

# “Gujarat Pipavav Port Limited Q4 FY2018 Post Results Conference Call”

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**ANALYST:** **MR. UTSAV MEHTA - AMBIT CAPITAL PRIVATE LIMITED**

**MANAGEMENT:** **MR. KELD PEDERSEN – MANAGING DIRECTOR – GUJARAT PIPAVAV PORT LIMITED**  
**MR. SANTOSH BREED - INTERIM CHIEF FINANCIAL OFFICER - GUJARAT PIPAVAV PORT LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Gujarat Pipavav Port Limited Q4 FY2018 Post Results Conference Call, hosted by Ambit Capital. 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 an operator by pressing “\*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Utsav Mehta from Ambit Capital. Thank you and over to you Mr. Mehta!

**Utsav Mehta:** Good afternoon. We at Ambit Capital are thrilled to host the management of Gujarat Pipavav for their fourth quarter earnings call. On the call today, we have Mr. Keld Pedersen – the MD and Mr. Santosh Breed - Interim CFO. We will start with the brief address by the management and then have Q&A. So without further ado, Sir can we have a brief address, thank you.

**Keld Pedersen:** Good afternoon everyone. This is Keld Pedersen from Gujarat Pipavav Port. So for this call today while we normally look very much backwards and explain the numbers that we have put behind us. Then we would like to lean a bit by giving you a careful indication of how we look at the things while we move forward at the same time.

Jumping into the numbers that you all have, we have delivered a 19% increase in the container volume. This is equal to volume of 205000 TEU for the quarter. This is actually a record volume, which we are very proud of.

Going forward for the financial year 2018-2019, we hope and expect that we can keep a run rate around this number or continue to grow further. There is a case of ambition that we are least able to keep the run rate. .

For dry bulk I do not have lot of comments. It is 52% decrease. It is still fluctuating and when we look at last year's number versus this year's number in totality, then it is still fairly unpredictable and we do see a great lot of fluctuation in this part of the business.

For the liquid, for the quarter, we did 210000 metric tonnes. This is a 35% decrease versus previous quarter. We have however no concerns at this point in time that we would not be able to keep previous runrate we have had in average over the previous quarters and the same goes for our RoRo business where we have a 22% decrease with 23000 cars, we may remember, we have been up such in 30000 cars, we still have more expectation or few indications that we should not be able to deliver the same average run rate or better for RoRo .

Going into the financial results, then we have delivered the revenue of Rs.1,655 million, which is 2% increase versus previous quarter and now I know there will be a number of questions, we will come back and try to address that upfront. On the expenses, we will see a 7% increase versus previous quarter mainly borne by maintenance dredging expense in the range of Rs. 10 Crores.

The EBITDA of Rs. 930 million is 2% decrease and that takes us to a margin of 56.9%, which is 200 basis points lower than the previous quarter. So all in all we end up for the quarter with the net profit of Rs. 586 million, which 3% lower than previous quarter.

So we have delivered an all time probably record in container volumes, but when we compare this quarter with the same quarter last year, then we have our cost looked at the financial results versus the volume and the difference on the big ticket one-off items is that last year in the same quarter we had Rs. 33 Crores of income from offshore and Rs. 6 Crores from SFIS. At the same time, Dredging did not take place every year and has had a negative effect on our expenses of Rs. 10 Crores. So if you are checking those, fairly significant influences on our accounts, then we are on par in terms of EBITDA in the range of 59%.

So then I would like to take you through the key highlights for the full year in the March 31, 2018. On containers, we have 6% increased versus previous year. It is mainly driven by the last quarter of the year, which I have just commented on. We have overall 3% decreased in the dry bulk of 1.83 million metric tonne.

For the liquid, we are very happy to announce that year-on-year we have now 49% increased versus previous year and the same for the RoRo with almost 100000 cars and increased of 18% versus previous year. So that takes us to a revenue which is a 5% decrease, I have just explained on the offshore, which all came more or less in one quarter and the SFIS for the year.

On the expense part, a 4% increase but again be mindful of the dredging, which only have these every second or even we tried to push it to the third year depending on the siltation in the channel. EBITDA ended up with an 11% decrease at Rs. 3741 million and margin of 57.8%, which is 360 basis points lower than previous year for the end keeping the SFIS in mind. So net profit at Rs. 1,985 million, 21% lower than previous year. So those are my comments.

On the next slide, we have the volumes, I do not have the lot of comments and you're welcome to ask question.

One last point before I hand over to Santosh, which I will take the honor of reporting this that today, the Board has approved a pay out of dividend of Rs.1.70 per share subject of course to final approval at the AGM in August, but it is equal to the full distributable dividend that we can do for the company. So with those, Santosh please take us through the details.

**Santosh Breed:**

Thanks Keld. So let me take you through financial overview first for the quarter ended March 31, 2018. The total income for the quarter at Rs.1,655 million is up 2% from the immediate previous quarter mainly because of the higher container business income, container volumes as mentioned by Keld already 205000 is up by 19% and the highest quarterly volume what we have handled in Pipavav so far.

Bulk volumes were lower at 216000 lower by 52% mainly due to lower coal and fertilizer. Liquid volumes 210000 metric tonne decreased by 35% mainly due to lower LPG imports and

that was because of the inventory building that has happened in the previous quarter. We handled around 23000 cars in this quarter. It is 22% decrease as compared to the last quarter.

Overall of course Keld has already explained and when we look at liquid and RoRo volumes, that we do not have concern because when we look at our quarterly average explained in this particular quarter, then this volumes are in line with the quarterly average volumes.

Moving onto the expenses, the total expenses at Rs.725 million was up by 7% as compared to previous quarter and that is mainly because of the maintenance dredging that has been incurred in this quarter. EBITDA at Rs.730 million and margin at 56.2% are lower than the previous quarter because of the lower volumes on liquid and RoRo and on the expenses from the maintenance dredging.

Other income of Rs.82 million mainly includes interest income on bank deposits. As I mentioned earlier in the call, the tax holiday period has ended for us as of March 31, 2017 and effective financial year 2017-2018 the company is under full tax regime and the current tax is a full corporate tax. Net profit for the quarter at Rs.286 million was down by 3% over the previous quarter.

Moving on to the financial overview for the full year, the year ended March 31, 2018, the total income for the year ended March 31, 2018 was at Rs.6489 million and was lower 5% as previous year and the previous year as explained by Keld includes the one off offshore and project cargo revenue. Total expenditure at Rs.2748 million was high about 4%. EBITDA at Rs.3741 million was lower by 11% and the margin was at 57%. Net result Rs.1985 million was lower by 21% and it was mainly due to one off offshore and project cargo income what we had in our previous quarter and also because of the maintenance dredging expenses, which have been incurred in this quarter.

Lastly the current year as I explained already in the tax what we are seeing in the financial year 2017-2018. As the other part of our yearly accounts we have also published the standalone balance sheet and the consolidated profit and loss account and the balance sheet and the consolidated profit loss account includes the share of profit from the associate company of Rs.226 million. So these are the overview of the financials what we have published, we are happy to take the questions now.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:**

Good evening. My first question is that when we look at your container volumes that is driven by the line addition, it is in the 68000 TEUs monthly, Keld just wanted to know that is it something the existing run rate we would be working for FY2019 because your ME1 exit which any which ways was not that significant in terms of volume, has that impact played out in this 68000 TEUs and what number we should be working on a monthly basis? That is my first question.

**Keld Pedersen:** Let me try to elaborate and maybe even give you little bit more information. So ME1 service phased out, I think in March 1 or 2 calls in the beginning of January and then it was immediately replaced by the F13service, so you can say that change of service including the change in volume has been reflected for this quarter. We have however during the quarter, so we have had some ad hoc calls with empty containers, we have transshipment of empty containers, which are from a revenue perspective had a lower realization of TEU and then we have had a very healthy growth underlying in total volumes. Of course to the volumes, the empty containers and transshipment containers is having a negative impact on the realization. But volume wise as I said in the beginning then we will try to work very hard to better than a run rate for the full year where you rightfully says it is around 68000 that would definitely be the run rate or better and I keep saying better because we want to grow further but what I am also saying is that there are no indications that we should do much worth at this point in time although it is as you know we can't predict a full year.

**Nitin Arora:** Okay. My question is that when we look at the container freight index over the last one month, it has crabbed significantly, it is almost like 400 dollars now, given that our country is very import heavy, is there being a change you have seen in April or let say May 15 days or 17 days, have you seen any trade disruption or trade slow down?

**Keld Pedersen:** It is too early to say but I would also like in terms of the specific , I would like to restrict to the quarter fourth financial year but I will give you an overall interpretation of how we see it is that when the freight rates are dropping like that then our customers also very often become less eager to launch new services. So that is all I can say at this point in time. They can fluctuate a lot, we know that from the past so I still like to see a little bit longer term before we comment on the specifics behind the development of Indian market.

**Nitin Arora:** Okay. Just lastly one on the bulk side, there is something have we lost any big customer that is the reason the volumes are significantly down to about 0.26 million tonne that will be the recurring run rate?

**Keld Pedersen:** No. So the point is that there are no indications or some signals and do some bulk business, but overall year-on-year the market is going actually quite dramatically down on coal and fertilizer and that of course will effect us but it is not because of spillover I will say and I think when you see a 52% drop here, we cannot promise you we do not deliver next quarter but on the other hand it could also continue to go down but overall what we follow the lead indicator is the yearly trend and that is in a downward trend.

**Nitin Arora:** No Keld, my question was related to this 1.8 million tonne on an annual basis is sustainable or do you see a risk to that as well, that was the only question.

**Keld Pedersen:** In general I see risk for this market, but for us we are still optimistic on liquid and we also see a good traction for liquid and we also see a solid potential for RoRo.

- Santosh Breed:** We have mentioned on the past calls that bulk is low margin business so we are not really concerned with reduction in the bulk volumes, because at the overall entity level when you look at our EBITDA margin, it is actually adding only a small part to the overall margin.
- Keld Pedersen:** That it is still contributing to the business, but it is with low margins.
- Nitin Arora:** Got it. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Inderjeet Bhatia from Macquarie Group. Please go ahead.
- Inderjeet Bhatia:** Keld, congratulations on the container performance, growth coming back. My first question is on the container business is that the two new lines that got added, have they ramped completely because I think the first calls were made in early February if I am right, so it might take another one quarter, two quarters for them to fully ramp up or we are now at the run rate where it can be?
- Keld Pedersen:** I think it can still ramp up in – it is hard to say how much, but I mean that is also why we are very careful by saying in – we hope to keep the average run rate better, but again, the question was just before on freight rates and so on, we got to be careful but for sure our ambition is to grow all our services more and what they asked today. And that includes new services and as you can see I think we are happy to have a solid Maersk line service that came in and equally happy with COSCO from China has chosen to call our port, we can grow more.
- Inderjeet Bhatia:** Is there any other line other than these two, which has been added very recently because there was a talk about the third line likely to get added in April onwards.
- Santosh Breed:** What you are referring to Inder is about the merger of the three Japanese lines come together to form the Ocean Network Services “ONE” and they have started operating as one entity from April, so we are operating the services from Pipavav.
- Inderjeet Bhatia:** Great. Okay. One last question on the financial side on this dredging cost, is this likely to get repeated in any of the quarters in FY2019 or we now pretty much done with it for at least next two years or maybe even three years?
- Santosh Breed:** So the dredging is on I mean there is some more costs coming in this quarter.
- Inderjeet Bhatia:** And how much would that be roughly?
- Santosh Breed:** That would be in the range of around 30 to 40 million.
- Inderjeet Bhatia:** Okay but that would be for the entire year?
- Santosh Breed:** Yes, only for the entire year – that is right.
- Keld Pedersen:** We saw most of it is done in this quarter but we would have to wait for the monsoon now.

- Inderjeet Bhatia:** That is it. I will come back for more questions.
- Moderator:** Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.
- Atul Tiwari:** Thank you Sir. Sir how is the pricing environment for the containers business, given the addition of new capacities both in Mundra and JNPT and the recent depreciation of Indian Rupee resulted in increased realization for you in rupee terms because container business is in US dollars?
- Keld Pedersen:** Yes. I will say the capacity I think that India's West Coast for the first time ever is in a situation, which will be over capacity now. So far, I do not believe in our numbers that we can raise tariff, but with more capacity that is coming on stream then I think we can also expect that there will be a very serious competition for the cargo. That being said, then we have to wait and see how that eventually affect us, fortunately we are in a healthy financial situation to sustain should there be more pressure on price and rates because of surplus capacity. So on the exchange rate, Santosh.
- Santosh Breed:** On the exchange, if you compare the exchange rate with the same quarter last year then we will not have much upside there on the realization, but yes, now of course it is turning and we expect to get some benefit on the realization going forward.
- Atul Tiwari:** Okay and Sir but how was the maintenance dredging expense booked in the quarter sorry I missed that number.
- Keld Pedersen:** It was Rs. 100 million.
- Atul Tiwari:** Sorry Sir come again?
- Keld Pedersen:** It was Rs. 100 million, 110 million.
- Atul Tiwari:** Thank you Sir.
- Santosh Breed:** So Rs. 110 million is going to be the total cost of dredging. So I think now in this quarter – we are in the range of Rs. 60 million and the balance as I mentioned it will be in the next quarter.
- Atul Tiwari:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Raj K. Mitra from CIMB. Please go ahead.
- Raj K. Mitra:** My question is you have mentioned the transshipment of empties that was done in this quarter, could you tell me how much was this, how different are the realizations for this versus our regular cargo?
- Santosh Breed:** So then the transshipment boxes in terms of TEUs of course I can give a number, it is in the range of around 10000 to 13000 TEUs and realizations of course are lower than the full box normally handled but I do not think we can give a particular number right now.

- Keld Pedersen:** We have to consider this to be commercial sensitive but I think when I make statement that the tariffs are at a lower rate, so this is in line with the norm of the industry and it is also in line with norm of the industry that transshipment cargo in general provides for less tariff
- Raj K. Mitra:** Thank you Sir. My other questions have been answered. Thank you.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** This is Aditya from Kotak Securities. I had three questions from my side. The first question was that the transshipment volumes which are there, I just want to understand the nature of these volumes, why have they happened and is it a sustainable business or not?
- Keld Pedersen:** Now the same question we do not see sustainable, you see that is happening ad hoc and it is a matter of some of our customers or the carriers as we call them that has the need to reposition the equipment around the world because of the trade imbalances that sometimes require shifting containers. So it is not sustainable, but it again could happen ad hoc. So there are three things, so the percentage of empties are high at lower rate, normally, there is transshipment in it, which is normally at a lower rate in the industry and what was last one I talked to all. I just want to say it was not also reconnecting because I dropped the ball, it was a line, but so few things transshipment and empties and the final one which I also mentioned in the beginning hence that our coastal volumes have grown. Coastal volume is also different ball game than the EXIM trade. I hope that gives you a little bit of insight.
- Aditya Mongia:** Sir the question on coastal what is the point on these volumes this quarter and do you see an opportunity to increase this part of the business, which means to throw some more light on the commodities or on the routes.
- Keld Pedersen:** In general the picture for us in India is around 5% to 7% of cargo transport for domestic cargo, in many our countries, they go up as far as 50% to 60% of the cargo going to the coastal, so in India 7500 km of coast line where it is very large portion of that we are continuously hoping for take off for coastal transport of domestic cargo. So we are pursuing it, we are having a focus on that because that part at a different realization is to contribute in the overall picture and adding value to the trade as well in terms of container flow.
- Aditya Mongia:** Sure Sir. My second question was more on realizations for us going forward now, now I believe from Pipavav perspective in the way which we are charging has been selling tactic for some period of time, at what capacity utilization we start thinking of both taking a price increase and we thinking about the next round of capex?
- Santosh Breed:** Let me just first answer your questions on realization. Number one when you look at the realization now was because what Keld mentioned earlier on the transshipment volumes empties and coastal volumes, as well as the pricing pressure, the realizations are lower, that are expected to be in the range of around 6000 in that range. So that is the number and your second question



was on the capacity utilization and at what stage we should take tariff increase? So I think tariff hike will be driven mainly of course by the market, so we will keep on evaluating, right the market situation, so as of now of course we do not have any plans to be look any tariff increase.

**Keld Pedersen:** I think it is fair to say in a supply demand where the supply is higher then I think it is important to fill capacity then I would not try to increase the overall tariff so I can like that give you comment.

**Aditya Mongia:** Sir on the mix on the capacity expansion, I told utilization levels let us say would it be a 150000 TEU quarter run rate that you would start considering expanding again?

**Keld Pedersen:** We have said that we have a capacity of 1.35 million TEUs. We still have to see more growth before we start triggering our master plan that has taken into consideration. At this point in time, we still have surplus capacity that we need to fill in a competitive market .

**Aditya Mongia:** Thank you Sir. I will back if I have more questions.

**Keld Pedersen:** Welcome. Thank you.

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

**Abhijit Patra:** Sir I had two questions, first one is what is the frequency of this maintenance dredging once in how many years do you have to do it?

**Keld Pedersen:** I think if you look at the past, which is every three years. We are continuously evaluating from a safety perspective, so if you go back to the last time, we had in accounts, I believe it was in 2015. In the end of 2015, second half of the year and now we are in the first half of 2018, but it is coming because of siltation in some sections of the channel and alongside our berth.

**Abhijit Patra:** So now the draft is back to 14 meters?

**Keld Pedersen:** So that is why we dredge. The draft is at 14.5 meters at the port.

**Abhijit Patra:** Sure. Second question is, could you give an idea about the revenue breakup between containers bulk, liquid and RoRo?

**Santosh Breed:** Out of the total revenue, around 70% in the container and basically another 10% in the bulk and others, and 20% between liquid and RoRo, so you can take those percentages for your analysis.

**Abhijit Patra:** Sir what we had not seen that operating leverage which usually plays out for GPPL whenever container and liquid segments do well, this time that is yet to play out, any comments on why it is happening, one thing of course realizations are down in containers, but any other reason why we are yet to see the kind of operating leverage which we are seeing in the cost cycle?

- Santhosh Breed:** That is as Keld explained earlier that when you look at volumes, container volumes and go back to the realizations right then because of transshipment empties and the coastal volumes, which is added to the overall volumes has resulted in drop of realization and that is the reason why you cannot see operating leverage.
- Abhijit Patra:** Okay. Sure Sir. I will get back in the queue. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, in order to ensure that the management is able to address the questions from all participants in this conference, please limit your questions to two per participant only. The next question is from the line of Kushan Parikh from Emkay Global. Please go ahead.
- Kushan Parikh:** Thanks for taking my questions. My first question is on the container realization part, basically if I am not mistaken you just mentioned the container realization is in the range of around Rs.6000 per TEU whereas last quarter if I am not mistaken you mentioned it was 6500 to 7000 TEUs, so just I wanted to understand if this drop in realization is purely because of this additional transshipment, coastal, empties volumes that we have done or are we facing some sort of pressure on our regular container volumes as well?
- Santosh Breed:** It is both basically yes in this quarter in percentage we have seen this drop because of transshipment and the coastal volumes, but overall there is a price pressure because consolidation happening in shipping industry and that is why I mentioned that this is the range which we are working on going forward as well. It is in the range of 6000 and 6200 is what we can look at but we continuously see the price pressure.
- Kushan Parikh:** I understood Sir and secondly on the container volumes, we have spoken about around 13000 TEUs transshipment volume that is included in this 205000 numbers that we have done for the quarter, which again we mentioned that it is not a sustainable kind of volume that we should see, so should we look at a sustainable volume number after moving this 10000-13000 transshipment number which would come to sort of make a 65000 kind of monthly run rate or 68000 or something that is actually sustainable even if you remove after one transshipment?
- Keld Pedersen:** I will say that when we look at going forward in the full year so there is an organic margin growth, so we will try to grow our existing customer services and some ambitions we of course always try to get more customers then I think the quarterly empty volumes of subsequent volume, you can detect but overall we still expect to have quarter of runrate of around the number we have made a little bit lower.
- Santosh Breed:** Just to add, I think we also touch base on the new services that we hope that they will keep on adding, so I do not see much of a concern right now on this monthly runrate what they are referring to.

**Kushan Parikh:** Understood Sir, if I could just squeeze in one more question, just a moment ago, we were speaking about the split up between containers, bulk and RoRo in terms of revenue, can you give us an indications of how that would be at the EBITDA level?

**Keld Pedersen:** It will be very difficult to spell it right now, we are still in the situation where we have one major customer for LPG and one major customer for RORO, so it is commercially sensitive and so we are not ready to do that.

**Kushan Parikh:** I understood Sir. If you could just give a broad indication basically container form 70% of the revenue, but there would form a significantly higher percentage of your EBITDA levels, you can just take that away?

**Keld Pedersen:** I think we have LPG, RoRo we are having these business so it is extremely interesting business for long-term. We have been very clear on the bulk cargo part of the business that this is a low margin cargo, but it is still contributing because we have the assets available and there is no reason to not continue all those low margin cargo, but it takes margins down.

**Kushan Parikh:** Okay. I understood. That is all from my side. Thank you Sir.

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

**Chintan Sheth:** Thanks for taking my question Sir. Can you provide the coastal container number, volume number for the quarter?

**Santosh Breed:** Coastal for the quarter was in the range of around 23000 to 25000 TEUs.

**Chintan Sheth:** 23000 to 25000 that is the quarterly number, right.

**Santosh Breed:** Yes.

**Chintan Sheth:** And we see this business is an opportunity for ramping up to going forward?

**Keld Pedersen:** We have had a lot of fluctuation in the coastal volumes in the past. So we spoke about this in the previous call also, because it is very small scale compared to the total but what we are saying is India is only having around 5% to 7% of the domestic cargo going out of sea as coastal cargo. We are finding it interesting because there is enormous amount of cargo being transported domestically in India, so we would like to see the course to transport of domestic cargo increase continuously year-on-year. This is something we promote. This is something we are interested in, not only because it adds to our business but also because it creates a value addition to our other customers and it will effect in all the industry.

**Chintan Sheth:** Sure Sir and any capex number maintenance one what would be that range 50- 100 Crores nearly?

- Santosh Breed:** Yes it should be giving in the range of around 50 to 70 Crores annually.
- Chintan Sheth:** Okay Sir. Thanks for answering my questions.
- Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah:** Good evening Sir. First is more of a clarification on the maintenance dredging expenses, so to clarify, the 11 Crores is the total expense to us maintenance dredging, out of which around 6 Crores was incurred in Q4 and around 5 is what we expect in the June quarter, is that the understanding?
- Santosh Breed:** That is right.
- Ashish Shah:** Okay. Sir second question is on the PRCL business, I mean we see that we have consolidated about 21 Crores of profit for the year from PRCL, so this seems to be a significant decline from last year, the decline in the railways, container cargo that we are seeing from the data that you provide is that material, I mean there is probably a single digit decline in the volume, so what would have led to such as steep decline in the PRCL financials, if you could throw any light on that Sir?
- Santosh Breed:** If you are seeing our notes to the consolidated account, so there is a note which has been mentioned about having unaudited results from PRCL, so we have similar unaudited results last time which was based on the management estimates and there has been some adjustment to the last year's number of PRCL and that was mainly because of revenue in the accounting standards, which were introduced, so they had to take some account adjustments because of those standards. When we had consolidated last year, these were unaudited and that is why the impacts of that has now been recorded in the consolidated accounts this year. And that is why you see this drop in the total profit number from PRCL.
- Ashish Shah:** Sure, so if I understand you correctly, the 36 Crores number is not adjusted that is exactly how we had reported originally last year, the 22.5 Crores number includes an adjustment – downward adjustment for the previous year number, which has recognized as well as the impact of the business as it would have been?
- Santosh Breed:** That is right.
- Ashish Shah:** Sure Sir. So the details will know only once the PRCL audited numbers are available?
- Santosh Breed:** Absolutely right.
- Keld Pedersen:** We would like to see that as well.
- Ashish Shah:** Sure. Got that. Thank you very much Sir.

- Moderator:** Thank you. The next question is from the line of Inderjeet Bhatia from Macquarie Group. Please go ahead.
- Inderjeet Bhatia:** Thanks again. Santosh, my question is on the cash balance, now we are carrying a fairly decent amount, which well above our dividend payout requirements and also about the capex numbers that would have, so any plans on that?
- Santosh Breed:** Of course we do not have any immediate plan of expansion as Keld has already explained, and that is why we continue to distribute all our distributed profits, when you look at both interim as well as the final dividend, but when you see an opportunity basis on the capacity which have been utilized, so right now we are in the range of around 60% of capacity utilization. So when we see an incremental volumes covering and increasing our utilization then of course we will start looking at further plans, but on an immediate basis I do not see anything.
- Keld Pedersen:** If I can add a comment to it, as Santosh says no immediately plans, but it is also fair to say that we are perfectly aware that even if the full payout of dividend then we are accumulating even more cash. We are perfectly aware that and we are alert to it and we continue to look into the future and our opportunities, but there are no specific things to talk about our norms for this quarter or next quarter or whatever.
- Inderjeet Bhatia:** Sure. Can sorry to harp on this dredging number, just to kind of a continuing from the Ashish question is so whether 6 Crores has been provided in the numbers or whether 10 Crores have been provided in the quarterly number?
- Santosh Breed:** 6 to 7 Crores.
- Keld Pedersen:** So I think I opened up with the wrong statement on the quarter. I think that is why I confused you.
- Inderjeet Bhatia:** No problem. Thank you.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Good afternoon. Couple of questions from my side; first you are getting a realization of almost 6000 to 6200 per TEUs going forward, I just wanted to check does that account for the rupee depreciation impact already seen in the last two months?
- Santosh Breed:** Yes, we have considered those positions well, but as I said, it all depends on how it moves, so that the realization will be adjusted accordingly.
- Rakesh Vyas:** Okay and my second question is related to the liquid and RoRo business, so Keld in opening remarks was highlighting that we should actually expect a runrate of what we delivered in third quarter of last fiscal, so is there enough indication on our part from the customers on the visibility of this kind of runrate going forward or we expect the business to improve and therefore this

number should automatically be, I am just trying to understand is there the reasonable confidence on that number?

**Keld Pedersen:** The reason why we are saying that we hope and we expect that we can keep the current average run rate over the year is because if we go back over the last let us say six quarters then you will see a very significant fluctuations from the liquid where we had a very good quarter, I do not now remember exactly the quarter but in the subsequent quarter, we only have 50% the liquid, so we had a very good quarter and then it reduced to 50% a quarter after and even further 50% of the 50% the quarter after, and then it bounced back, so if we look at the fluctuation we have had quarter-on-quarter combined what we know about the market for liquid, LPG, is said to grow significantly in India over the next five to seven years and the combined with what information we had from operators and so on then we have no reasons to believe that we will not be able to keep the average run rate of the past three to four quarters. That is exactly the same for the RoRo.

**Rakesh Vyas:** Fair part and last question, do we expect any significant one-off cost next year apart from the maintenance dredging that you have highlighted in terms of any repair maintenance etc., apart from maintenance dredging? Is anything planed as a project?

**Keld Pedersen:** No, not at this point in time.

**Rakesh Vyas:** Thank you so much and best of luck.

**Moderator:** Thank you. As there are no further question and I now hand the conference over to the management for closing comments.

**Keld Pedersen:** Thank you very much for listening in. Thank you for the very interesting questions. They are always interesting and we are passionate about we are doing so we always look forward to the call here. We have tried to analyze to see performance in terms of operations and all parts of the business by analyzing and checking out we obviously continuously are on the hunt for, and then let us say combining with dredging so we are fairly happy with the result and in particular part of having the turnaround of the quarterly container volume. So with those few words, I wish you a very good day and thank you. All the best. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Ambit Capital that concludes today's conference. Thank you for joining us. You may disconnect your lines. Thank you.