

“Gujarat Pipavav Port Limited Q3 FY-18 Earnings  
Conference Call”

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**MODERATOR: MR. SHIRISH RANE - IDFC SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY18 Gujarat Pipavav Port Limited Earnings Conference Call hosted by IDFC Securities. Please note that the duration of the conference is 60 minutes only.

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 call, please signal the 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. Shirish Rane from IDFC Securities. Thank you and over to you, sir.

**Shirish Rane:** Thank you. Good afternoon everybody. Welcome to Gujarat Pipavav Port Limited's third quarter FY18 earnings conference call. Today we have with us Mr. Keld Pedersen, Managing Director of Gujarat Pipavav Port Limited and Mr. Santosh Breed, Interim CFO of Gujarat Pipavav Port Limited.

To start the call Mr. Pederson will give his opening remarks after which we will open the floor for questions. Over to you, sir.

**Keld Pedersen:** Thank you very much and good afternoon to everyone. I would as usual like to jump directly into the key highlights. So on containers we have done 172,000 TEUs. This equals an 8% increase versus previous quarter and high number of reefer volume. On the dry bulk we can also report a 6% increase equals to 550,000 metric tons compared to the quarter before driven by higher minerals and some success in the coal volumes.

On the liquid part, I am very happy to announce a 17% increase versus previous quarter. This is equal to 324,000 metric tons of liquid. This is the highest in a quarter and at the same time I am also happy to announce that if we do the math for the previous four quarters then you will see that we have now during December reached run rate of 1 million metric tons annualized.

On the RoRo we did 29,982 cars. This is a 50% increase versus previous quarter. The previous quarter was low for various specific reasons. But nevertheless this quarter that we are reporting on now is a new record for the quarter.

So moving into the financial results. Then we have a 7% increase with Rs. 1,627 million in revenue. On the expense side I am at the same time happy to report Rs. 682 million equals 1% decrease versus the previous quarter and when we take it down at an EBITDA level of Rs. 947 million then this is a 14% increase versus previous quarter.

On the margins we ended up at 58.1%. This is a 7% increase versus previous quarter where we reported a number of around 54.6%. So that takes us to the net profit of Rs. 500 million which equals 13% increase versus previous quarter.

And if we jump into the operational highlights there are few things in the upper left corner I would like to point out. So the 173,000 TEU in that number you like to see that we did around 68,000 TEU of local cargo which is something we have been working very hard on in terms of our value proposition.

And then as I reported before on liquid we have the 324,000 metric tons of liquid in the quarter being the highest and also on the RoRo roughly 30,000 cars. And then I will hand over the mike to Santosh to let him take us through the financials before we go to the Q&A. So over to you, Santosh.

**Santosh Breed:**

Thanks, Keld. And good evening to everybody. This is our first call for the calendar year 2018. I would like to start by wishing you all a Happy New Year.

Now let me give you an overview of the financials for the quarter ended 31 December 2017. The total income for the third quarter at Rs. 1,627 million it is up 7% from the immediate previous quarter on account of higher volumes from container, liquid cargo partly offset by lower income from bulk.

The container volumes at 172,000 TEUs were up 8% mainly due to higher reefer volumes. Bulk volume is at 550,000 metric tons increased by 6% due to higher import of coal and minerals as compared to the previous quarter. Liquid volumes at 324,000 metric tons were highest ever volumes up by 17% mainly led by the LPG imports.

We have handled around 30,000 cars in this quarter which have been again the highest ever in a quarter. On the expenditure side the total expenses at Rs. 680 million was lower by 1% as compared to the previous quarter. EBITDA at Rs. 947 million and the margin at 58.2% were higher than the previous quarter. The margin was higher by 360 basis points.

The revenues for this quarter consists one off container rebates. Now excluding this impact if you look at the revenues then we are at Rs. 1,706 million and EBITDA at Rs. 1,026 million and then the margin is at 60%.

Other income of Rs. 74 million includes mainly interest on bank deposits. As we have stated in the last quarter, the tax holiday period for us has ended on 31 March 2017 and effective financial year 2017-18 the company is under full tax regime and the current tax provisioning at a full corporate tax.

The net profit for the quarter at Rs. 500 million was up at 14% over the previous quarter. So this was the financial overview. We are happy to take the questions now.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session.

We will take the first question from the line of Bharanidhar Vijayakumar from Spark Capital. Please go ahead.

**Bharanidhar Vijayakumar:** Sir, my first question is on our container volumes. So in our last call we had mentioned that the services that are already calling at our port has been growing at a healthy 17%. So is it still the case?

**Keld Pedersen:** Yeah, so that needs a bit of clarification, right because what we reported in the last call three months ago was that the services that remained after we had lost some services they had grown 17% in Pipavav . And the reason why we mentioned that is because what our point was that we lost some services Hanjin went bankrupt and Hyundai moved over . So the reason why I mentioned this is because we despite losing a service we will still see a retention of cargo. I think that was a point we tried to make then.

**Bharanidhar Vijayakumar:** Correct. So I totally get that point. So going forward now since the service rearrangement that due to Hyundai and Hanjin leaving us, so since that is behind us going forward for say next one to two years period is it fair to assume that overall these services that would be calling would be growing at this particular rate?

**Keld Pedersen:** No, I do not think that is the way you should see it. I think you should see that we have had two steady quarters with no change in number of shipping lines, so quarter-on-quarter we have grown 8%. The 17% was because of loss of services right where the cargo will then remain an increase on the other services.

**Bharanidhar Vijayakumar:** Understood. My second question is regarding the service addition we had at the beginning of this particular year, the ME1 service addition. So could you let us know how much it is contributed to the volumes this quarter?

**Keld Pedersen:** No, I cannot talk I mean we are reporting on previous quarter but what is news is that the Europe service we had which made a double dip in both Pipavav and Mundra has ceased calling Pipavav as of around 12, 15 January. Then on the 15, 16 of January we have added a service Maersk line service for the Fareast which is a single call and that service was previously calling Pipavav up to around the middle of 2015 and at the point in time where it left it had a volume annualized of around 80,000 to 90,000 TEU.

So that is the benchmark number I can give you now. The rest of the services have only had two calls, so it would be too early to give indications on any volume for the quarter or even for the year.

**Moderator:** Thank you. The next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

**Chintan Sheth:** Just to mention about the 2015 service getting back to Pipavav. Which line it is, Wan Hai Lines or Alliance?

**Keld Pedersen:** So this line from 2015 was Maersk line.

**Chintan Sheth:** Okay Maersk line, okay. So can you update about the two new lines we get from the press that got added will get added in January and April, one is from Taiwan and other is from Central China, West India line getting added. Is there any difference?

**Keld Pedersen:** So we are reporting on the previous quarter but obviously this quarter is interesting because we had a let us say a very favorable start of the quarter. But right now in the public domain, which we can confirm for the quarter is that Maersk line has added a Fareast service around 15, 16 of January and that service is used to call Pipavav up till I think around July 15 and then this small consortium Cosco and Wan Hai which have confirmed the service calling Pipavav for the first time around the middle of February.

I cannot give you any volumes on that but any other speculations on lines in April or May or whatever that would not be something I can support or comment on.

**Chintan Sheth:** Can you confirm that the ME1 service got ceased which was calling Pipavav JNPT and Mundra?

**Keld Pedersen:** Yeah, that has ceased calling Pipavav. That is correct. It is a fact that we are more to the East we are Fareast port to a large degree so that is correct.

**Chintan Sheth:** Any revision in tariff we have seen in this quarter? From my calculation on the volumes and tariff it seems some marginal reduction must have happened from the reported Rs. 63 odd crores of revenue?

**Santosh Breed:** In fact as I earlier mentioned about a one off adjustment which has been taken in this quarter which is reflecting in the revenue number.

**Chintan Sheth:** What was the number sir if you can repeat sir?

**Santosh Breed:** So basically it was an adjustment on some additional rebates which have been commercially done and excluding the impact of that then the revenue number would have been at Rs. 1,706 million EBITDA going to at Rs. 1,026 million and a margin at 60%.

**Keld Pedersen:** So we have two things on the top number one is exchange rate which is not favoring us and then the provision or the rebate.

**Santosh Breed:** Just to add to that now when you compare our December 2016 versus December 2017 that is where the exchange impact is being seen. So remember that was the quarter where the exchange was pretty high. So there the impact also can be seen between the two quarters 2016, 2017 year-on-year.

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

**Atul Tiwari:** Sir, this additional rebate is it like in response to the heating up of competition or is it a strictly one off thing which we did in the quarter?

- Santosh Breed:** No, it is a one off thing which has been incurred.
- Atul Tiwari:** So then going ahead if our volumes increase from here on, then we should see the margins going upwards of 60% logically?
- Santosh Breed:** That is right.
- Keld Pedersen:** So the way it worked just to elaborate with a few comments is that so we have rebates in contracts and sometimes they are based on volume slabs and so on. So sometimes customers reach new slab with higher rebate or they do not, and we take it back in. So it is just this provision and taking in the rebate that sometime can adjust and picked a bit late. I think we actually did it twelve months ago as well.
- Moderator:** Thank you. The next question is from the line of Kushan Parikh from Emkay Global. Please go ahead.
- Nitin:** This is Nitin from Aviva. Keld, my first question is when we look at your container numbers, you did a monthly run rate now I am assuming about 57,000 TEUs . Now if I look at the trade of the country on the western coast it started to pick up in December onwards when we look at your peer numbers as well and the other unlisted port as well.
- It is something that December has come up a bump for you let us say in the range of 63,000 to 65,000 TEUs without the line addition what we saw in the 15<sup>th</sup> and 16<sup>th</sup> and there you see that reaching a 70,000 kind of a monthly run rate looks feasible now going forward?
- Keld Pedersen:** It is correct that there are variations from month to month during the quarter obviously. I think what I would like to say is that the inclusion of the new Maersk Line FI3 service as well as Cosco together with Wan Hai coming in February. That gives me a lot of faith that we are up for let us say a better year than the previous one.
- Nitin:** The second question, Keld is I do not want to speculate any number but when I look at the lines which have come back to you from your competitor. If I look at it in a bad market that line almost contributed more than 150,000 TEUs. Is it the same number we should be working with when the line comes back to you on an annual basis or you think what happened to us with one of the line addition with Maersk did a lot of the customers went back to the competitor port, do you see that scenario happening or you think that 160,000 or 150,000?
- I do not want a number but is it something a reported number what your competitor was doing with the line is something feasible for you as well on an annualized basis?
- Keld Pedersen:** I think it is too early to say. I mean we are giving you a number of when the service left Pipavav at 80,000, 90,000. But of course on any of our services we hope to grow and that is also the case for this service. 150,000 or whatever the number is that would be too early to say. But I think during next quarter we would have a better overview of what we manage to pull to Pipavav.

- Nitin:** Kushan, if you have any question you can ask.
- Kushan Parikh:** Just wanted to understand like on the liquid realizations basically we have seen good growth in our liquid volumes however that does not seem to have had the realizations or margins on an overall basis. So is there a dip in realizations on the liquid end as well? So if you could just actually give me a gist of like apart from the container EBIT have we seen bulk and liquid realization also in Q3?
- Santosh Breed:** No, for the liquid realizations are concerned we continue to maintain a similar realization as per the earlier quarter so there is no dip into that.
- Kushan Parikh:** And the bulk?
- Santosh Breed:** Bulk of course we continue to maintain a similar realization of course for this quarter we have seen improvements in coal but I am not sure we should consider that as a trend going forward. But realizations we continue to maintain.
- Kushan Parikh:** Okay, and just one last question. Other income has been on the lower side this quarter, so any particular reason for that? If you see sequentially last quarter we did Rs. 12 crores, this quarter it is about Rs. 7.5 crores?
- Santosh Breed:** So last quarter we had a tax refund which was sitting into other income and this quarter it is normal bank deposit interest which is there.
- Kushan Parikh:** Okay so going ahead we should expect this to be a regular quarterly run rate for other income at Rs. 7.5 odd crores?
- Santosh Breed:** Yeah, you can consider that.
- Moderator:** Thank you. The next question is from the line of Inderjeet Singh from Macquarie Group. Please go ahead.
- Inderjeet Singh:** My first question is on the realization. Is there given that we have not taken any increase for the last pretty much 15, 16 months now and the rupee has appreciated, is there a chance that or is there something on the horizon that you are looking at and do you think that the trade can support a price hike some kind of an adjustment at this point of time?
- Keld Pedersen:** I think we are still looking at filling up the capacity we built last year, so that is clearly our main focus. We are not focusing on the realization because we have a fairly high fixed cost system where each and every TEU we can add will contribute very well to the bottom line. So that is our focus, that is to utilize the capacity that we built and completed in March 2016.
- Inderjeet Singh:** My related question is if I look at on the cost side, is there any cost or realization is there anything other than the rupee dollar which has kind of moved our realization or cost in this quarter, any kind of mix related issues or something like that?

- Santosh Breed:** No, there is no such impact of exchange rate. The operating costs are mainly driven by the commodity mix. We had of course an additional tug which was there during the monsoon period last quarter which has been taken away in this quarter.
- Keld Pedersen:** So the tug boats are fairly high expense cost we are running a very sharp line on that additional.....
- Inderjeet Singh:** Okay and coming to this new the big Maersk line addition, when did it start calling and do you think what is the reasonable timeframe it takes for it to kind of fully ramp up to whatever level it has to kind of go up?
- Keld Pedersen:** So it started up 15<sup>th</sup>, 16<sup>th</sup> of January first call. The ramp up in I mean we would like to see it fully ramped up tomorrow but I cannot say, but I do think that we will have a lot more visibility a quarter from now into the future.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Just one question from my side. Can you talk about how much liquid capacity utilization is there at the port at this stage? And is there any sort of plan of expansion in the next say year, year-and-a-half in terms of your capacity for liquid at the port?
- Keld Pedersen:** It is a bit too early to say. I think where you see we report strong numbers so 70% is on LPG and we have a large capacity, we still have a capacity to fill but we are of course continuously alert to how we can improve the run rate together with our operators and what else is required in terms of expansion. But I do not have anything concrete now, all I can say that we are following it very closely.
- Pulkit Patni:** So is it fair to assume that at least for the next say year, year-and-a-half there is no capacity constraint for liquid cargo for us?
- Keld Pedersen:** Yeah, that is correct. We should not bump into constraints. That is right.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Is there any if I look at the other expenses they seem to have declined quarter-over-quarter from Rs. 25 crores to about Rs. 22.5 crores. Would you be able to comment on where the expense reduction in, is there any one off out there?
- Santosh Breed:** So basically there is some reduction on our admin costs where we have taken some initiatives in specific working on the cost reduction drive and that has resulted into this reductions. But there is no specific at which I can highlight as such. The overall efforts which have been put in to raise cost.



**Achal Lohade:** Second question I had based on the press report, it seems the Korean shipping lines are getting merged and there could be a possibility they are coming back to, would you be able to comment whether they can come back to Pipavav Port they can call back to Pipavav Port once again?

**Keld Pedersen:** But let me just answer the question. I think that in line with what we always report, then we are doing everything we can as a part of doing business in landing new customers. And when we finished our expense in 31<sup>st</sup> of March 2016 then we also announced that with a little bit of spending here and there, we would be able to go to 1.35 million TEU annualized. So any shipping line, any customer is most welcome in Pipavav and we can accommodate them for some time to go based on our annual run rate of containers.

**Moderator:** Thank you. The next question is from the line of Rajeshri Mehta from CIMB. Please go ahead.

**Rajeshri Mehta:** My question is that if I see your volume number on a year-on-year basis, there seems to be a 7% to 8% growth but if I look at the sales number on a year-to-year basis there seems to be a degrowth of about 4%. Any idea, I mean why is the profitability going down?

**Keld Pedersen:** No, I think the way you should see it is that the numbers we have reported quarter-on-quarter since one year ago is not at a level where we call it let us say a strong and successful performance. We have been working very hard on those numbers. So I think the numbers you see now quarter-on-quarter is better than what we have reported in the previous three to four quarters. And with a good outlook in terms of the new services that has started again in January and in February.

**Santosh Breed:** And just to add again to we spoke about it earlier on the call about this one off item which is sitting in the current quarter right, so that is also the impact we should take into account when you calculate this comparison.

**Rajeshri Mehta:** Okay so what is the one off in this quarter?

**Santosh Breed:** So there are some rebates which have been built in this quarter which are the one off item.

**Rajeshri Mehta:** Okay, and how much is it?

**Santosh Breed:** It is in the range of around Rs. 70 million to Rs. 79 million.

**Rajeshri Mehta:** And year-on-year there was no such number, the rebate number?

**Keld Pedersen:** But at an unfavorable exchange rate, that is right.

**Rajeshri Mehta:** And my second question is you mentioned that about 68,000 TEUs of local cargo so if you could just elaborate what is this local cargo, how is it different from the regular container cargo if you can just elaborate a little bit?

**Keld Pedersen:** Yes, so we have a good grip in the north where we are bringing in, we have been bringing up to 70% of our cargo. We have had an unfavorable split of import versus export so we have worked

very hard on export and we have managed to increase the export versus the import ratio. The best we can get is obviously equal because then one container, one box will go fully in India and it will go fully out of India and everybody will be happy running at lowest cost.

The minute you have empty movements then that is a cost to somebody. So the work on local cargo is very important for us in order to balance that split. And that is what have been reported that this was the best that we have had in the last four, five quarters.

**Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

**Aditya Mongia:** The first one is on this rebate which has been offered obviously it happens every year but with certain players becoming more relevant in terms of within the customer mix now becoming more relevant, do you expect this number to actually shoot up next year and the year after that and that margins to remain curtailed at about 60% or so?

**Keld Pedersen:** Well, I mean rebates is nothing new in the overall industry and we are very standardized in many ways when it comes to giving rebates and taking provision for rebates. Rebates are not achieved, we take it back in the books and so it goes forward and back. And so that would be business as usual going forward. When it comes to the margin, then I have said a number of times that we are very focused on keeping or exceeding an EBITDA margin of 60%.

I certainly stand by those words, but I also do recognize that once in a while we need to dredge because we have the whole infrastructure including dredging and whatever expenses that entails once in a while. So there will be some bumps on the road, but the overall focus for the company is to deliver as close or better than 60% EBITDA margin level.

**Aditya Mongia:** Sure sir that clarifies. So the second question is more again on the pricing front. Now if I see prices quoted by shipping lines of different ports, then even let us say select terminals at JNPT are taking price increases. They have now come broadly to a level that GPPVs and GPPV has not taken a price cut for two years. And I understand that you are looking at possibly a certain capacity utilization number before you take that call of increasing price?

If that capacity utilization number which you are thinking through more like 65%, 70% this means it can happen over the next one year or so or do you think this price increase and the way one should think about it for GPPV is still some time away?

**Keld Pedersen:** I think it would be too early to say. I mean at this very point in time our focus is on increasing our volumes and get the additional volume as close as we possibly can straight from the bottom line. That is our focus while we increase the utilization of the assets in which we have already invested.

And if you look at us as a company, we are a debt free company, we are paying our dividend, so I think in terms of a port strategy or tactics or whatever you want to call it, then I think our main focus as an organization as management will remain on utilization and better utilization of the

assets for now. And then of course we have to evaluate how we look compared to the competing ports.

**Moderator:** Thank you. The next question is from the line of Abhijeet Vora from Sundaram Mutual Fund. Please go ahead.

**Abhijeet Vora:** Sir, my first question is the product mix of this particular quarter has been better, even adjusted for this one off rebate, the profitability is not in line with best quarters we have seen in the recent past. So what can be the reason?

**Santosh Breed:** So I do not know which quarter you are comparing but if you look at.

**Abhijeet Vora:** I am talking about Q4 of FY17, sir you had reported 65%, before that also it was 61.5% for three consecutive quarters. So it is still below that 61.5% then this particular quarter liquid has increased in terms of contribution, content is also coming back?

**Santosh Breed:** That is right. But if you look at when I referred earlier to a commodity mix, of course it was also mainly referring to the bulk cargo and when you look at our revenue numbers in March where we had a good amount of fertilizers which we were handling, that was mainly into urea which had a higher realization vis-à-vis of course in this quarter we have done no fertilizers and that is mainly DAP. So because of this mix these changes do happen in the realization.

**Abhijeet Vora:** And second question I want to clarify that there are two lines which are getting added from Q4 of FY18 right from January onwards?

**Keld Pedersen:** That is right.

**Abhijeet Vora:** Okay and one line you clarified when it had left the port earlier it used to add 90,000 TEUs per annum to the port?

**Keld Pedersen:** That is right, give and take that is correct.

**Abhijeet Vora:** Last question, sir. What is the status of this on the concession extension?

**Keld Pedersen:** No change so there are no Red flags whatsoever and we would still, we would like more and to announce that we have had it extended but we still require time to work on it. But there are no Red flags.

**Moderator:** Thank you. The next question is from the line of Venugopal Garre from Bernstein. Please go ahead.

**Venugopal Garre:** Just two small questions. One is just wanted to understand how this pricing with your customers work? The context is that when I look at the western coast we all know that PSA is setting up capacity they are going inaugurate their terminal in February and of course the actual volumes might still take time before it starts commences.

But when you sort of negotiate pricing with your customers do customers sight the fact that there is going to be an oversupply investment cost etcetera and hence that is already gets factored in the sort of pricing we have today or is it something which does not really hold which means your price arrangements could really change through the year depending on how the sort of lines sort of change the arrangements? That is my first question.

**Keld Pedersen:**

I mean I will try to answer a little bit more from the port perspective. But our customers are still facing freight rates that go up and down and there is a lot of consolidation taking place in the market place and so on. So it would be wrong to state that we are not under price pressure. Everyone would like to have lower prices at these times in the industry.

And that has not changed for long time and it remains. When it comes to higher prices and new facilities and so on I can only say that when we look at GPPL and I think we are happy where we are being a debt-free company that is paying out dividend and we think we are in the game we can justify it and new capacity elsewhere coming up is for new money and that will somehow have to be paid back.

**Venugopal Garre:**

Sure sir, I understand that. Second question is more sort of wanted to understand on the rebate side of things. Since you have quantified the rebate in this quarter, just wanted to know if you could quantify that for full year FY17 that is the previous year just to get a sense of if that has really changed?

**Keld Pedersen:**

No, I do not think you should expect any changes to the historical trend. It is more that we in one quarter have taken in this one here.

**Venugopal Garre:**

Was it more linearly booked in the previous year or normally?

**Keld Pedersen:**

Yes, it is. That is the way you should see it. So it is already integrated over a period it just falls in a quarter. And it will occasionally happen that we have taken in provision for rebates which for some reason is not paid out and all times we have not taking it then and we end up finding a way to pay it off. So this is in a normal course of business but normally in a linear manner.

**Moderator:**

Thank you. The next question is from the line of Aniket Mittal from CRISIL. Please go ahead.

**Aniket Mittal:**

Just one question regarding the commissioning of PSA terminal that was due in Jan-Feb of this quarter essentially. So 20%, 25% of your revenue has come from Maersk So essentially a lot of shipping lines calling at APMT JNPT do a double dip at Pipavav with PSA coming in the competition between the JNPT terminals can increase. Could that impact your volumes or anything you are doing to protect your volumes after expansion of PSA?

**Keld Pedersen:**

You know we are and have been for a long time now we are in an extremely competitive environment with deep respect for our competitors. But we remain focused on creating value for the customers and the more value we think we can create the better we think we are of. Could we lose a line could there be another consolidation or changes during the year, absolutely. I think

you will see that go on for quite some years ahead. But do I have any specific knowledge or expectations pertains to this, the answer would be, no, at this point in time.

**Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead. The line for the current participant seems to have dropped off. We will move on to the next, that is from the line of Jignesh Makwana from Asian Market Securities.

**Jignesh Makwana:** Sir, most of my questions have been answered. Just one bookkeeping question. What was our realization in container in bulk for this particular quarter?

**Santosh Breed:** Container was in the range of 6,500 to 7,000 and bulk was in the range of 450 to 500 per metric ton.

**Jignesh Makwana:** Any material change apart from this unfavorable currency depreciation and all these things?

**Santosh Breed:** So the currency fluctuation was mainly applicable to the container business. For bulk it is just the commodity mix which keeps on changing.

**Jignesh Makwana:** Is there any change because of the commodity mix change in container segment's realization?

**Santosh Breed:** No, not really.

**Moderator:** Thank you. We will take the next question from the line of Ashish Shah from IDFC Securities. Please go ahead.

**Ashish Shah:** Just two questions, Keld. One, could you give a broad mix of the bulk cargo this time?

**Santosh Breed:** Yes, so we have coal which is so we have got coal, minerals and fertilizer. Coal we had around 1.74 lakh metric tons; fertilizer at 3.19 lakh metric tons and minerals is 0.57 lakh metric tons.

**Ashish Shah:** And would this coal be an increase sequentially as well as on a year-on-year basis?

**Santosh Breed:** Not really, we do not see this trend as such.

**Keld Pedersen:** I still think we stand by our view on the prospects for the bulk business it is tough, it is challenging and we see the numbers have been going down year-on-year. The good news is that in December we have been doing a trial run for our RORO part of the business on the bulk business. So that is the way we are thinking. We do not see it go up over time.

**Ashish Shah:** Also could you give a broad realization for the commodity types, containers, bulks and liquids?

**Santosh Breed:** Of course container we are just given now 6,500 to 7,000 per TEU. Bulk is in the range of 450 to 500 per metric tons. And liquid also in the same range.

**Moderator:** Thank you. We will take the next question from the line of Inderjeet Singh from Macquarie Group. Please go ahead.

**Inderjeet Singh:** One bookkeeping question on the tax rate. Any particular reason tax rate has been on the higher side for last two, three quarters now?

**Santosh Breed:** Yes, we are actually on the full tax regime now. So till 31 March 2017 we were under MAT and that is why the rate was in the range of 21% to 26%. Now we are at a full corporate tax rate so it will be going for also it will be in the range of 34% to 35%.

**Inderjeet Singh:** Second thing is in terms of the volume again one of the liners which was making an extra call at Pipavav and which stopped can we share as to when did was the last call of that line?

**Keld Pedersen:** That was under 2015 or early.

**Inderjeet Singh:** Any ballpark number how much did it contribute in quarter 3?

**Keld Pedersen:** Well, I like to say that we had a service leaving in June which we call the Indfex Service and we had the ME1 the Europe Service in end of June as well. So if you look at those throughout the year they are pretty much compensated each other.

**Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

**Aditya Mongia:** Over the call you said that you have been able to improve the imbalance which was there at the port side by increasing exports. What would be the number of exports versus imports the ratio of it right now versus let us say last year same time?

**Keld Pedersen:** I think we have been reaching around 55% import and 45% export. Now is it sustainable, we will have to see but this is an ambition we have had for long time and we are working really hard on this to balance the flow so to speak.

**Aditya Mongia:** So you said 55% imports, right?

**Keld Pedersen:** Yeah, that is right.

**Aditya Mongia:** And the second question is that obviously we have seen lines coming at the port. Would you want to suggest any specific metrics or a service level which has actually improved for you as a company because of which you are seeing new line additions happening.

And I want to kind of put it in regard to let us say the two berths that you are having at your terminal and both of them now having fairly comparable representation in terms of the length of vessels. Just want to get a sense from you whether things are changing at the port side in terms of the service offerings?

**Keld Pedersen:** Yeah, so now when you look at the port and you look at capital expenditures we do not have any specific plans right now. We are capable of accommodating quite lot more container volume so we will have to get closer or above run rate of what equals 1 million TEU before we start thinking along those lines. And as the bulk part of the businesses it is not looking so promising. We believe we have the assets to provide and absolutely topnotch service level for our global business as well.

So there are minor things we are doing in the background but it is not something that we report upon but I think overall what we are very keen on and where we get our recognition is for doing absolutely everything we can to deliver a topnotch service. And I think we have the feedback from our hinterland, our landside customers as we call in particular that a number of them are favoring Pipavav and that also helps us sometimes to get new shipping lines into the port.

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

**Achal Lohade:** Just to extent the question with respect to the captive cargo. You said it is now at 68,000 TEUs as compared to probably 45,000 to 50,000 TEUs earlier. Would you be able to help us understand what is driven this in terms of the cargo profile, how sustainable it is?

**Keld Pedersen:** Yeah, so there was a question and I actually did not answer but we are not earning more money from local cargo. But in shipping lines in terms of their value proposition then local cargo for them in a gateway terminal is an important part of the job. So that is why we would like to see more local cargo. Also because there is a stronger value proposition from the port towards shipping lines of course. But is it sustainable, I think it is too early to say. Sometimes we see some spikes going both ways.

We see when there are problems on the rail lines so whatever it is right then the cargo pattern the movement of the cargo is changing a bit. But I can assure you we are in the market and we are doing everything we possibly can to retain and serve local cargo while we have no intention to let go of whatever we can do in the North part. So the numbers are interesting of course but it would have to repeat a number of quarters before we have to say that we have changed the wages.

**Achal Lohade:** Right, in fact my related question was that is there a shift that is playing out from rail to road in your opinion and what could be the calls according to you?

**Keld Pedersen:** No, I think once at 2015-16 I mean there were some price hikes on the rail. We have not seen that incident and that price hike came at the same time as the diesel price went down. So that pushed some cargo to the road. I think it is pretty steady now. But for our part we would like to see more short rail also where the freights left on the railway is personally only really beneficial if you transport cargo more than 750 kilometers on rail. So this is something we would like to see changed. But that is more political and may be more long term. So right now no movement, or no change as far as we know.

- Achal Lohade:** Second question I had sir, with respect to the DFC. How do we see the momentum shaping up for us in terms of the patch where we have to connect on DFC?
- Keld Pedersen:** Yeah, so we are a shareholder in Pipavav Rail Corporation so we clearly intent to be a compliant with DFC as and when it moves across our connections to our rail line and we are waiting for that. So there is nothing really to report. It is development as usual.
- Achal Lohade:** My question was basically PRCL will have to incur some CAPEX to connect on the DFC and I presume Mehsana?
- Keld Pedersen:** Yeah, that is right.
- Achal Lohade:** Right so is there any land acquisition requirement as it has been progressing etcetera?
- Keld Pedersen:** No, it is electrification that we will do. So there are no road blocks
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Shirish Rane for his closing comments.
- Shirish Rane:** Thank you everybody for joining on the conference call today. And a special thank you to Keld and Santosh for giving us this opportunity to host the conference call. Thank you once again everybody.
- Keld Pedersen:** Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of IDFC Securities, that concludes today's conference. Thank you for joining us and you may now disconnect your lines.