Manish Agnihotri:

Good Morning Ladies and Gentlemen and welcome to the earnings call of Gujarat Pipavav Port Limited.

We have Mr. Girish Aggarwal, Managing Director and Mr. Santosh Breed, CFO. So over to you Santosh for the opening remarks.

Santosh Breed:

Thanks, Manish, and Good Morning, everyone.

So I'll start with some key updates for the latest quarter Q4FY 23. Overall Container volume was higher by 22% due to higher Exim volumes.

Our Dry Bulk volumes were lower by 53% due to lower coal and minerals.

Liquid volumes were higher by 23% due to higher LPG volumes.

Then the RoRo volumes were substantially better than the last quarter of course because of the lower base last quarter. Revenue was higher by 7% due to higher container revenue.

EBITDA was higher by 2% and the margin is at 55%. On overall basis, net profit is higher by 17%.

I'll also take you quickly through the full year numbers.

The full year numbers also has been a strong performance.

The Revenue for the financial year 22-23 has increased by 24% from higher container and liquid volume.

EBITDA has increased by 22%.

The margin is at 55%, the net profit was a higher by 51%.

This is mainly because the higher interest earnings, lower tax rate and also a lower exceptional item which has been incurred.

So overall Cyclone restoration cost which were incurred was around Rs. 372 Million against Rs. 46 Million incurred in the last year.

So the exceptional item, sorry, I correct myself was higher compared to the last year.

Excluding this Cyclone restoration cost then the Net Profit would have been higher by 63% and in the in the board meeting yesterday the Board of Directors has recommended a final dividend of Rs. 3.40 per share for the financial year 2022-23.

So these are the key updates and then we are happy to take the questions now.

Manish Agnihotri:

Mohit I can see your hand up. Please go ahead.

Mohit Kumar /EQTY RES/ISEC/MUMBAI

Hi. Good morning, Sir, and congratulations on a very good year. My first question is on of course the volume numbers were pretty decent for the entire fiscal, but Q4, we are seeing you know a decline in specially some kind of moderation in the bulk volume. What is the outlook on the bulk volume for FY24?

Girish Aggarwal:

So, you're right the bulk volume is lower and will continue to be lower for the coming year. Essentially, the reason is that there was an overflow of coal and minerals from the Ultratech Captive Jetty which was destroyed in the cyclone , which is since been restored and the captive volume of coal and minerals have gone back to Ultratech.

Mohit Kumar /EQTY RES/ISEC/MUMBAI

So what kind of numbers one should build or work with?

You know, for FY24, we think we can have a flat volume or do you think they will decline in the entire fiscal?

Santosh Breed:

So Mohit it is very difficult to provide a number per se. .

Mohit Kumar /EQTY RES/ISEC/MUMBAI

Right. You know, a broad outlook.

Santosh Breed:

But of course the focus is on the fertilizer volumes and we expect the Fertiliser volume to do well. That will continue. We have seen a drop in the Fertilizer volume in the current quarter as compared to last quarter because of the international pricing. And I think tenders should open now, and we should get those volume back. What Girish mentioned about coal and minerals we had some storage last year because of the UTCL volume coming to our port. So that will be out this year.

Mohit Kumar /EQTY RES/ISEC/MUMBAI

OK. My second question is that you have taken two capital expansion approval by the board, one is container, one is LPG. How should we think about it? Is it contingent on approval of the renewal policy from the Gujarat Government and have you heard anything on the renewal?

Girish Aggarwal:

Yeah. So the Board approved, the LPG jetty which is a $90 million. It's not contingent on any extension of the concession. We are moving forward with the investment subject to regulatory approvals, which we have applied for once we have them, we will go ahead and build new LPG jetty. On the concession extension of course it's outside of preview. I mean, this is with the Government, we continue to engage with the right Government officials. There are no red flags as we speak, and the concession extension, etcetera will hopefully declared by the by GMB as and when that happens.

Mohit Kumar /EQTY RES/ISEC/MUMBAI

The last question, have you taken any tariff hike in this fiscal?

Girish Aggarwal:

That's very difficult to say at this point in time, Mohit, on tariff, we continue to evaluate opportunities to hike our tariffs, as in when they present. As we speak, we do not see a hike in the coming quarter at least, but we continue to evaluate if there may be a tariff hike as we move forward depending on the market conditions, the market conditions are really subdued at this point in time.

Mohit Kumar /EQTY RES/ISEC/MUMBAI

Thank you. Best of luck.

Manish Agnihotri:

Thank you Mohit. We take question from Kaustav then Achal and then Priyankar.

Kaustav

Can you hear me?

Manish Agnihotri:

Yeah.

Kaustav

My question was more on this CapEx which you were approved but the previous participant already asked that question. So my question is done. Thank you.

Manish Agnihotri:

Alright, thank you. Achal.

Achal Lohade

Good morning, team. Thank you for the opportunity. So my first question was, can you can you help us understand what is the Exim growth for the quarter and for the full year, the container volume?

Girish Aggarwal:

Yeah. So maybe I'll take that overall. You know, year on year for the year the India container volume grew by about 4% Gujarat grew by just about 3%. So that's the annual growth volumes of container. For the quarter, Gujarat grew by about 10% and India grew by about 7%. Does that answer your question?

Achal Lohade

Sorry when you say Gujarat are you talking about the state or Pipavav port?

Girish Aggarwal:

The state, all the ports and terminals in the state of Gujarat.

Achal Lohade

And this is the Exim or total container volume, Sir?

Girish Aggarwal:

Yeah, this is the total container volume.

Achal Lohade

Would it be possible to get some clarity as to how much would be the Exim growth for India and Gujarat?

Girish Aggarwal:

It it's not very different from these numbers, but very difficult to kind of keep segregating these numbers, you know Achal.

Achal Lohade

Got it. Sorry if you could tell us for the port, for our company, what has been the Exim growth for the fourth quarter and full year?

Santosh Breed:

For the fourth quarter, we have around 7% growth as compared to the preceding quarter i.e. December and year on year there's been 10% on the quarter and same quarterly last year. And as far as the full year is concerned, then Exim has gone up by 13%.

Achal Lohade:

Understood. The second question I had, if you see the other expenses, it's it's gone up in this quarter. Are there any one off and if yes can you please elaborate on it and quantify that?

Santosh Breed:

Yes. There is certainly one offs because we had undertaken the maintenance changing so around 40 million is towards the maintenance dredging and what we also seen so is that on the overall basis, right, not only for Pipavav but the insurance cost has gone up globally. So that is also reflected in our accounts with the higher insurance cost.

Achal Lohade:

Can you please quantify both the items? I couldn't catch the maintenance dredging. How much was that?

Santosh Breed:

So Maintenance Dredging was around 40 million.

Achal Lohade:

And what was it that for the same quarter?

Santosh Breed:

The insurance premium will not call it as one off. It is the increase in the overall premium. So it's certainly not one off because you see that also in subsequent quarters.

Achal Lohade

Right, but possible to highlight the quantum.

Santosh Breed:

Around 40 million.

Achal Lohade

OK. Understood. This maintenance dredging was it last year also in same quarter YoY? How much would that be?

Girish Aggarwal:

No there was none. We typically on an average do maintenance dredging once in two years.

Achal Lohade

Right. So does it mean that there would be no further dredging cost in 1QFY24as well?

Girish Aggarwal:

No, no.

Achal Lohade

Sir if you could help us with the realization for the fourth quarter and full year for container bulk and liquid?

Santosh Breed:

Yeah. So the realisation for Q4 is in the range of around 7000 to 7800 for container. For bulk It is in the range of 450 to 600 and for liquid it is around 450 to 700.

Achal Lohade

Right. And for the full year?

Santosh Breed:

For the full year the container is in the range of 6600 to 7800. Bulk is almost similar. in the range of 450 to 550and liquid again similar range 450 to 700.

Achal Lohade

Just one more question, if I may, with respect to you know the Exim outlook we keep hearing including from the logistic companies that the outlook is kind of weak. Just wanted to get a sense of what are your customers talking about in terms of the visibility on the specifically Containers side.

Girish Aggarwal:

Yeah. On the container side, the outlook indeed is. it continues to be tough. Most of the shipping lines have come out with their results Jan to March, which really tells that their liftings have globally declined between 5 and 12%. We've seen an Asian America trade decline by about 14% in the first quarter Jan to March. I mean and our exports and imports, merchandise, exports, imports continue to decline. We had 8% value decline in Jan to March. April is looking like more like 12 to 14%. We believe the Exim volume will continue to be weak at least for the coming quarter and the next. It may become a better as we move forward towards the end of the year or the back half of this financial year, even the WTO is suggesting only 1.7% increase in global trade for Jan to December with a negative bias vis-a-vis 2.7% the last year. So it is a tough market as we keep moving forward, however, and as we talked about, we have outgrown the market this financial year. I believe we will definitely outgrow the market the coming financial year as well. On container we will do a significant growth. On liquids I think we expect almost 25 to 30% increase in on the liquid bulk, we expect almost 50-55% increase on our RORO business. So there's the clear growth opportunities that we see and we are working on it.

Achal Lohade:

Got it. And just for clarification on this. You said that there was a larger base for the bulk cargo, given Ultratech volume, is it possible to get some sense or what was the quantum, which kind of was more of 1 off in last a year or so?

Santosh Breed:

No it will not be possible because that is more of a customer specific information, right. So not able to provide that specific numbers.

Achal Lohade:

No problem. Thank you. I'll come back in. Thank you, Sir.

Manish Agnihotri:

Thanks Achal. Priyankar, please go ahead.

Priyankar:

Hi, thanks for the opportunity. So the first question sir is on the LPG CapEx. So what I understand is that previously you had done a CapEx on the LPG railloading, then that was followed by the VLGC upgrading. So a lot of things have been done. So what is the level of utilization right now? and do we really have that much of a volume visibility to again take let's say a $90 million CapEx? I'm trying to this is like if you can give some sense for the next let's say 3-4 years, what sort of growth you are looking in this area?

Girish Aggarwal:

So I mean, just to give a brief overview, this year we grew our liquids by about 28% and I just talked about we will be growing almost between 25 and 35% on our liquid business this financial year. That really takes us to peak capacity of our current jetty. So really we will be out of capacity after this financial year and growth will be limited because of unavailability of waterfront and that's really why we are going forward with the new jetty. This should be ready a subject to all regulatory approvals by May June 2025. Hope that answers your question Priyankar.

Priyankar:

OK, so so like even with this jetties, so how much is that effective capacity expansion for the liquids like once you do that?

Santosh Breed:

It’ll be 3.2 million what we're expecting of. This is a design capacity. It depends, of course, a lot on the cargo mix and just to add to what Girish also said So overall, the focus is certainly on growing the liquid business. There’s investment also happenings on the line side and also the pipeline Pipavav will be getting connected to the main grid. So all that is very positive indications that the volumes will grow.

Priyankar:

OK. Sir coming back to the containers side of the business. So can you just give us an idea like what share is Far East cargoes in terms of the Exim volumes in Pipavav and are we behind the issue of let's say skip calls that used to happen, let's say one year before and since China reopening has been kind of weaker than what we had estimated, So what sort of volume trajectory we should look at?

Girish Aggarwal:

Yeah. So maybe, I'll take this question and you know essentially what we're seeing is after the opening of the trade and drop in trade between Asia, Europe and Asia, US, we are seeing increased tonnage into India, which essentially means that those skip calls that you talked about as a problem is still there but significantly lower than what it used to be in the previous financial years. So it's certainly improved. We are definitely seeing, in fact, but the growth that we see in our terminal is on the back off the India Gulf trade or the India Middle East trade and the Asia trade. Those are two strong traits that we are seeing, which is leading to the growth that we're seeing in our in our port.

Priyankar:

And based on that, what can be roughly the growth that you see, let's say next year like FY24?

Girish Aggarwal:

As I said, I think we will definitely outgrow the growth of both India as well as the container growth of of Gujarat ports. Well, as I said, there are too many variables, at least at this point in time. The outlook is weak, at least for the coming two quarters. We believe and will be improving over the next two quarters. I think there will be definitely strong growth vis-a-vis India/ Gujarat ports.

Priyankar:

Uh, OK, so that's all from my side. Thank you so much.

Manish Agnihotri:

Thanks Priyankar. Mr. Nikhil Abhyankar please go ahead.

Nikhil Abhyankar /EQTY RES/ISEC/MUMBAI:

Thank you, Sir. Thanks for the opportunity, Sir. First of all I want some clarity. I wasn't able to hear the reason for lower coal volume. So can you just explain that again?

Girish Aggarwal:

Yeah. So what we talked about is essentially the that they were captive volumes for Ultratech because of the destruction of their jetty , not destruction I mean, at least the jetty was not operational because of the cyclone, so that captive volume moved to us, which has since gone back.

Nikhil Abhyankar /EQTY RES/ISEC/MUMBAI:

So that is the only reason because the coal volumes have dropped to 30,000 tons. In Q4?

GIrish Aggarwal:

So yeah, because that's the main reason.

Nikhil Abhyankar /EQTY RES/ISEC/MUMBAI:

And so whatever the decreases are purely because of Ultratech, you're saying.

Girish Aggarwal:

We’re not saying purely because of Ultratech, but we're saying that's the main reason Nikhil.

Nikhil Abhyankar /EQTY RES/ISEC/MUMBAI

OK. And then can you also touch upon PRCL, what was it revenue, EBITDA, PAT for last year and how do we look to improve the profitability back to historical levels?

Santosh Breed:

So, PRCL profitability, of course PRCL is still working with the Railways on their revenue allocation and the cost allocation because the model is like a Railways operate the rail line and there's an allocation of freight as well as the expenses post the electrification. Then the methodology has to be reviewed again on the allocation of the revenue as well as the cost. So the agreement is still work in progress and that's why it is taking some time to really see the numbers post electrification. Meanwhile, the cost certainly has gone up on the crew charges because the number of people need to be deployed to maintain the rail line with their electrification of the infrastructure has also gone up. And as I mentioned, as far as the benefit of the lower cost because of operation of electric tractions has not fully passed on to PRCL and that will have some upside in the coming quarter. But to give a number and this front time is very difficult.

Nikhil Abhyankar /EQTY RES/ISEC/MUMBAI:

Can you give the amount of cargo volume it handled the revenue, EBITDA and PAT for FY 23.

Santosh Breed:

So I don't have the cargo volume numbers because the metrics is quite different than how we measure at the port. I don't have the number, but as far as PRCL EBITDA number is concerned it was 615 million INR for the full year, March 23, EBIT was 271 million and the net profit was 551 million. Now this also includes a reversal of Deferred Tax during the year, which was 137 million.

Nikhil Abhyankar /EQTY RES/ISEC/MUMBAI:

Yeah. OK. thanks a lot. That's all.

Manish Agnihotri:

Thank you Nikhil. Nemish please go ahead.

Nemish Shah (EIML):

Thanks for this opportunity and congratulations on a good set of numbers. So I just wanted to understand the confidence that we have or when we say that we will outgrow both on the container side, will outgrow both India growth and the Gujarat growth. So are we in talks with a few shipping lines or do we see the benefits of DFC kicking and so if you could just throw some light on that.

Girish Aggarwal:

Sure, sure. See essentially a. we’ve just added, apart from the Jade and the Shaheen Express that we added the last quarter in the quarter before that, this quarter we've added another shipping line as a weekly service for us. We also see growth in the Intra Asia as well as in the Middle East trade, that is helping us grow in with the addition of shipping lines, that enables us to grow. We strongly believe in and if you were liking a number, definitely 8 to 12% growth possible. The MMLP is just gone live. We are seeing significant interest from from our customers on the MMLP which is just outside of the port. DFC is bringing in a double stack trains much faster, so there is some positivity around it, but a lot more needs to be done so we will reserve some judgment around DFC leading to growth because we haven't really seen a lot of trade moving from road to rail, but it's eventually only happen as the freight rates rationalise. But based on the services that we have, the additions that we plan to have, we will see definite we will definitely outgrow the India container growth market this year.

Nemish Shah (EIML):

Sure. That's helpful. Thank you and all the best.

Manish Agnihotri:

Thank you. Anybody has any questions?

Kaustav:

Hi Kaustav here if you could speak a little more about this CapEx? I mean whatever you can by when should it come up? How much capacity is being added versus current capacity? What this really means for the company? Because uh, you know, capacities coming on after a long time and also what has changed that has made the company go ahead with this CapEx irrespective of the Maritime board lease extension.

Girish Aggarwal:

I mean what led to going ahead is essentially our customers. So we are seeing a significant growth. The customers are looking for more capacity out of Pipavav, as I said earlier, we grew more than 20 percent, 25% this year. We expect to grow another 25 to 30%. You know the coming this financial year FY24, which really means that we will reach our capacity and there is no further growth possible for us unless we build a jetty, a new waterfront jetty. So that's why we've gone ahead the subject to, as I keep saying, regulatory approvals for an additional liquid jetty as Santosh also talked about, we are getting connected to the Kandla Gorakhpur pipeline. There is significant growth in the LPG on the back of the Prime Minister’s Ujwala Yojana. We've seen last five years almost 100 million households getting connected to LPG. We're seeing a significant growth and hence it makes all the sense to do this new jetty.

Santosh Breed:

Also just to add Kaustav, if you remember in our earlier calls, we also always mentioned that the investment will continue to happen as per the business requirement. So that's what we are following. We expect the liquid business to be strong and the capacity is required. That's why we’re investing. The earlier one which was approved for the container handling expansion, upgradation of the handling facilities So those plan post Covid were kept on hold because there was no immediate requirement and we’ve not seen the vessel size going up and that's why we kept that on hold. But as gap is concerned, we continue to invest as a business requirement.

Girish Aggarwal:

Achal you have a question

Achal Lohade:

Yeah. Yeah. Thank you for the follow up, Sir. You know, my question was with respect to the market. Now if you see last few quarters, the margins have been around 55% +/ - 1%. So how do we look at the margins you know, earlier we could argue that it's to do with the a mix with respect to you know the bulk cargo but given the current quarter, I think the margins are still kind of lower. So how do we see this? The EBITDA margins for next few years and what is the sustainable margin one should work with?

Girish Aggarwal:

Yeah. So maybe I'll take it and then we'll get to the numbers. So essentially, the focus of the Management Today is growth. We have a tough market environment. We need to grow the business and that's what the focus is that that has meant that we may have had to let go of some of our margin to get new customers in which we have successfully done and we will continue to do that in a tough de growing market. As we move forward, I think the margins pretty much are stable. Actually, it's not that you've let go of the margins bearing here and there. So you know some basis points, but some of them are related to as we just talked about one offs and some of them related to our customer acquisition costs. But as we move forward, we very strongly believe that as we keep growing our margins then will grow and then stabilize. So that's how we see broadly the strategy of GPPL.

Achal Lohade:

Any number like you said, you talk about number.

Santosh Breed:

So I think of course we continue to maintain our standard, we are aiming towards 60%. That is our aim and just to add to what Girish said, one is of course the customer, the growth what we want to achieve and then of course into the margin and other is of course focusing on the cost as well. So the cost focus continues. There have been some increases in the cost, which were beyond our control which is related to the global factors, especially the insurance one, but the management continues to focus on the operating as well the indirect cost to see how we can control those and then keep on improving the margins. So that will be the focus for us.

Achal Lohade:

Right. you know, here's the clarification on this other expense. Even if I just exclude the one offs YoY I still see it's a reasonably large jump. in terms of the other expense compared to the volume growth, what you're talking about? So one should work with these cost as a more of a recurring cost and that's all how you want to look at the margin?

Santosh Breed:

Because I think, you can take that as a base because the one which I've highlighted is where there is a major change.

Achal Lohade:

Understood. And just one, I mean this is the little farfetched I think. But you know, if you look at the location of Pipavav port and see the scale compared to Mundra and JNPT and eventually everyone will get connected to DFC , how do we see that we would differentiate I mean in terms of the cost economic, the lead time or the travel time etcetera, would there be a change which will entail one is connected to JNPT? In other words, does the competitive position get little weaker once JNPT gets connected to the DFC.

Girish Aggarwal:

Yeah, but we don't see that way. I mean, clearly there are certain markets that JNPT still will not be able to. I mean, its just not about the connection to DFC but its also about the freight rates. Clearly, for some of the northern markets, JNPTwill always be higher on railway tariffs and will be on non competitive compared to us and Mundra. So I do not expect JNPT suddenly to become competitive because of DSC connection to the northern hinterland. We continue to be strong. In fact, our Rail to Road is significantly higher even than Mundra, even though we are broadly connected to the DFC. We got connected about 6 to 9 months back.

Mundra will be, you know, just about getting connected. We believe there are our competitive position on rail will continue. However, we continue to maintain that the Government or the Railways needs to do much more in terms of rationalizing tariffs, so that the road to rail movement happens in the right earnest.

Achal Lohade:

Got it. Thank you for the answers.

Manish Agnihotri:

Bharanidhar can you please go ahead?

Bharanidhar Vijaykumar:

Am I audible. So you mentioned that the India Gulf, India, Asia trade lane is seeing good growth. Could you highlight what are the kind of commodities or cargo types which are witnessing this growth?

Girish Aggarwal:

You know, across the board, I mean, Asia is typically electronics and Gulf is Agri and many more. So I mean there are multiple categories of spent or commodities.

Bharanidhar Vijaykumar:

OK. And you had mentioned that the India's growth in the four Q FY23 year on year had grown by 7%. Am I right Sir?

Girish Aggarwal:

Container growth.

Bharanidhar Vijaykumar:

Yeah. So similar kind of growth is what we can expect barring weakness in the first half for FY 24

Girish Aggarwal:

No, no, I I did not say that 7% is what we can expect for FY 24. That's difficult to say. I'm only saying what we are seeing at a global level Jan to March April itself, the merchandise export value is significantly lower than Jain to April last year. WTO also suggests that the global trade will be 1.7% against 2.7%, with a negative bias. So I'm not suggesting that the same growth will continue, at least for the first two quarters of this financial year. We believe the market is tighter than last year for us.

Bharanidhar Vijaykumar:

OK. But you did mention the liquid can grow from 25 to 35%.

Girish Aggarwal:

We are very, very confident that our liquid business is financially or improve from 25 to 30% more, 30% than 25% and we are also very confident that our RORO business will grow again by more than 50%.

Bharanidhar Vijaykumar:

Coming to this CapEx for the liquid jetty, which is 90 million U.S. So can we expect all of this to be incurred in the next FY or would it be phased over one to two years?

Girish Aggarwal:

To be phased over two years. Much more in the next financial year rather than this financial year.

Bharanidhar Vijaykumar:

OK, understood. And could you highlight where we are Concession extension discussion? What could be the timelines now to expect?

Girish Aggarwal:

No, I am not the one to give you timelines, that's for the GMB to tell us. We continue to engage with the right stakeholders and all I can say is that we are not seeing any red flags, but then how it will happen is for the government to tell us.

Bharanidhar Vijaykumar:

Thank you so much and all the best.

Manish Agnihotri:

Any last questions from anyone? Doesn't seem to be the case, so thank you. Thank you very much for joining.