

## Gujarat Pipavav Port Limited - Q4 FY21 Investors Concall

28<sup>th</sup> May 2021

- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- Welcome for the quarter 4 and the full year 2020-21 results of Gujarat Pipavav Port Limited here. I am quite happy to be here today to show you the things here because despite a lot of challenges my feeling is that we have done quite satisfactory results. But let's get into the details here. I will hand back the microphone to our host, to Varun who is organizing this call. Thank you.

- **Mr. Varun - Moderator**

- Thank you, thank you so much sir. Good morning everyone and I hope everyone is keeping in good health during these times. I would like to welcome you all to Gujarat Pipavav Port Limited's 4Q 2021 earnings call. We have from the management Mr. Jakob Sorensen, MD of the company. And Mr. Santosh Breed, CFO. In terms of the format of the call, management will give quick opening remarks and walk over the results and then we will open the floor to Q&A. Sir over to you.

- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- Thank you Varun. Jakob would you like to start giving a short update on the cyclone and the status at the port? I think that will be helpful for all the investors and analysts on the call.

- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- Yes let me do that. I think you would like to hear about what happened. So we had the cyclone passing Bombay last week and for a long time we followed it. We had done and activated our normal precautions and contingency plan was activated. But we were following the cyclone. We were hoping that it would move further out to sea and continue towards passing Kutch and even actually to Pakistan. But as you know it just steered straight north into Saurashtra and it hit somewhere east of Pipavav near Diu. And at some point in time we have recordings from our Tug boats that we had continuous winds of 240 miles an hour -- excuse me 240 kms an hour for 4 hours. And it was quite devastating. It knocked out all the power and also communication in the entire Saurashtra. And we have subsequently been challenged in getting those communication and power back. But the good news is and I call it a miracle, we did not lose any lives in GPPL. We had one injury from one of our crews on a tug boat. We lost one tug boat which had lost power and which was washed aground and smashed into Ultra Tech and we lost also a pilot boat which was inside the RNEL area and it sunk. But no loss of life and no loss of major equipment. All our cranes are standing. And you might have seen that in Reliance Shipyard next door, one of the big goliath gantry cranes collapsed and quite a bit of damage as well to roofing and windows and so on that was smashed in by flying debris. But all considered we also had a number of empty containers that were flying around despite our efforts to hold on to all that. We had 21 full containers with damages due to flying debris that has smacked into the containers. But I think all in all it is – we were lucky and as I said no injuries or loss of life.
- What we have done in terms of force majeure, first of all it is very clear that it is a force majeure situation that we have chosen not to declare a general force majeure. We are declaring force majeure on the contract to contract so that we can have the most relevant discussions with our customers and

in turn they can have discussions with their suppliers and their customers again. And that is working out. It is a lot of work but it is working out well. And we have been to recover, we have procured and commissioned mobile power plant from Mumbai. It has been shipped in over the weekend and it has been put in place. I don't want to give any dates for when we are up and running. But we have formally said that we expect to be in operation by 1<sup>st</sup> of June. We have communicated that to our customers. It is looking good so far but I don't want to jinx it. We are commissioning the power plant. We have the communication up and going. We had several small vessels in like supply vessel of Adani Welspun to supply offshore rig and we expect also to be able to handle coal and liquid bulk later, maybe over the weekend even. But the first container operation will so far it will be as we have said already, expected to be by early June, and we stick to that. So we have been out two weeks and obviously there are some losses that would amount to damages. There are visible damages. There are the things we can't see. But we have due to the water damages we have a lot of electrical equipment that we need to check. Some of it is insured. That process has started as well. And then obviously we have the loss of business due to the business stop. But again I am happy to say for example the rail was unharmed and we have been up and running the last couple of days with both evacuation of containers from the port. We have supplied several factories who were worried that they had come to a standstill. They had not gotten to a standstill. And we are also able to receive inbound trains for export and we are doing so. Maybe the last detailed remark is that we also had 137 live refrigerator containers in the port. And at all times have they been plugged in with power from our emergency generator. So we don't expect any losses from refrigerated or frozen cargo.

- So it could have been worse. It was definitely one of these 100 year storms that hits you when we have to rebuild and repair and make sure that when it comes next time that we are even better prepared. But I think all in all, all credit goes back to the team in the port. I was in the port last week and they are doing a tremendous job. And the morale is high and everybody is working together. It is with army discipline that we are putting back the port and getting back to operation. So let me pause here and we are ready to start the presentation of the results.
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- Thanks Jakob and good morning everyone. Thanks for joining. I will just take you through the presentation. I will give you an overview of the financial results for the quarter ended March 2021 as well as financial year 2021. Can we move to the next slide? Thank you.
- On the key updates for the quarter ended 31<sup>st</sup> March 2021, this is a comparison with the same quarter last year and I am really happy to share these numbers because in midst of a challenging environment, lockdowns because of COVID, we still are able to give a solid performance on the financial side. So when you look at this slide, the revenue was up by 10% year on year and that was mainly driven by a strong performance on the dry bulk which has increased by 150% in volume. Our container volumes were also marginally lower, 1% but it is almost in line with the last year. And this was of course mainly because of both – sorry this is mainly because of the coastal volumes which we had a strong support from.
- On liquid we continue to see a challenge there 16% lower. But we do have a strong support coming from non-LPG volumes which is actually compensating partially for the lower LPG volumes. RORO of course you see a big number here but this is coming on a low base. So we still are in recovery mode. It will take some time. It will be a gradual recovery. And we expect to see some incremental volumes from a scale perspective only in 2022. On the revenue side and the financial side if I spoke about

revenue it is up by 19% but to speak about EBITDA, EBITDA also is up by 15%. EBIT is up by 17% and the net profit is up by 38%. EBITDA margin though was at 60% and was lower by 200 basis points. Now this was mainly because of the cargo mix and the maintenance dredging activity which was carried out during this quarter. So this is an overall key update when you compare March 2021 quarter versus March 2020. Can we move to the next slide? Thank you.

- On the volume development we have already seen that we had a 195000 TEUs of which 117000 was ICD. So we are seeing a gradual pick up again on the ICD volumes. On the dry bulk, we have an extremely good quarter. As you can see from numbers, which is 1.03 million metric ton of cargo being handled, liquid remaining stable but there also we expect now we are working on the VLGC berth. We already have the rail evacuation in place. So we expect these volumes to gradually recover from here on. And RoRo as I mentioned already it will take some time and the expectation is somewhere in 2022 we can see some good recovery on the RoRo elements. So that is on the volume development.
- Now I move on to the profit and loss account to give an overview. So I have already covered in the key updates slide a comparison with the same quarter last year. And that is why I am going to focus mainly on our performance first compared with December 2020 quarter and then we will also touch base on our yearly performance. So starting with the quarter on quarter performance, the total operating income at INR 1934 million is lower by 3% due to lower revenue from container and bulk business. For bulk business though the total volumes were up by 32% on a quarter on quarter basis, fertilizer volume had dropped by 62%. Fertilizers imports were lower during this quarter mainly because of the seasonality and as well as higher prices in the international market. Total expenses at INR 779 million are lower by 12%. Operating expenses at INR 332 million are lower by 14%. This is again due to lower fertilizer handling expenses in line with the lower volumes. Employee benefit expenses at INR 168 million are lower by 10%. In the previous quarter there was a one off special bonus which was paid to all the employees recognizing their efforts for uninterrupted operations during COVID-19. Other expenses at INR 278 million are lower by 11% due to higher maintenance dredging expenses in previous quarter. EBITDA at INR 1156 million is higher by 5%. And margin at 60% is 500 basis points higher than the previous quarter. Other income at INR 94 million is higher by 12% mainly on account of reversal of certain bad debt provision on recovery of old outstanding dues. The tax expenses for the quarter were lower due to reversal of tax provisions for earlier years and net profit at INR 654 million is higher by 20%. So this was the overall performance when you compare March 2021 versus December 2020.
- I will now like to give you an overview of the full year performance that is financial year 2020-21 vis-à-vis financial year 2019-20. As you are aware that financial year 2020-21 was a year of lockdown due to COVID-19 pandemic. But even in this challenging situation, when you compare our results on the top line, the company has maintained the total revenue at the same level as last year. The total operating income was at INR 7335 million in line with last year. Total expenses at INR 3113 million are higher by 8%. Operating expenses at INR 1375 million are higher by 8%. And this was mainly due to the bulk handling expenses on account of higher bulk volume. Other expenses at INR 1067 million are higher by 2% due to maintenance dredging expenses. EBITDA at INR 4221 million is lower by 5%. Margin is at 58%. This is lower by 300 basis points due to the cargo mix and the maintenance dredging expenses incurred in this year. Excluding the maintenance dredging expenses the margin would have been 100 basis points up at 59%. Other income at INR 442 million is lower by 13% on account of lower interest income. Net profit at INR 2181 million is lower by 25% and this is on account of the reversal of deferred tax liability which was accounted for in the earlier year. So excluding this tax adjustment, the net profit would have been lower by 6%.

- I will also quickly touch base on the consolidated financials. So we have our subsidiary Pipavav Rail Corporation Limited its results have been consolidated. And the share of profit from Pipavav Railway Corporation for financial year 2021 was INR 74 million and the consolidated net profit for the financial year ended 31<sup>st</sup> March 2021 is at INR 2216 million. I would also like to inform that the board of directors have proposed a final dividend of INR 2.40 per share subject to approval by the members at the forthcoming annual general meeting of the company. When we look at, when we add this to the interim dividend, then the total dividend paid for the financial year 2021 is at INR 4.50 per share.
- So this was the overview of the financials. We are happy to take the questions now. So over to you.
- **Mr. Varun - Moderator**
- Thank you so much sir. Participants to ask a question please raise your hand. I will call out your name and then you can go ahead and ask your question. So sir we have a question from this – let me collate the list. So the first question is from Mohit Kumar.
- **Mr. Mohit Kumar**
- Am I audible now?
- **Mr. Varun - Moderator**
- Yes, yes Mohit. You are audible. Go ahead and ask your question.
- **Mr. Mohit Kumar**
- Good morning sir. And congratulations on good set of results given the challenging environment. My first question is we will be losing 3 weeks to 4 weeks I guess due to cyclone. Do we have any kind of insurance for loss of capital? Secondly do we have any insurance for loss of business? That is my first question. And secondly sir the bulk has bulked up in this particular quarter. We are the run rate went 1 million ton in the quarter. How do you see for the entire year 522 is the bulk? Do you think that we can maintain this run rate of 1 million tons per quarter?
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- Mohit – yeah Jakob go ahead.
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- Yeah the first question, I don't want to speculate but we have strong indication, the storm was on the 17<sup>th</sup> and we hope to be up and running 1<sup>st</sup> of June. So in my calendar that is 2 weeks as it looks right now. I will let Santosh come in on the insurance question. Obviously we are assessing it. But it looks like that we – obviously we have lost 2 weeks of operations. But we have a number of customers being so polite that they are actually waiting for us at anchor in front of the port. And we have strong indicators from container shipping lines as well that they would support us coming in June. So that side I am not so concerned about. Specifically on the bulk, to answer your question sir, you can see that coal has been increasing and that is because here in the beginning of this calendar year we managed to open up the access road in RNEL shipyard, between Pipavav Port and Ultra Tech Cement Factory. So they were doing some upgrades of their dedicated cement jetty and in that period they have been

using Pipavav Port. And somehow a little bit ironically with the storm and the cyclone, the Ultra Tech jetty has now suffered significant damage. On top of that we have our normal fertilizer business which was also going well and we have added a couple of new customers. But on the fertilizer front we are now recovering and fixing the warehouse roof. Because as you know the fertilizer is import of bulk and then we do a bagging operation and we evacuate by rail. That should be up and running in June. We had plans to add an additional new warehouse of 10000 square meters but due to the storm it would not be ready so we have to expect some delays in adding the additional capacity. But I am quite hopeful that the bulk business will be back.

- Santosh will you come in on the insurance question?

- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- Sure Jakob. So Mohit yes we are covered by insurance. We are part of the global insurance package of the group as well. And this covers the property damage as well as the business interruption. The assessment of course is still on. The surveyors are there on the site. So we will have to wait and see the overall assessment and then we will probably know how much of the loss we will be able to recover through the insurance package.

- **Mr. Mohit Kumar**

- Understood sir. Thank you sir. Thank you.

- **Mr. Varun - Moderator**

- Thank you, thank you so much. The next question is from Advait Shah.

- **Mr. Ashish Shah**

- Yeah sorry this is Ashish Shah. So just had a couple of questions. One is on the bulk cargo mix, if you can just give the breakup of the bulk cargo for the quarter.

- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- Sure Ashish. So coal was we handle was around 467000 metric tons. Fertilizers about 213000 metric tons. And then others which includes mainly minerals was 349000 metric tons.

- **Mr. Ashish Shah**

- Sure. And the connected question Santosh is that is this volume for coal and minerals, is that something sort of a one-off cargo which has come? Or this is something that can be expected to be repeated?

- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- So during the quarter as Jakob mentioned, since the UTCL jetty was under repair, so we have seen a surge of their cargo at the port. But at the same time we do believe that we can continue to attract the cargo to certain extent and as well as new customers which have been added for both these commodities. Why I said we continued to attract even the Ultra Tech one because of the road connectivity which has been established between the port and their cement plant which makes the

transportation quite economical for them. And then that certainly helped them to look at Pipavav port also as an option for importing as well as exporting their commodities. So that is why we believe that we will continue to see some amount of this cargo to continue to come to Pipavav.

– **Mr. Ashish Shah**

- Thanks. Second question is on the PRCL profitability. Now if we look at the ICD volume, even for this quarter as well as maybe for the December quarter as well, it has been rather steady. But the profit contribution has gone down substantially. So is there any one off which would have impacted the PRCL profitability that you may want to highlight?

– **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- Certainly Ashish. So Ashish what is happening right now in PRCL they are of course closely liaising with railways to relook at the cost allocations. Because if you look at PRCL, all their revenues as well as the cost are allocated costs coming from the Indian Railways. And in the recent times they have seen a significant increase in their allocated cost mainly on account of the manpower which has been deployed on the electrification route between Pipavav and Surendranagar. However the benefits which were expected are yet to materialize because correspondingly there should have been benefit on significant reduction in the fuel costs. So they have not really seen that coming in. So the PRCL management is dealing this with Indian Railways to contest this that both of these should come at the same time where we should see a reduction in the fuel costs against the corresponding increase in the manpower cost. So that work in progress. But of course in this quarter since we have already taken all those costs, that is why you see a drastic reduction in the profit. I do believe this will surely get settled between PRCL and railways and eventually we should see the things coming back to normal with the same number of profits what we are seeing in the earlier quarter.

– **Mr. Ashish Shah**

- Sure.

– **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- Santosh, if I can just jump in. Also Ashish. I think there were two explainable root causes here for some deviation. One was that we had settled with PRCL earlier. So there was a onetime contribution from us to them which was in the accounts. And the second thing is I believe Santosh you can correct me if I am wrong and it is not included in this quarter but they had actually done a considerable contribution to the Prime Minister's Relief Fund. So those two are one-offs.

– **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- Yes of course when you look at the year on year performance, Jakob you are absolutely right. So Ashish just to add, we had a settlement of an old claim which was settled which was upside to PRCL, which was there in the last year. And this year of course there was a contribution made by PRCL to the Prime Minister's Fund for COVID relief. Around INR 50 million which was contributed. So those are of course one off as rightly mentioned by Jakob.

- **Mr. Ashish Shah**
- Sure. Just the clarify, the settlement amount is a part of FY20 financials and...
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- That's right.
- **Mr. Ashish Shah**
- And contribution to PM Relief Fund is for FY21.
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- That's right.
- **Mr. Ashish Shah**
- Sure. I will come back for more. Thank you.
- **Mr. Varun - Moderator**
- Thank you. The next question is from Anchal Lohade.
- **Mr. Anchal Lohade**
- Yeah good morning, thank you for the opportunity sir. First if you could help us with the realization for the quarter in terms of bulk container and liquid.
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- Sure. So for container of course we continue to maintain our realization between 6200-6600 so that the range what we have now. Bulk because of the cargo mix there is a change, a marginal change in the realization. Now in this quarter it is in the range of 400 to 500. And liquid we continue to maintain at 475 to 500.
- **Mr. Anchal Lohade**
- Understood. And you know if you could help us in terms of for the quarter what is the ExIm growth for us at our port in terms of the gateway cargo? Ex of coastal and trans-shipment if any.
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- Yeah so Anchal normally we don't split this between ExIm and coastal and we don't really give those kind of numbers. But I will just say that overall we are able to sustain the volumes because there was a strong support coming from coastal. And because of the challenges in the Far East trade, mainly the congestion in the Far East port, then there has been a drop in our Exim volumes. Marginal drop in the Exim volumes I will put it that way.

- **Mr. Anchal Lohade**
- This is on a QoQ or YoY basis sir?
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- So this is on QoQ basis yes.
- **Mr. Anchal Lohade**
- QoQ basis okay. And how about the full year.
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- So in full year as well there is a marginal drop in the Exim volumes. Because as I said in last year just to add to this, so last year we have added – sorry this year, this financial year we added two new coastal services which has helped us to push the coastal volumes. That is one. And I will also take the opportunity to update all of you that we have also secured new services. So there was one service which was secured for Middle East and one was secured for Far East which is of COSCO . Both these services were starting from May this year. So this is a new development which I wanted to share. Jakob please go ahead.
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- No that is absolutely correct Santosh. I just wanted to also Anchal to clarify that in that composition of cargo we are actually quite pleased that we have next to nil trans-shipment because you make no money on trans-shipment. And the challenge we have often to explain this that some of our neighboring ports in Gujarat, they actually have a tremendous volume expansion. But they are benefiting when you see that there is congestion in Sri Lanka then the trans-shipments are moving to that other port. And that is boosting their volumes. But it leaves us back to this challenge of having to explain the numbers and market share and so on. But it is really more complicated and it is I think less relevant for us. I am glad that we don't have to handle trans-shipment at cost and much better focusing on the coastal volumes as Santosh said we have added two more services. And import and export I am quite optimistic because also what Santosh said. And thank God that we had already secured 2 new services. They were eager to get started before the cyclone here. We have a direct China-India service and we have a direct export call from Pipavav to Jebel ali. So I am hopeful that will see a further boost of our exports. Thank you.
- **Mr. Anchal Lohade**
- Would you be able to give any color in terms of what kind of additional volumes it can bring in? Could it be say 50-60 thousand TEU put together?
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- I don't think you are that wrong in that number. The service to Jebel ali is very attractive connection but it is a smaller vessel. But the service from China direct Shanghai to Pipavav that is a big string. It is the CI-1 which is the China-India service on OOCL and COSCO. So it is also a major shipping line. COSCO



is being added I would say they are back. They were in Pipavav but now they are back. And I think they have quite big growth ambitions in India. So I think you are right.

- **Mr. Anchal Lohade**

- Great. And just last question if I may. In terms of the DFC connection, once that is established, would we also have a fair amount of benefit in terms of the shift from another port or in terms of the underlying Exim cargo momentum?

- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- Absolutely. I think I kept telling that it is a game changer. Unfortunately now again due to the cyclone we have been a little bit delayed, but it is a game changer. There will be cargo moving from truck and from roads to rail. And when we have a longer period of time to get this coordinated and get this stabilized, this DFC will make sure that we have scheduled import, export, regular trains. And the trains are double stack trains. They are double size and lengths. They can go with faster transit time. So what I am trying to describe to you here is that our customers' supply chain is going to get much more reliable. It will be faster transit time to the northern market or from the northern market. Maersk Line just recently started a regular service with train from the hinterland to Pipavav for catering for automotive. And I think really things are going to change. But as you also know any change takes time. And once we got the DFC fully up and running, I think this is really going to be the game changer for us. And not necessarily taking, just to extend on your question, not necessarily taking away business from other ports. I think the migration will be from road to rail because the rail product will be much more reliable. And the road products and the truckers don't need to be worried because they can make many more short trips between factories and ICDS. They don't need to drive 5, 6, 7 days and have two drivers in their trucks. So I think for the whole industry it is going to be a good sustainable game changer. And what I hope is that India will actually gain global market share due to the DFC.

- **Mr. Anchal Lohade**

- Great, this is very helpful sir. Thank you.

- **Mr. Varun - Moderator**

- Thank you. The next question is from Sachin Shah.

- **Mr. Sachin Shah**

- Hi am I audible?

- **Mr. Varun - Moderator**

- Yes you are.

- **Mr. Sachin Shah**

- Hi. Thank you so much for this opportunity. I just wanted couple of things, I would like to understand a couple of things. One is you know the previous point that we were discussing on the DFC side, so when is that getting operational for our circuit? And is it linked to that only when the neighboring port

which is Mundra also – so will both the ports get simultaneously started on a DFC or we will have some first mover advantage of say at least one or two quarters? So some more details on that side. That was one. And second if I remember correctly, about couple of quarters back we had some discussions with Gujarat Maritime Board in terms of the extension of our concession agreement. And there was some indication that we would get some sense from Gujarat Maritime Board by the calendar year 2020. Now we are almost first half of calendar year 2021. So any update on that will also be very helpful. Thank you.

– **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- Yup Sachin let me take that. But first of all let me just again clarify on the DFC. It is a massive, massive infrastructure. So it is not switched on with one button. It is going to come gradually. What we are operating is a much more planned operation where we have regular trains coming in and they deliver export cargo to Pipavav and then they load, import back again to the hinterland. And I think that more structured scheduled regular time table operation will become more and more prevailing. So that is what I would say, we would probably be able, a little bit later now everybody has been delayed because of the cyclone in terms of the rail line for the DFC. But we will be among the first ports to do so and we know how to do it. When it comes to Gujarat Maritime Board, we have continuously good discussions. And actually the Vice Chairwoman and MD of Gujarat Board, Avantika Singh, she is visiting the port today. She is inspecting the damages. She is also visiting RNEL and Ultra Tech and the surrounding water front. And we have a very good dialogue with them. I think we have positive indication on the concession extension and now with the cyclone, we are actually talking about with Gujarat Maritime Board about a better planning and updated master plan for the whole water front area. So give us a little bit more time. Still the concession is expiring in 2028. I am very, very certain that with our very constructive discussions about an extension and now maybe with the terms, and with the scope of the extension, I am quite sure that we will reach satisfactory agreement as well. They had indicated that we would get something official here in May. But I also think that we need to forgive them because May has certainly been obstructed by the cyclone. I hope that gave you a little bit of update and hope.

– **Mr. Sachin Shah**

- No sure I understand these are difficult times. You were looking at COVID environment. So a delay of a quarter or two is absolutely understandable. But it is good to know that you are on track and you are pursuing it to get it as quickly as in terms of getting the concession agreement extended as quickly as possible. That is good to know. Just one more thing, coming back to the DFC thing, you know I just wanted to know in terms of the update in terms of our connectivity, from our port to the connected – our feeder line or what they call it the connectivity line to the actually DFC, there was some infrastructure that was getting done in terms of the electrification or something. What is the progress on that and when do we actually expect that to start? Can you give us some color on that?

– **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- Yes. So it is running already and actually we were very, very quick to recover after the cyclone on the rail side and that is PRCL which we also discussed earlier today. So that rail link from Pipavav Port up to Surendranagar where we plug in several places to the DFC, that is run by the company called Pipavav Railway Corporation Limited PRCL.

And that is where we are shareholders together with Indian Railways. And we are running of course diesel locomotives, diesel engines and we have been working on the electrification of that track. That has been a little bit delayed now also thanks to the cyclone which admittedly has been very, very rough to the electrical installation. It basically – I was there in the port last week and all electricity masts and transformers have been leveled. I think the DFC we didn't have the electric wires up and running yet so there is less damage. But I expect a little bit of delay. But what that means is that the engines will not be electric to start with and in fact I think the railways and the operators have only a limited number of locomotives that are fully electric. But we are running it on the diesel. And we have the advantage now to COVID that there are less passenger trains on the track. And when DFC is fully up and running then of course given the names, dedicated freight corridor, so there we don't have any passenger traffic to consider. And all of that is going to be a game changer and its happening. But let us say it is 3 to 6 months delayed.

– **Mr. Sachin Shah**

– Okay. Just more thing, the last thing, and I am going to try and – and please pardon me for that but it is my job to do that, so I am going to try and put some figures in your mouth. You know with the new two services that we are going to start this year, with because of DFC over a period of time, we see that the market share moving from the road to railways and which is going to help Pipavav. So you know our container capacity if I remember correctly is in the range of about 1.3 million. We are probably today doing about 0.8 million. Do we see crossing at least 1.1, 1.2 million numbers over next 2 years say March 2023 as things stabilize and as we keep on gaining market share from road and as new services start?

– **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

– Look I keep saying, 10 lakh, 10 lakh and I can assure you that we are trying to push that into the 1 million TEU. And we are trying to push that capacity so that we also can argue to our management that we need to do further capex. If you recall we have already plans for upgrading the crane capabilities and we also have a yard expansion plans. That has to be assessed again because with the DFC I expect that the yard velocity will go up and that means that containers will move faster. So we won't have as much dwell time inside the container yard when the DFC is up and running because cargo will come in on time and it will be evacuated fast again through the container yard. So the capacity assessment you are absolutely right, we say 1.35 million TEUs on an annual basis. Don't put words in my mouth but I think the first milestone to pass is the 1 million, the 10 lakh TEUs. And that should be coming before 2023.

– **Mr. Sachin Shah**

– Fantastic. Thank you very much.

– **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

– Yeah. Before 2023 is over.

- **Mr. Sachin Shah**
- Thank you. That is fantastic. And I hope that your expansion plans also quickly start because they are linked to the concession agreement if I remember correctly. That was the condition that you put with the Gujarat Maritime board. So I hope you get the concession agreement extended and you start your expansion plans very quickly. Thank you and all the best.
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- Thank you very much. And you are right. But as I said a little bit ironically now because of the cyclone, obviously the GMB conceded as a lot of rebuilding to be done. So I think we are the right party to take that task up right away and get the whole thing rebuilt. And then GMB is also business people and they can easily understand that obviously we need a longer horizon for recovery. So that is quite – in a way we get help from that cyclone. We have to look at it from the positive side. Thank you.
- **Mr. Sachin Shah**
- Thank you.
- **Mr. Varun - Moderator**
- Yeah. So the next question is from Seetharaman.
- **Mr. Seetharaman**
- Hello?
- **Mr. Varun - Moderator**
- Yes sir you can go ahead. We can hear you.
- **Mr. Seetharaman**
- So I wanted to ask what is the potential Hello?
- **Mr. Varun - Moderator**
- Hello.
- **Mr. Varun - Moderator**
- Your line is feeble. So I don't know ... we are losing you in between. We are losing you in between.
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- If you can just send your question via chat, Varun can ask them.

- **Mr. Seetharaman**
- Okay I will do that.
- **Mr. Varun - Moderator**
- Yeah so in the meanwhile we will take the next question. It is from Vipul Kumar Shah.
- **Mr. Vipul Kumar Shah**
- Hi sir, congratulations for a very good set of numbers. Most of my questions have been answered. But as and when you cross 1 million figure in container volume, what type of expansion plan – what will be the expansion number as far as container volume is concerned? And what type of capex are you looking at?
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- Yeah. I think the next step here would be that we need to add one more container berth. And what we are looking at is to reconfigure the container yard taking advantage of the DFC we want to bring the rail tracks all the way into the yard and reconfigure the way we operate. So I think that question will take quite a long time to technically explain and in terms of the capex I would not have the detailed numbers on top of my mind here as well. But we have some good ideas about what we need to do to expand. And obviously the best argument we have to put forward to our top management for capex and expansions is that we have some good growth numbers and we reached the 1 million TEU. I think that is the trigger point for starting those discussions. Because we all know that obviously it takes maybe a couple of years as well to construct and to expand. So the timing, the timing itself of the construction and the capex is important. And we talked about that a little bit earlier with the last caller.
- **Mr. Vipul Kumar Shah**
- Okay sir, thank you and all the best for the future.
- **Mr. Varun - Moderator**
- Yeah so Jakob, the question from Seetharaman was what is the potential container volumes per annum from the newly added services that you are looking at.
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- Yeah I touched to say that number directly but one of the earlier callers were putting words in my mouth and he said whether it was to the tune of 50-60 thousand TEU. And I didn't deny that.
- **Mr. Varun - Moderator**
- Okay. So next question is from Deepak Maurya.
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- Deepak you can unmute your line and go and ask your question.

- **Mr. Varun - Moderator**
- Deepak you can unmute your line and ask your question.
- **Mr. Deepak Maurya**
- Yeah hi sorry. I just unmuted it. I hope I am very clear.
- **Mr. Varun - Moderator**
- Yes you are.
- **Mr. Deepak Maurya**
- My question to you Jakob is about the container volume recovery. I mean I understand the point that your neighboring competitor within Gujarat has been growing driven by trans-shipment. But even the major ports seem to be doing pretty well with double digit growth in the March quarter year on year. But we have had a negative growth of about 1%. So maybe if you could help us understand what we are missing in terms of the growth trajectory for GPPV versus the rest of the country.
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- Yeah okay. So one of the reasons is that in general some of the big shipping lines are deploying their big capacities in the two major trades that is Asia to Europe and trans-Pacific. So what we have experienced in our carrier, one of them of course is Maersk Line, but in our carrier group of customers they have prioritized their space allocation to those two major markets where as you know everybody is complaining except the shipping lines. But the rates are pretty high. So they are optimizing their yields and we have been hurt by that in terms of the volume. I think if you look at volume, if you look at volume out of Mundra, Mundra is a much say broader based port with five terminals and they have a number of more shipping lines than we have. And there are some people who are picking up market shares. Some of the shipping lines are picking up the market shares that some of the other lines are foregoing because they are pursuing higher yields. So that is where we are basically a little bit of a passive service provider that just has to adapt to our clients' priorities. But that is really the situation we are in. And I understand that because there have been many years that the shipping lines have been losing money and sending \$500 after each container. Now is their time to make hay as you say the sun is shining for them. And we just have to come along. In that scenario I am very, very pleased that we are having this diversified revenue streams and you can see also the bulk business is really helping us, while clearly our contribution from the container business is the best. And now again with new services and a broader spectrum of coverage with the two new coastal feeding and also the two new Exim services, I actually think we are very well positioned to catch up on that. The market distortion that we are experiencing now is again foreseen to level out by the end of this year. But I think that explains a little bit of the situation we are in. not much we can do about it and it is actually not also a big surprise. It's that is what is happening.
- **Mr. Deepak Maurya**
- Okay so if I understand clearly it is what is happening is your carrier group of customers are diverting capacity away from the Indian routes to say Asia, Europe and the Trans-Pacific whereas your competitors including the major ports and the one in Mundra are making utilization of this vacuum

and increasing their market share. And therefore their volumes are stronger versus your volumes. Is that what you mean?

– **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- You are spot on and what it is is that our customers are making more money elsewhere and some of the customers, some of the shipping lines in Mundra maybe taking market share. But they are doing that, they are growing on less attractive yielding cargo.

– **Mr. Deepak Maurya**

- Okay crystal – crystal clear here. Thank you. And maybe a follow up on – if I can with respect to the remark which Santosh made at the beginning of the conference call, I remember you said something about EBITDA margin being lower in the fourth quarter by about 200 basis points because of the cargo mix which I understand is the bulk cargo. And then you mentioned about maintenance dredging expenses. But if I recall the dredging expenses had already been incurred in the last quarter that is in the December quarter. Could you please clarify on that comment please?

– **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- Certainly. So you are absolutely right. These are true comments which I have made. And we also have some maintenance dredging expenses this quarter as well. And so with that we complete our entire maintenance dredging for this year. And in general we have seen this happening every alternate year so we don't expect anything next year now.

– **Mr. Deepak Maurya**

- Okay. And maybe if you could remind us about how much was the expense last quarter versus how much was the expense which you incurred this quarter so that we can back out the normalized EBITDA margin.

– **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- Yeah. So last quarter it was 48 million and this quarter it is 20 million.

– **Mr. Deepak Maurya**

- Okay. That is also very helpful. And finally on the PRCL earnings, you mentioned that the cost attribution which is happening has been unfavorable to you because of the electrification and other things and you reaching out to them to sort it out. Any time frame you see when this can happen or will we see a couple of more quarters of depressed earnings despite steady volumes?

– **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- So let me clarify if I – I don't know whether you misunderstood this. So this was a discussion between PRCL and Indian railways and the cost allocation is from Indian Railways to PRCL.

- **Mr. Deepak Maurya**
- Yeah that is what I meant actually.
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- Yeah. Perfect. So this of course is under discussion with Railways. And it is very difficult to give a timeline because railways will have to look at this, not only from PRCL perspective but all the SPVs which are operating. And of course that is the discussion. The management is on this and they are taking it to right levels. So we do expect this to have some resolution in the coming quarters. So I can't really give a timeline for that but we do expect – if not the cost going down but at least the benefit will start coming in which will be passed on to PRCL.
- **Mr. Deepak Maurya**
- Appreciate it. And one final question if I can squeeze in.
- **Mr. Varun - Moderator**
- Sorry, sorry.
- **Mr. Deepak Maurya**
- Fine thank you. I will jump back in the queue. Thank you Varun.
- **Mr. Varun - Moderator**
- Sure, sure. Next question is from Ajinkya. Ajinkya Bhat.
- **Mr. Ajinkya Bhat**
- Yeah hi am I audible?
- **Mr. Varun - Moderator**
- Yes you are.
- **Mr. Ajinkya Bhat**
- Thank you. Hi sir this is Ajinkya Bhat from Macquarie. Thanks for the opportunity. Sir my first question is what is your plan on price hikes in the coming year? So on the container side if I look at say the tariffs in Mundra, I think their container the prices are hovering around somewhere around Rs. 8500 per ton whereas you are somewhere around Rs. 6500 per TEU. So how much would you hike in let's say in the coming year and what is the key consideration from your perspective that determines how far you can close this gap in the next few years?



- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- I am not sure we plan to close the gap and be on par with Mundra. I like the fact that our cost advantage over them. But if you notice we took a tariff adjustment last year and again here as the 1<sup>st</sup> of May we have taken one more adjustment. And these have been small 5-6% adjustments which all our customers have been quite fully understanding towards. And as you mentioned we are still having a nice gap to other ports. So I think we can probably continue to do small adjustments in that direction rather than shock our customers with double digit increases. I think that all our customers are taking appreciation to that that we are having a little bit of a business understanding on not to load a lot of things over to them. So I hope that that gives you an indication of our policy on that direction.

- **Mr. Ajinkya Bhat**

- Okay, okay, understood sir. And sir second question is on this GMB, the Gujarat Maritime Board concession extension. So obviously we have been hearing about this issue going on for last probably 2 years now. And the decision has kept getting delayed from GMB's perspective. Now my question is on your view, what is the main driving force by GMB should be taking the decision today considering that the concession for both you and Mundra runs till 2029 and 2031 respectively. So it is 7-8 years away at least. Why should GMB or why would the bureaucrats in GMB actually take the decision so far in advance? What is the key consideration here?

- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- Yeah that is very easy to answer. And as I said again here we have now been helped by the cyclone because with the capex expansions that we want to do and now with the additional upgrades that we need to do thanks to the cyclone, obviously we would like to have a longer period of payback. And GMB is fully understanding to that. So and if we want to accelerate development and do better things for India then let us not postpone this and kick this can down the road. And GMB is fully aware of that and to my knowledge this is also now on the CM's table. So it is not something that they are trying to delay. They understand that this has a very good driving factor on the economic development of Gujarat. And I think we have some pretty good constructive discussions going on. And Mundra is obviously as keen as we are to find a good settlement. But I understand from the politicians' point of view then what I understand is obviously that whatever they do that is going to be a long term policy. So that is of course something that any bureaucrat and politician would like to make sure to take the right decision. So that I fully understand. But we are giving them a lot of good arguments for why they should do this.

- **Mr. Ajinkya Bhat**

- Okay understood. Thank you so much sir. That's it from my side.

- **Mr. Varun - Moderator**

- Thank you. The next question is from Prateek.

- **Mr. Prateek**

- Yeah hi good afternoon sir. Good afternoon sir this is Prateek from Antique Stock Broking. My first question is on the impact of cyclone. So how do you see volumes like from your customers – like do

you see volume shifting to JNPT and then coming back? Or the shifts are like going back and then they will come back again to sort of deliver volumes at your port? So is there a permanent shift of volumes you expect or just a transient impact?

- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- See the born optimist would say that actually that volume is waiting for us to start up again and it is coming back. There has been a little bit of diversion and obviously mostly time sensitive cargo has going through GTI in JNPT or to Mundra for some live reefers. But frankly if we can start up in the time frame that we have been indicating already to the market around 1<sup>st</sup> of June, then I would definitely say that we have recovered pretty fast. Don't forget also that again in a sort of bizarre twist of luck, the cyclone came on top of the lockdown and in fact several of our customers' customers, many factories were closed. So they don't mind that their cargo is delayed for 2 weeks and I am hopeful that we can manage this within 2 weeks.

- **Mr. Prateek**

- Okay. And when you say container rail operations are still working at the port, but the port evacuation is not happening. So what are these container rail links doing?

- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- Oh I actually said that evacuation is happening and that has been up and running since last week. So but what we have said is that we don't want to have the port inundated with more export as long as we don't have importers calling to pick up the boxes. But we have evacuated import into importers without almost any interruptions. So that is happening. And my point here was also to say that the rail link was not damaged and we are operating with the engines that are diesel fueled. So even if the electricity is down we can still run trains on the rail tracks.

- **Mr. Prateek**

- Right. And on Dry Bulk volumes or annual volumes, or annualized volumes let's say if we take this quarter's volume as like a run rate. So would we feel any constraints in capacity handling for this segment which is I think to the tune of 4 to 5 million tons?

- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**

- Yeah. I am not good with predicting the numbers there. But as I said we think that the impact volume wise will actually be minor. Because some customers are willing to wait and so we will regain that volume here in June.

- **Mr. Prateek**

- No, no, I...

- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**

- Also about the capacity. We don't see a challenge because we have a capacity of 4 million metric tons of bulk cargo. So we don't see any challenge on any capacity front in volumes.

- **Mr. Prateek**
- But we are already doing 1 million ton and we are saying that it's sort of sustainable. So...
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- As I said so annually volumes will be in the range of around 4 to 5 million and we should be able to handle that.
- **Mr. Prateek**
- Okay and just last question...
- **Mr. Varun - Moderator**
- Sorry Prateek...
- **Mr. Prateek**
- Yeah I will get back to the queue.
- **Mr. Varun - Moderator**
- Yeah so the next question is from Swarnil.
- **Mr. Swarnil**
- Yeah hi am I audible now?
- **Mr. Varun - Moderator**
- Yes you are.
- **Mr. Swarnil**
- Hello sir good morning. This is Swarnil from Edelweiss. Two questions from my side. Firstly what is the current coefficient for Pipavav Port? And second is what is the total share of cargo of Far East in their overall volume mix and any strategy to delink on the dependence of the Far East side?
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- Santosh would you be able to take that? Because I just have a little...
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- Yeah. So the rail coefficient is in the range of around 60%. So 60% on rail and we do expect of course with DFC coming in, then that will be up further. So that what the expectation is. And sorry can you just repeat your second question?

- **Mr. Swarnil**
- Yeah so basically what is our total share of cargo from the Far East side in the overall volume mix?
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- So I would say in the range of around 60 to 65% is the Far East cargo mix what we have. But now as soon as we are adding services, of course with one additional Far East service, so it may go up to that extent. And then we are also looking at multiple other trade lines. So we are slowly working on balancing this out to whatever extent can be done.
- **Mr. Swarnil**
- Sure. If I have more questions I will come back. Thank you.
- **Mr. Varun - Moderator**
- Thank you. We have one last question from Abhishek Ghosh.
- **Mr. Abhishek Ghosh**
- Hello am I audible?
- **Mr. Varun - Moderator**
- Abhishek you are on mute. Yeah.
- **Mr. Abhishek Ghosh**
- Hello am I audible?
- **Mr. Varun - Moderator**
- Yes you are now.
- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- Yes.
- **Mr. Abhishek Ghosh**
- Yeah thanks for the opportunity sir. Just one thing in terms of the new rail service the automotive sector that the Maersk shipping line has kind of started from April if you can just help us understand what is the focus of parent in terms of both providing the last mile or the rail services in a timely fashion with DFC kind of company and also in some of the earlier comments I think in November December parent had kind of spoken about taking a lot of initiatives as far as Pipavav Port is concerned. So if you can just help us understand their perspective on Pipavav Port it will be helpful in these lines. Thanks.

- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- Yeah I will take that. I think it is clear that the number of our shipping lines are very keen to get into last mile as you mentioned and end to end services. And I am very happy that Maersk line selected Pipavav for this automotive regular service. And it ties up to what I explained about the DFC. The DFC will enable the customers to redesign their supply chain so that their by rail can have regular fast transit time that is stable and they can count on it so they can plan their inventory and their production and their business better. And of course to have a scheduled regular train with a fixed departure and a fixed arrival and connectivity to certain services that is exactly the backbone of that. So I think this is just it is helping to sustain what I call game changer of the DFC because you will have every train in the figure to be like that. And it is just significant that customers like Maersk we have also ONE and other shipping lines who are really looking into doing this now. I think we are just at the very early starts of this.
- **Mr. Varun - Moderator**
- Hello? Hello? Jakob?
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- Yeah we can hear you. Was that answering your question?
- **Mr. Varun - Moderator**
- Yeah okay. No I thought your line got disconnected in between. Okay. That answers the question I guess. So yeah thank you, thank you so much.
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- It is sending that signal if I can just wrap it up here. It is sending that clear signal that the DFC regular arrival departure schedule trains just like when you take a passenger airline you go from Mumbai to Delhi, and you know that departure is at 11:40. That is how the supply chain will be planned in the future when we get the full DFC up and running. And that automotive train is just a prelude for what is to come.
- **Mr. Varun - Moderator**
- Thank you. Thank you so much. And thank you so much for answering the questions. I now hand over the call to you for any closing remarks and then we can close the session.
- **Mr. Jakob Friis Sorensen – MD, Gujarat Pipavav Port Limited**
- Yeah. I appreciate all the interest and good questions and I hope in my partnership with Santosh I tried to give the business perspective and Santosh is the world champion of the numbers. But we are obviously quite pleased with this quarter results. And although we have been hit badly by that cyclone, I hope you can also hear that we are quite confident that we will be coming back soon and that the impact is going to be calculated but hopefully that we can recover some of the volume that has not moved in the last two weeks. So with that I think we are a little bit over time and I have to run into another meeting. But thank you very much for the interest. Santosh anything from your side?

- **Mr. Santosh Breed – CFO, Gujarat Pipavav Port Limited**
- No Jakob, no further comments. But thanks everyone. And as Jakob mentioned thanks for joining and asking those interesting questions. Thank you very much.
- **Mr. Varun - Moderator**
- Thank you, thank you so much. Take care everybody.