conference Call. We have with us today Mr. Keld Pedersen, Managing Director of Gujarat Pipavav Port and Mr. Santosh Breed, Chief Financial Officer of Gujarat Pipavav Port Limited.

To start the call, the management will make a presentation after which we will open the floor for question and answers. Over to you, sir.

**Keld Pedersen:** Thank you very much and good afternoon to everyone. I would like to jump directly into the key highlights. So our container volume for the quarter came out at 251,000 TEU. This is the second consecutive quarter where we are happy to report a record volume and this time with 5% increase over previous quarter. As you know, we are doing trans-shipment, so underlying, we are also happy to announce that behind the numbers there is a 15% growth in EXIM cargo when comparing this quarter to the same quarter last year. On the dry bulk, we did 333,000 metric tonnes. This is a 37% decrease versus previous quarter and this is due to lower Coal volume. What I can add to that is that on the Fertilizer, when we look at on annualized basis, then we deliver 1 million metric tonne which is in line with previous years, so it is clearly the Coal that is affecting our bulk volume. On the liquid, we have done 149,000 metric tonnes. This is a 59% increase versus previous quarter and higher LPG volume, but we are also fully aware that we are coming from a very low base in the quarter before this one we are reporting now.

On the RoRo, we see in overall India that the export is down. Previous quarter, we are only reporting 20,000 cars, which is 7% decrease versus previous quarter, so that takes us to the financial numbers with Revenue of INR 174.7 crores, which is a 2% increase versus previous quarter. We have higher revenue from containers but off-set by lower bulk revenue. So the expenses at INR 760 million or INR 76 crores showed 3% increase versus previous quarter mainly borne by currency fluctuation, which we will comment later on. EBITDA level was at INR 987 million, a 1% increase. We have held up the margin at 57% compared to previous quarter and a net profit of INR 52.2 crores or INR 522 million. This is 5% lower than the previous quarter, but in the previous quarter, we reported PRCL dividend as part of this at INR 38 million.

So then we will jump directly into the P&L account because we think that actually the Q&A session is bringing more value as you already have the material, so I will hand over the word to Santosh now to provide some comments to the P&L.

**Santosh Breed:**

Thanks, Keld. So let me give you an overview on the financials for the quarter ended 31st December 2018. The total operating income for third quarter at INR 1,747 million is 2% higher than the immediate preceding quarter due to higher container income. In comparison to the same quarter last year, the operating income is higher by 7%. Total expenses at INR 760 million are higher by 3% as compared to the previous quarter. Operating expense at INR 327 million is down by 5%, mainly due to lower dry bulk volumes. Other expenses at INR 287 million are higher by 20% compared to the previous quarter. This is mainly due to higher repairs and maintenance and foreign exchange loss during the quarter.

EBITDA at INR 987 million is higher by 1% and margin at 57% is in line with the previous quarter. In comparison to the same quarter last year, EBITDA is higher by 4% and margin is lower by 170 basis points and this is due to the one-off offshore income in December 2017 quarter. Excluding this offshore income, the margin has remained stable. Other income at INR 103 million is lower by 31% as compared to the previous quarter mainly on account of dividend income from the associate company Pipavav Railway Corporation of INR 38 million. The net profit for the third quarter at INR 522 million is lower by 5% as compared to the previous quarter, mainly because of the dividend income from the associated company as I mentioned earlier. In comparison to the same quarter last year, the net profit is higher by 4%.

I will also give a quick overview of the financial numbers for the Nine months ended 31st December 2018. Total operating income for Nine months ended 31st December 2018 at INR 5,218 million is higher by 8% due to higher container volumes. Expenses at INR 2,343 million are higher by 16% due to maintenance dredging and higher operating expenses mainly due to higher container volumes. EBITDA at INR 2,876 million is higher by 2% and margin at 55% is lower by 300 basis points. This is mainly due to one-off offshore income in the previous year and maintenance dredging expense in the current year. So excluding this, one-offs, then the margins have remained stable again at 57%. Net result at INR 1,545 million was higher by 3% as compared to the previous year. So we are now happy to take the questions.

**Moderator:**

Thank you very much. We will now begin the question and answer session. We have our first question from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:**

My first question is that can you quantify how much was trans-shipment in this quarter in containers?

**Keld Pedersen:**

Because we have trans-shipment from only one customer then we will not do that, but what we can tell you is in the number we are showing, we also have a coastal growth of 42% when you compare the quarter to the quarter of the year before and combined coast and trans-shipment centres.

**Santosh Breed:**

That will be in the range of around 27%.

**Nitin Arora:**

Is it possible to share the absolute number here of the 2,51,000?

**Santosh Breed:** No, we don't intend to share this split right now. As Keld mentioned, we have only one customer on the trans-shipment.

**Nitin Arora:** I was coming to that, so it was basically Maersk who has moved from Nhava Sheva to you guys, so when we look at his volumes at Nhava Sheva, has it moved fully to you or is it still he is doing the double calling, doing some trans-shipment in Nhava Sheva and some at GPPV and my second question to that aspect is, is there any other line of trans-shipment which you see coming to you because we are still not seeing any movement from Nhava Sheva to any other port with respect to trans-shipment, whatever the Adani is doing is still doing with his own liners and if you can quantify what kind of realizations you are still holding on the trans-shipment?

**Keld Pedersen:** So let me take the market picture of trans-shipment first and put a comment to that before Santosh can give you the realization, but the trans-shipment is trans-shipment of empty boxes and we do not yet see any other movement in the trans-shipment. We do however still expect that they will relax cabotage rules gradually will pick up and show some trans-shipment in various ports including ours.

**Santosh Breed:** And just to answer the question on realization, on the container realization, mainly on the EXIM we continued to maintain our EXIM realization in the range of around INR 6000 to 6200 per TEU, so that we continued to maintain. We can't right now give any numbers specifically for trans-shipment.

**Nitin Arora:** Let us say, Maersk which does about 1,50,000 TEUs at port at Nhava Sheva trans-shipment, that was my question, has it moved fully to you? On an annual basis I am saying.

**Keld Pedersen:** We don't have those numbers and not from Nhava Sheva or Mundra, we don't have any more insights to give on that at this point in time.

**Nitin Arora:** My second question is that when we were doing 1,60,000 or 1,70,000 TEUs, my ICD volumes were still at 1,10,000 and 1,25,000 and today, we are doing 250 number, I understand trans-shipment has grown much faster for you but ICD volumes which is very important in terms of profitability for a port where you actually generate a profitability is still 1,30,000. So have we lost a big market share in the last 2 to 3 quarters to someone?

**Keld Pedersen:** We have actually increased our whole market share on the West coast.

**Nitin Arora:** Because the ICD volume number doesn't suggest that so that is why I asked and in terms of more of a capacity expansion question, when we look at today, we are almost like 250,000 TEUs and what I understand that trans-shipment is becoming bigger here and assuming that you are doing full Maersk for the whole year. Is it because it is a double dip at the end of the day, what you need is the waterfront capacity only? Does it still warrant an argument that you will be hitting 75 to 80% where trans-shipment becomes big? Is it still feasible for you to announce the capacity expansion or you can still handle those trans-shipments very easily?

**Keld Pedersen:** We can still expand.

**Nitin Arora:** My question is that today you are doing a 250 on a quarterly basis, so what I am saying is trans-shipment is a very big number supposedly here because you are growing at 27 to 28%, so your core volumes have declined here, which requires a storing, everything else.

**Keld Pedersen:** If I may just step in here, I started by saying that we had done 251,000 TEU and this was the second consecutive quarter where we could report an all-time record on container volume, but I also added that the underlying numbers shows that we have grown 15% which is better than market growth when you compare the previous quarter we are reporting on through the same quarter the year before. On top of that, we have grown on Coastal on top of the EXIM, then we have grown 42% on coastal volume when you compare to the same quarter last year.

**Moderator:** Thank you. We have our next question from the line of Parag Jain from HSBC. Please go ahead.

**Parag Jain:** I have two questions and first is the continuation of the gentleman that asked the earlier question, with containers being the largest part of your business and at the pace at which bulk and liquid have been shrinking, when do we effectively see the benefit of positive operating leverage or the yield dilution is such that we continue to see a profit less growth despite the largest part of your business continue to grow over and above normal range and the second question is if you can talk, clarify more on the FX losses, what was that pertaining to in your other operating expense?

**Santosh Breed:** To answer the first question on the yield, I think we have mentioned this earlier also that when I look at the container business, a significant portion is a fixed cost, so any incremental volume even at low realization is helping us to add to our EBITDA number, so it is always an addition to the EBITDA with increasing volume. So whenever we see, even if we see an increase in the trans-shipment that has helped us to increase our EBITDA as well. On the second question, on the foreign loss, so the foreign exchange loss in this quarter has been in the range of around INR 25 million, that is mainly because of volatility what we have seen during the quarter.

**Parag Jain:** Sorry, what is that about?

**Santosh Breed:** Variation in the exchange rate in the quarter what we have seen has impacted us by around INR 25 million.

**Parag Jain:** And just one last question. Can you also remind us at this quarter what kind of revenue breakup do you have container versus bulk and liquid? In the past, you used to give the range, has it been changing quite rapidly and skewed more towards container now?

**Santosh Breed:** There has been marginal increase, I will not say more to the container, but it is in the range now at 70 to 72% from container and then we have 10 to 12% on bulk and then the balance is on the liquid and RoRo.

**Keld Pedersen:** In other words, in the big picture it hasn't skewed a lot because the RoRo and the liquid businesses still are relatively small part of our businesses. I can put a few words and elaborate a

little bit. So on the liquid business; we have been performing at an annualized volume of 1 million metric tonne. We realize that the 59% increase compared to the quarter before the one we are reporting upon is coming from a very low base. We are working on this, we are so far happy that we can report a number that is better than the previous quarter, but this is obviously not satisfactory and we still have very solid expectations to the long term for LPG in particular for India. On the RoRo, we see a muted export market indicators for 2019 and not that promising, I think all west coast is set to have dropped 10% and more, but we do however also for this part of the business believe that this has a great long-term future and it is actually supported by various articles from the media that suggests that some of the big OEMs will increase their share of export from India in 2020 and this is just one of the OEMs. There are many of them and there have been many discussions with us and support around exporting through Pipavav I think we are well prepared for it. We will be there and we will be number one in the queue when the OEMs decide to increase that exports of the goods they produce in India. I don't know if that is helpful, but it is just to give you little bit of our thinking.

**Moderator:** Thank you. We have our next question from the line of Bhavin Gandhi from B&K Securities. Please go ahead.

**Bhavin Gandhi:** Sir, just wanted to double check on the rupee depreciation benefit on the EXIM realizations, have we been able to get that benefit on the realization?

**Santosh Breed:** Yes, we are able to get that benefit on the realization because all our container tariffs are in US dollars, so that benefit has been realized.

**Bhavin Gandhi:** And sir, could you highlight the realization for the dry bulk side?

**Santosh Breed:** So dry bulk, we continue to maintain the realization in the range of INR 450 to 550 per metric tonnes.

**Bhavin Gandhi:** And just one final thing sir. Of the EXIM volumes, what percentage roughly would be really evacuated?

**Santosh Breed:** 70%.

**Moderator:** Thank you. We have our next question from the line of Harish Sable from CRISIL. Please go ahead.

**Harish Sable:** I got only one question. Can you please share what was the breakup for dry bulk volume for this quarter, I mean in terms of coal, fertilizer and mineral?

**Santosh Breed:** So coal was 92,000 metric tonnes and fertilizer was 2,41,000 metric tonnes.

**Harish Sable:** And minerals?

**Santosh Breed:** We didn't handle any minerals this quarter.

**Moderator:** Thank you. We have the next question from the line of Indrajeet Bhatia from Macquarie. Please go ahead.

**Indrajeet Bhatia:** My first question is on the trans-shipment and does trans-shipment gives us positive EBITDA?

**Keld Pedersen:** Yes, it does.

**Indrajeet Bhatia:** And is there some kind of extra discounts that we are giving right now because we have a new customer which is kind of coming in or we are already at a stable state kind of revenue numbers there?

**Keld Pedersen:** I think it is a little bit tricky to answer because it is only one customer but we would expect as the coastal volume increase and trans-shipment will be at a lower than the EXIM cargo just as it is the case for coastal volume, but in terms of changes and new contracts and so on, I think we will have to keep that for ourselves commercially, so I don't know if I answered your question partly.

**Indrajeet Bhatia:** My second question is on if you look at, there was around a year or 18 months back when the reorganization within the entire APM group happened and we look forward to the group line, Maersk line basically moving more volumes onto our own port and we have seen some progress towards that. Is it fair to say that almost all of the quantity or volumes which have been added are being trans-shipment type, we have not gained any significant EXIM volumes, is that a fair assessment to make?

**Keld Pedersen:** I started up the call by saying 251,000 TEUs is the quarterly performance. This is the second record quarter-on-quarter I would say 251,000 underlying if you do get the quarter compared to same quarter previous year, then we have actually increased our EXIM cargo with 15% which is a couple of percent or more better than the market. So it is absolutely not only driven by trans-shipment.

**Indrajeet Bhatia:** So that is exactly the point is that the growth is not dramatically different from the market growth and if you are to kind of look at it, there was a line addition, then that growth should be kind of seriously higher than the market growth, right? Because even if you kind of add 10 to 20,000 TEUs on the quarterly basis and that should add 5 to 10% to the overall growth rate on the market growth?

**Keld Pedersen:** The same quarter previous year, we had a Europe service also, so I think I haven't done the math on that exact number, but we still see a growth and we see a normal healthy growth in coastal volume and trans-shipment remains pretty much status quo in terms of volumes or even a slight downward trend this quarter. So I think the growth numbers underlying there they are there.

**Santosh Breed:** So Inder also just to add to what Keld said, if you look at the container volume growth year-on-year that is as compared to the same quarter last year, then the total volume growth is around 45% and then within that also, we have grown also on EXIM which is 15% which is also better

than market and it is not only growth because of more clients but other valued customer also has contributed to that growth. So there is overall growth and in volumes.

**Keld Pedersen:** I do understand your question, it is a good question. I just don't have exact underlying number, but it is first.

**Indrajeet Bhatia:** Just last one follow-up. What was the dredging number in this quarter, I missed that.

**Santosh Breed:** That is around INR 10 million.

**Moderator:** Thank you. We have our next question from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Can you highlight what was the coastal volume in 3Q FY18 because if I look at the notes, I don't see any coastal volume we indicated in 3Q FY18, so would be great how much of the 3Q FY18 volume was coastal at that point in time?

**Keld Pedersen:** We are not giving it out, so Santosh has given a combined coastal and trans-shipment figure. We have said is that it has grown significant when you compare to the same quarter in the year before at around 42%.

**Achal Lohade:** Let me just clarify here. You said roughly 70% of the EXIM cargo actually is moved by rail, is that right?

**Keld Pedersen:** Yeah.

**Achal Lohade:** And when you say EXIM, you exclude the trans-shipment and coastal I suppose. Is that right?

**Keld Pedersen:** That is right.

**Achal Lohade:** Secondly, just a clarification on the realization front, you said between INR 6000 to 6100 for container, is that including trans-shipment or is that for EXIM?

**Keld Pedersen:** That is for EXIM.

**Achal Lohade:** I was just curious because if I look at the past realizations, we were somewhere between INR 6500 to 7000, say about a year back or say 7 to 8 quarters back and we have had almost 12 to 13% kind of rupee depreciation and given our tariff are dollar denominated, I was just curious have we kind of looked at discounts to the customers and that is the reason the realizations are lower Y-o-Y?

**Santosh Breed:** So if you refer to our transcript few quarters back, we have indicated that there has been lot of consolidation in the shipping industry and then we are under pricing pressure and that is why we have even guided that time itself that the realizations will be lower where we also quoted similar realization in the range of around INR 6000 to 6200 which we continue to maintain.



- Achal Lohade:** The other question I had, when you said a million tonnes for liquid, is that you are talking about FY19 or you are talking about the trailing 12 months run rate?
- Santosh Breed:** I think the million tonnes what Keld referred to was for fertilizer.
- Achal Lohade:** And that is for trailing 12 months or FY19?
- Keld Pedersen:** What I am saying is that first it is seasons in terms of import for the farmers and the agriculture. What I am saying over when we look at the numbers annualized, and then they are very steady around one million metric tonne for Pipavav, for GPPL. So in other words, it is the underlying coal figure maybe to a certain extent mineral that are fluctuating and blurring the picture a bit.
- Moderator:** Thank you. We have our next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** The first question is more for clarification. I heard a number of INR 25 million as an expense on back of currency fluctuations. Could you confirm the same and if so could you add some more colour as to why would there be an expense booked on account of currency?
- Santosh Breed:** Yes, number is right. So it is INR 25 million what we have taken into the exchange loss because of the variation in the exchange rate. So what we are seeing typically in the month of October and November, there has been a big variation in the exchange rate and that has catered to the exchange loss.
- Aditya Mongia:** Yes, some more colour would be useful as to get to know why wouldn't the port operations there would be loss taken on account of fluctuation?
- Santosh Breed:** As you know, our container tariff is in US dollar, so entire invoicing on the container is happening in US dollar and there are customers also pay up in dollars equivalent, so that actually is resulting into the exchange loss.
- Keld Pedersen:** And then we have some very rough numbers, container business is around 70% of the overall business and the container business is having an income in US dollars.
- Aditya Mongia:** So essentially it is not an expense, the way you are saying you have collected lower revenues on Q-on-Q basis, right?
- Santosh Breed:** Yeah, during the quarter there is a loss because whatever the billing has been on the higher rate and naturally collection has been lower.
- Aditya Mongia:** Again if you see, as an average rate from 2Q to 3Q, there has still been some benefit if you see the average rates of INR you have seen which was let us say Rs. 70 or so and 2Q is now 72, so again not on very clear as to why there would be an expense booked or a loss booked on the account of currency.

- Santosh Breed:** So what I refer to was the loss within the quarter where we have billed our customers in dollars and then the collection was at a different rate. I think what we are referring is to the variation between the two quarters. So I think there is a difference between the two, so there has been some benefit on Q-on-Q on the total number, but there has been exchange loss on the collections which we are making in the quarter.
- Aditya Mongia:** So sir, this should not repeat incrementally or if the currency is volatile, this can hit you again next quarter?
- Santosh Breed:** That is right.
- Aditya Mongia:** Second question is more on the pricing action that one can expect from GPPV from here on. We are today inching onto the 65% kind of utilization mark, 70% mark. As you rightly pointed out, we have not increased our rupee prices for some time now. Is it fair to assume that GPPV would first consider increasing prices and only then think of adding more capacities?
- Keld Pedersen:** Let me answer you this way that we will not exclude any opportunities that we may have to improve our realization and we will also not exclude any opportunity. We have to try to further reduce cost and improve our EBITDA margin, but that being said, then in the overall business for the port, I stand by very firmly that creating additional volume to the port is the key. So obviously I cannot answer you. I have always said price increase is not an option, we are focused on volume growth and it remains in that focus.
- Moderator:** Thank you. We have our next question from the line of Jaikant Kasturi from Dolat Capital. Please go ahead.
- Jaikant Kasturi:** You mentioned that you had increased your market share for ICD volumes, can you quantify it?
- Keld Pedersen:** Market share for ICD volumes, I am not following it.
- Santosh Breed:** So what we said was we have increased the overall market share, it was not specific to ICD.
- Keld Pedersen:** Our market share has improved. We have been 16-17 but we are seeing downward trends in terms of our market share especially on the West Coast. That has turned around. We have actually increased our market share now.
- Jaikant Kasturi:** So this is not specific to the ICD volumes, it is overall?
- Keld Pedersen:** Not at all.
- Moderator:** Thank you. We have the next question from the line of Rahul Murkya from Jefferies. Please go ahead.
- Rahul Murkya:** Firstly, you mentioned that there was an offshore income last year. Can you please quantify how much was it?

- Santosh Breed:** In the same quarter last year, we had around INR 32 million of offshore income.
- Rahul Murkya:** And last year, you have also mentioned that there was some additional rebates were given during the quarter because of which our revenues came in lower. Was there any rebate this year around as well?
- Santosh Breed:** So these are the commercial agreements and that depends on the volume commitments what has been given, so that is the continuous process.
- Keld Pedersen:** I don't think we have mentioned that. We have given any rebates in particular. What I think we are saying is that depending on market dynamics and maybe the west coast of India gradually coming into a little bit of overcapacity, then absolutely there is a strong pressure on pricing and as the industry is consolidating for our customers, the shipping lines and vessel slot agreements, optimizing the vessels, the vessels becoming bigger more volume and fewer smaller vessels, then there is always a pricing pressure, but again there is nothing new. This is how the industry works and we have to balance that with healthy growth on the top line at the same time in terms of additional volume.
- Rahul Murkya:** And you mentioned that the dredging cost during the quarter was INR 10 million. Can you just give me the last year number?
- Keld Pedersen:** So in the spring of 2018, we did a big dredging exercise for the channel and alongside the berth we have and then after additional hydrographical survey, then they have found some areas where we have done additional around Rs. 10 million on removing those from the dredging exercise which we took up last calendar year.
- Rahul Murkya:** So you have done INR 10 million during this quarter? What would be the number for the last year?
- Santosh Breed:** No, last year, we didn't have any maintenance dredging cost.
- Keld Pedersen:** But if you recall which quarter was it?
- Santosh Breed:** So in March quarter and June quarter this year.
- Keld Pedersen:** We spent around INR 11 crores of dredging.
- Rahul Murkya:** That is combined March and June quarter, right?
- Keld Pedersen:** Yes, that is right. That was split into two financial quarters.
- Santosh Breed:** So March, June and December, all three quarters put together, this will be around INR 110 million.

**Moderator:** Thank you. We have the next question from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Just wanted to understand on the RoRo part, we understand that one of the logistic companies had a JV with our competitor for the auto offtake, so how do you see that impacting given that is your sole customer for the logistic part?

**Keld Pedersen:** That is a very good question as our RoRo volume is down, but it is completely unrelated and we do not see that cooperation having any kind of impact because it is a joint venture or cooperation that is not related to anything we do in Pipavav.

**Achal Lohade:** That is only for the Rail logistics, you mean basically?

**Keld Pedersen:** Yeah.

**Achal Lohade:** And has no relation with Pipavav Port?

**Keld Pedersen:** That is right, so expected impact is zero that is to the best of my knowledge.

**Achal Lohade:** Sir, if you could clarify on the liquid, can give more colour in terms of how do you see it going forward given the volatility we have seen in terms of the volume, how does one look at liquid cargo from annual perspective, can we go back to a million tonne any time soon or one should be okay with the current run rate?

**Keld Pedersen:** That is a good question. I think that our expectation and our hope obviously is we will manage to grow it over the number we have today because we come from a very low base, but there are a lot of dynamics in the market on the east coast as well you will see a lot of things have happened, you see the oil companies coming in creating their own jetty set up and so on, but on the other hand, then the potential now it latest again confirmed by government the ambition of seriously increasing LPG to India and to all the rural areas, not in 2019 but 2021. Then I would still be very confident at this point in time that Pipavav will be in that game and we will manage to grow, but we also with the dynamics in the market and the partnerships and the oil companies sometimes getting their own setup or land concession and so on, then if we had to spend money and we have money, you know all about that. Then we have to do it in a proper manner, so that we safeguard the shareholders money on all fronts and do it in such a way that we are not running a complete crazy risk, so that was a long answer but for the full year obviously with the very low number in the previous quarter and a bit better this quarter, then it is a challenge to reach the same volume as we reported in the previous year, but we are working on it. We have a strong focus on it and there are certain things that compared to our last quarter when we thought, there are some things that have improved in terms of our capabilities to handle more products at the same time.

**Moderator:** Thank you. We have the next question from the line of Aditya Shah from Vikram Advisory. Please go ahead.

**Aditya Shah:** My question is again on RoRo part, I would ask that recently I believe you did the MoU with the government of Gujarat for new RoRo terminal. So if that information is right, then if the RoRo volume we see is going down, then why would we doing the new MoU and what is your outlook on the RoRo volume probably two years out?

**Keld Pedersen:** So, let me try to explain, so that two things you know the government is running the Sagarmala project which is up for inland waterways and much more domestic traffic on water. We are of course with our position in Gujarat, we are close to the coast line going down to Maharashtra and we will explore and do our very best to do a feasibility that hopefully will prove that other domestic transport can be done on RoRo and this is an opportunity for the long-term future and we have said that we are interested in anything that can create value and that we will work together on these very important strategic initiatives for India. At the same time, the RoRo we have today is EXIM, it is mainly but not completely brought by one customer. We also know that in Gujarat there has been an OEM cluster in building up with Maruti Suzuki and Tata and Ford motors, so we are continuing to stay engaged, we have had very firm feedback that we are well driven port with the high level of safety and cleanliness which fits perfectly well into the OEMs requirements for port facilities. What we cannot do is we cannot convince the OEMs to start manufacturing for export before they believe their markets are ready for it, but when they believe their markets are ready for export from India and they are announcing in the medias as I said previously that they expect the big share in 2020 big export from India, then we are there and we will be all over to get that business and we believe we have a very good chance of getting it based on geographical area, our orders and tide restrictions or no restrictions and we have a clean port and a safe port.

**Aditya Shah:** Sir, this is all for the EXIM, but about the domestic transportation, would we be doing it from the same terminal we have today or would we be adding a new terminal in Pipavav or in Gujarat or somewhere in Gujarat?

**Keld Pedersen:** Focus will be in Pipavav port, I mean the same location geographically and so feasibility both commercially and operationally viable and financially viable, so those are the things where as the market grow and the opportunities come, then we will be doing those studies and try to do whatever we can to support the port for India as well as create additional value for our shareholders.

**Aditya Shah:** And sir last question is that have we done any RoRo for Suzuki or Tata apart from Ford that we do now or do we have any agreement or have the customers started or shown their willingness to start to work with us or it is just on a discussion stage?

**Keld Pedersen:** I don't want to get into through the effective sales of each individual customers. I think in the big picture we have said that we have Ford and Honda and I think that is the number you should look at from those two.

**Aditya Shah:** So we should not factor Suzuki in it right now?

- Keld Pedersen:** No, they are not a part of it now.
- Moderator:** Thank you. We have the next question from the line of Indrajeet Bhatia from Macquarie. Please go ahead.
- Indrajeet Bhatia:** Just one very quick follow-up. Is there any progress on the concession agreement being renegotiated with the Gujarat government?
- Keld Pedersen:** No, not at all and reconfirmation that they are nowhere.... so the dialogue continues, but no firm progress in terms of a signed document. For a reconfirmation once again that we don't have any reason to believe that there will be any issues.
- Indrajeet Bhatia:** Is there in principle agreement for the documentation is left and since you said there is no reason to believe that it will not happen, any broad contours that you would want to kind of share?
- Keld Pedersen:** Not really because it is always important to see the documents for signing, but I keep repeating then over it reflect and if anything then may be, it could be, I don't want to go in details, I keep it at this level for now.
- Indrajeet Bhatia:** Any timeline on it?
- Keld Pedersen:** See, I am becoming more careful because I said in 2015 that on the 3-year horizon then we should have in place 10 years before expiry which was 2018, so that did not happen. But I do think it will be later in 19 after the election, then hopefully before heading the year in but again this is my pure gut feeling and I cannot make promises because that is beyond my control.
- Moderator:** Thank you. We have the next question from the line of Ashish Shah from IDFC. Please go ahead.
- Ashish Shah:** Santosh, just one question. I wasn't very clear on the nature of the Forex loss, so is this on any outstanding receivable that was there at the end of Q2 and it would have been received in Q3 and on that you have taken a loss. Is that the way to look at it?
- Santosh Breed:** So Ashish, as I mentioned right that the significant part of that is coming within the quarter, so you are right in terms of the outstanding receivable, but is nothing to do with Q2, so it is within this quarter where there has been a collection because of the outstanding receivable we had collected during the quarter but at a lower rate.
- Ashish Shah:** But it is originated in the quarter and you received in the quarter, right because we haven't seen this sort of either a Forex gain or a loss in the past or maybe it wasn't too sizable, is this the practice that we have had or there has been some change in the way we have started recognizing it.
- Santosh Breed:** So it has been the practise as you rightly said but it was not significant in the past. I think this was the only quarter which is significant, that is why we are mentioning it.

**Moderator:** Thank you. As there are no further questions, I now hand the conference back to the management for closing comments.

**Keld Pedersen:** I would like to say thank you very much for all the interesting questions. We hope we can continue to give you the best possible answers in a very transparent manner, the only areas where we hold back that is when it is commercially sensitive. So I wish you all a good day and we will continue from here to work on the challenges and opportunities we have in front of us. So thank you very much.

**Moderator:** Thank you. On behalf of IDFC Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.