

Manish Agnihotri:

Good afternoon, ladies and gentlemen.

This is Manish Agnihotri. Welcome to the earnings call of Gujarat Pipavav Port Limited for quarter ended June 2023. The presentation and the results have been already uploaded on the company website and on the website of Stock exchanges. We have Mr Girish Aggarwal, Managing Director and Mr. Santosh Breed, CFO and I now hand over to Mr Aggarwal for his opening comments.

Girish Aggarwal:

Good evening everyone. We just declared our results for the quarter one. The overall net profit is higher by 15% and revenue growth is about 4% higher year on year. You would recall this quarter is marred by two events, the power failure and Cyclone Biparjoy. which led to a port being non operational for 16 days. On the container side, we added three new services with an approximate annual volume of 32,000 TEUs. On the RoRo side, we continued our strong performance with 14,000 plus cars handled in this quarter and effective July we also started handling on the liquid jetty, the VLGCs. So over to you Santosh to give the details on the financial results.

Santosh Breed:

Thanks Girish. Let me just quickly walk you through on the key financial numbers. This is a comparison with the immediate preceding quarter that is March 23. The total operating income at INR 2,149 million was lower by 8% mainly due to lower bulk volume. The total expenses at INR 1,091 million are higher by 4%. This of course includes a certain one off because of the power outage. Operating expenses at INR 420,000,000 are lower by 9%. This is mainly due to the lower bulk handling expenses, but these were partially offset by the DG set hiring cost which we had to hire for the power outage. Employee benefit expenses where at INR 199,000,000 higher by 21%. This is mainly due to salary increments, but the main increase quarter on quarter is because the one off provision which was reversed in the previous quarter. Other expenses of INR 472,000,000 was higher by 11%, mainly due to higher fuel charges for the DG set operations and drive upgrade and structural repairs of equipment. EBITDA is at INR 105 million and margin at 49% lower by 600 basis points. Net profit is at INR 659,000,000. Excluding the one off due to the power outage and the drive upgrade and structural repairs, which has been done to the equipment, the EBITDA margins have been maintained. With this we open up the floor for questions.

Manish Agnihotri:

Mohit please go ahead with your questions.

Mohit Kumar:

Good evening, Sir. Hi I have two questions.

The first is have you taken any tariff hike in this particular quarter. And if you haven't, will you take the tariff hike in the next couple of quarters? And what is expected tariff hike?

Girish Aggarwal:

We have not taken any tariff hike this quarter Mohit. We continue to evaluate you know the opportunities for tariff hike. I do not see any tariff hike in quarter two of this financial year.

Mohit Kumar:

So my second question is can you please help us with the CapEx you have done for Q1 FY24 and also can you update us on where are we in developing the LNG terminal?

Girish Aggarwal:

On the LPG terminal.

Mohit Kumar:

Yeah, yeah.

Girish Aggarwal:

So we are now waiting for necessarily regulatory and statutory approvals. That's work in process. In parallel, we have started the work for appointing you know what we call feed consultants. So that work has started. We expect to go live roughly May 2025 on the LPG terminal.

Mohit Kumar:

Third question is how is Exim volume behaving. How is the volume behaving in Q1? Can you give us the breakup between EXIM and coastal and how is the volume behaving right now in the sense in the last one month or so?

Santosh Breed:

Of course, we don't really split the volume by Exim, coastal and transshipment. So that's not possible to give the breakdown. On the overall Exim volume, if we exclude the impact of the cyclone and the power outage, then we have been doing better this quarter. For the future I will ask maybe Girish.

Girish Aggarwal:

I think you know overall let's say environment is still muted in terms of volume growth, especially exports. We are clearly seeing tough market in the US the inventories are still you know it's very sticky. The drawdown is not really happening as fast as is expected. So, I mean, general, you're not seeing any real uptake on the export volume, whether it is US or Europe. Recently you must have seen the numbers coming out of China. They've seen the biggest fall of both on exports and imports, so the market is tough and I believe will continue to be tough in this quarter post which I believe that there will be some easing out of the volume.

Mohit Kumar:

Understood. Thank you and all the best.

Manish Agnihotri:

Thank you, Mr Jainam Shah. Please go ahead.

Jainam Shah:

Yeah, am I audible?

Manish Agnihotri :

Yes.

Jainam Shah:

This question relates to the higher Other Expenses. Can you quantify the same? Like how much could have been for the cost that you mentioned?

Santosh Breed:

So there were 3-4 major item which I mentioned about the hiring of DG sets and then of course the fuel charges. So you know all put together, it was, close to 70 million INR.

Jainam Shah:

Got it. Got it. So from next quarter onwards, we are expected to be back to the normal levels as well.

Santosh Breed:

That's right.

Jainam Shah:

Thanks.

Manish Agnihotri:

Thank you. Mr. Vinay Jain please go ahead.

Vinay Jain:

Yeah. I thank you for taking my question. Just had one question. So if I see quarter on quarter, the cargo or the volume mix remains more or less the same, but despite that we have seen a 7% decline in the realization the blended realization. Could you please help me understand the reason for the same?

Santosh Breed:

So basically, as we have seen the volume of course your observation is absolutely right. The overall volume has remained stable and the main reason is the mix. So in our container volumes though, we don't, as I mentioned earlier, we don't really split it. But in general, the growth has been mainly on account of coastal and transshipment. So that is why there's some impact on the overall realizations,

Vinay Jain:

OK.

Girish Aggarwal:

But in general, I think the cost structure is significantly higher simply as Santosh mentioned earlier because of the one offs. We hired DG sets because of the power outage.

Vinay Jain:

Yeah.

Girish Aggarwal:

And then we also had a significant increase in fuel cost because we were running DG sets rather than electricity. And that's the bigger reason that you know our margins are seeing a decline. As Santosh was highlighting earlier, if we were to take out one offs in both the quarters, broadly the margins are similar.

Vinay Jain:

So hopefully like we should be on the on the cost side, at least we should be getting back to this 40-42 crore of quarterly run rate including the higher insurance charges which we talked about in the earlier quarter, right.

Girish Aggarwal:

Yes.

Vinay Jain:

Understood.

Santosh Breed:

So even the topline we expect now to be better because we lost in this quarter. So even the top line is expected to be better than this quarter.

Vinay Jain:

Yeah and lastly, VLGC operations, which started was it in the Q1 or we've started now in July.

Girish Aggarwal:

July

Vinay Jain:

And so that also incrementally should add to the liquid volumes for us.

Girish Aggarwal:

Yes.

Vinay Jain:

Got it, Sir. Yeah. Thank you so much.

Manish Agnihotri:

Thank you. Achal please go ahead.

Achal Lohade:

Yeah. Good evening, everyone. Thank you for the opportunity. My question was you know Santosh you mentioned about 70 million impact is it possible to split in terms of how much is part of operating expenses and how much is part of the other expenses?

Santosh Breed:

No, actually at this point we're not able to provide that breakdown.

Achal Lohade:

OK. The second question. Uh, you know, 16 days of outage is actually fairly large. Is it possible to know what is the impact of that in terms of? Because 70 million I presume is about the additional cost you are, you know, talking about, but you know in terms of loss of business, is it possible to get any quantum of that you know given it happened in the month of June?

Santosh Breed:

Yeah. So it's very difficult to quantify. If I look at container volume then we had skip calls because obviously we could not take those vessels. So we lost those volume but it's very difficult to really quantify how much exactly it could have been offloaded or loaded from the port during that time. So it's difficult for us to give a number to you at this point of time.

Achal Lohade:

And is there a possibility that some of that will get recouped in this quarter or what is gone is gone?

Girish Aggarwal:

So what is lost is lost, But the volume certainly for this quarter will be higher because we'll be hopefully operational for all the 91 days.

Achal Lohade:

Right in, in terms of, you know EXIM growth, can you give us some sense what has been the growth for the exim cargo for one Q, either Y-on-Y or a Q-on-Q?

Santosh Breed:

We don't really split the volume numbers, but if you look at the preceding quarter then the exim volume has been down in the range of around 6 to 8%. As I mentioned earlier that the growth has been mainly from the coastal and transshipment volume and if you compare it with the same quarter last year, then the exim volume has been flat.

Achal Lohade:

Understood. Understood. And any update on the renewal of the concession where we are you know and how soon can we expect because we've been waiting for this for the last few quarters if not years, I would say, but you know, is it likely to happen in this fiscal year or you think it could be dragged for next few years?

Girish Aggarwal:

Yeah. So, you know, I think again, you know from our perspective, we continue to engage with the relevant stakeholders in the government. There are absolutely no red flags you know from our perspective that we have heard from the stakeholders in terms of the renewal. In terms of the timeline of renewal, it's obviously left to the government and GMB, it's very difficult for us to comment on timeline. Having said that, as I keep saying, and I've said that earlier in our engagement with the stakeholders, we have seen no red flags.

Achal Lohade:

Understood. And you know in terms of the Exim side, you know you did say two Q will be tough. But if I were to ask you from a medium term perspective, given the competition whether

PSA you know JNPT or Mundra, how do you look at the growth for West Coast and within that for us. Could that be in double digit, could that be in single digit any color assuming normalized scenario?

Girish Aggarwal:

No, assuming a normalized scenario, you know India should be growing at a nominal GDP. So, the growth in container should mirror the nominal GDP growth of the country. In a normal scenario, right? Without the normal scenario I think quarter one we're looking at the numbers. Both Gujarat ports and Maharashtra ports have degrown year on year. If you were to look at, you know, normalized scenario, I think overall growth will be equal to the nominal GDP. We should be looking at that number, which should be in the region of 10 to 12% as I see it for both Gujarat and Maharashtra ports.

Achal Lohade:

Right. And you said, the LPG terminal will go live in May 24/25 as in the work or the commissioning.

Girish Aggarwal:

Commissioning.

Achal Lohade:

Commissioning. OK, understood. Thank you. I'll come back in the queue. Thank you so much.

Manish Agnihotri:

Thank you Achal. Bharnidhar please go ahead.

Bharanidhar Vijaykumar:

Yeah. Am I audible?

Manish Agnihotri:

Yeah.

Bharanidhar Vijaykumar:

So in the last quarter, there was optimism regarding our ports performance compared to, say, the overall west cost, especially because of the India Asia trade, especially in the electronics or

in the India Gulf trade due to Agri commodities. While recently we've had some government level restrictions on the rice exports or even laptop imports etcetera. So how is this likely to impact Pipavav?

Girish Aggarwal:

Yeah, in, in terms of, you know, rice exports, there will be some impact. We don't do a lot of bulk. Most of our rice exports that we do is out of our container business. So there could be some impact for that, but you know rice is a small commodity that we handle even in container business for us. So I think it's a marginal impact for Port of Pipavav. In terms of laptops etcetera, it's been delayed as I understand, what's too early for me to say in fact we are largely a more higher exporter of electronics and electrical goods. You know, as a port. So I'm hoping that that will in fact increase as we move forward.

Bharanidhar Vijaykumar:

OK. Right. And the last quarter there was a number of 25% year on year growth expected in liquid and about 50% volume growth in RORO expected that was mentioned. Is it still the same expectation now?

Girish Aggarwal:

RORO, the expectation is still to grow at 50% over the last year. FY. On the liquid side, we still believe that we will be around the 25% growth number for this financial year over last year. We may drop a percent here or two simply because of the 16 days losses that we had.

Bharanidhar Vijaykumar

OK. And the similar expectation on container.

Girish Aggarwal:

No we never said Container will grow by 25 to 50%.

Bharanidhar Vijaykumar:

No, I'm asking is there any number?

Girish Aggarwal:

No, it's difficult to give a number as of now for the container business. We said last time that we will grow more than the market. Having said that, this 16 day stoppage of course has a

bearing on it. So we'll re-evaluate what's the growth opportunity overall for us. But as I said, we just added in this quarter three new services which totals up to an annual business of roughly 32,000 TEUs. So that's all significantly positive for us.

Bharanidhar Vijaykumar:

OK, and what proportion of our overall exim volume coming from the parent Maersk?

Santosh Breed:

Yeah, that should be in the range of around 35 to 40%.

Bharanidhar Vijaykumar:

So OK, that's it from me gentleman. All the best.

Manish Agnihotri:

Thank you, Mr Nikhil Abhyankar please.

Nikhil Abhyankar:

Am I audible, Sir.

Santosh Breed:

Yes, go ahead.

Nikhil Abhyankar:

Yeah. So is there any update on tariff hike with PRCL because the company has been generating lower profits for a long time now. So any update on that

Santosh Breed:

Actually PRCL do not fix their tariff right? It is the railways who fix the tariff.

Nikhil Abhyankar:

Yeah.

Santosh Breed:

It's not something that PRCL can control. It is purely driven by Railways.

Nikhil Abhyankar:

We were earlier in talks with the railways to increase the tariff like a true up. So any further discussion on that?

Girish Aggarwal:

No, we were not in any discussion with railways on that.

Nikhil Abhyankar:

OK. Sir the railway offtake has been improved after the commissioning of DFC. So do you see that it will grow exponentially compared to our volume growth or do you see that, the growth rate will be normal?

Girish Aggarwal:

You know DFC without a doubt is a very positive and in right direction when it comes to infrastructure development. We are already seeing significant benefits to our customers who use the DFC corridor. Just as an example a rake from Khatuhas to our port which used to take about 72 hours from to our port now comes to our port in 30 hours, right? So there are significant benefits this this will of course allow the CTO's to use their assets more productively, efficiently, et cetera, et cetera. So the benefits are high. There are some challenges that still exist, especially the focus from a government perspective has to be moving road cargo to rail and what we see up North is still a difference between the road tariff and the rail tariff. So there needs to be more normalization of this tariff differential then that there will be a significant potentially exponential growth on rail over road. That's what will happen. In terms of overall growth of the port, as I said earlier, will be determined by multiple elements. (There's somebody who's not muted. I will request the person to get muted). So it will be decided on multiple factors including as well as what growth in GDP.

Nikhil Abhyankar:

Our liquid volumes are up 30% YOY, but they have been decreasing consistently for the last two quarters. So is there any seasonality involved in this or is there any specific other reason for it?

Girish Aggarwal:

This quarter actually it's broadly similar. The slight decline that you see is also because of the 16 day stoppage that we had. It's just a very slight decline. Typically there is towards the end of the year, so the queue 3 number that you see is usually higher because of the end of the year. So there's some seasonality sitting, but overall as I said earlier, we do expect for the financial year to grow around the 25% mark.

Nikhil Abhyankar:

Right. Understood. And just a final question, sir, we are spending 7 billion on expanding LNG capacity. So what will be the increase? What will be the capacity after the expansion?

Girish Aggarwal:

Sorry, we are expanding the liquid capacity including LPG, not LNG. So we are not in the LNG business. We are spending USD 90 million, that's the approved Capex. So \$90 million will be spent and our totally capacity will go up to 5.2 million metric tons.

Nikhil Abhyankar:

OK, so it will be around a 3.2 million ton increase.

Girish Aggarwal:

Correct

Nikhil Abhyankar:

Understood. OK, sure. So and any realizations for it, what usually how much do we charge for it?

Girish Aggarwal:

How much do you charge for what? I'm sorry.

Nikhil Abhyankar:

For handling the liquid volume, Sir.

Girish Aggarwal:

The tariffs?

Santosh Breed:

The liquid realisations are in the range of around Rs. 450 to Rs. 700 per metric ton.

Nikhil Abhyankar:

OK. OK, sure. So thanks. That's all right.

Manish Agnihotri:

Thank you. Mr. Jainam Shah

Jainam Shah:

Yeah. So this question related to the cyclone that has been affected operations two years back. So I've been seeing in the financials that we have been incurring the cost and total cost network insurance income is 46 crore till date. So are we expecting any insurance income in this year or something and how much cost is still pending on that particular site?

Santosh Breed:

So #1 update is that the restoration work has been completed now. Now I'm referring to the cyclone Tauktae, which hit us in May 21, and then the major work of restoration was towards the Bund, which was in progress. So we have completed that restoration and we are in process of submitting all of final claims to the insurance company. And then, of course, in the coming quarters, the settlement will happen. So that's a discussion we had received an adhoc payment of 300,000,000 INR from the insurance company and the balance will get settled now in the rest of the year.

Jainam Shah:

Got it. So no more expenditure on that side from now on, only income would be there probably.

Santosh Breed:

There will be some expenditure even in the next quarter because as I said we have completed the restoration but of course the vendor bill settlement still is in process. So there are certain amount not significant but will still come in July.

Jainam Shah:

Got it, got it. Thank you.

Manish Agnihotri:

Mr Vipul Kumar Shah.

Vipulkumar Shah:

Alright, thanks for the opportunity Sir. So my question is regarding this expansion of LPG facility. So what type of asset terms we can expect once this expanded capacity comes online?

Santosh Breed:

Can you just repeat your question sorry I could not get that?

Vipulkumar Shah:

You know what type of asset terms we can expect from expanded LPG facility?

Santosh Breed:

So basically what we're looking at is additional capacity of 3.2 million. So this is the additional liquid berth for handling all type of liquids, so it's not restricted for LPG. But we expect mainly to handle LPG because that's the the product which is now looking at. So we are looking at incremental volumes of LPG imports. So that's how we are trying to, you know, to invest in this liquid berth and then try to utilize it for handling more of LPG. So I hope I answered a question not very clear about your question.

Vipulkumar Shah:

US 90,000,000 investment over what period of time you expect to recover? Let me rephrase my question.

Girish Aggarwal:

I don't know so that those are, you know, financial details that we do not disclose. But fundamentally, we believe this is the right thing to do from a customer perspective. We do not go ahead and make an investment just from a, you know, recovery perspective of how many years this is a clear customer need that we are trying to fulfil. Our capacity is maxed out as we talked about last time as well and there is a significant growth opportunity in the LPG and hence we believe this is the right thing to do. Of course, I mean financially, we believe this will be a great business for us.

Vipulkumar Shah:

Sir I'm attending calls after so many quarters so my question is our container volumes have stagnated over the last many years, so means what is the reason and what steps we are taking to improve those volumes?

Girish Aggarwal:

Actually you would have seen our numbers are actually significantly going up over the last few quarters, Nikhil, in, in, in that's this quarter of course it's a little muted simply because of the fact that we were shut down for 16% or 17% of the water. But if you look at quarter on quarter, over the last three, four quarters, you would see a significant improvement in container volume.

Santosh Breed:

Also in the market share. So we also have been increasing our market share also on the West Coast as well as in Gujarat.

Vipulkumar Shah:

OK, Sir. Thank you and all the best.

Manish Agnihotri:

Mr. Vipul Shah do you have any other questions? Your hand is still raised.

Vipulkumar Shah:

No, no, no. I'm done, Sir.

Manish Agnihotri:

OK, Achal please go ahead.

Achal Lohade:

Yes. Thank you for the follow up. Could you please help us with the realization range for container, liquid and bulk?

Santosh Breed:

Yeah. So container actually is in a similar range 7000 to 7800 per TEU. For dry bulk it is in the range of 450 to 600 per metric ton and for liquid as I mentioned earlier is 450 to ₹700 per metric ton.

Achal Lohade:

Second question I had with respect to the pricing to you know the group company Maersk. You know can you help us understand in terms of pricing what kind of discount to the normal pricing to third parties. Is that a substantial discount or is it very similar to what it would have been had a third party been such a large customer for us?

Girish Aggarwal:

We do not disclose our commercial arrangements with anybody. That's not possible,

Santosh Breed:

But in general all are of the volume so these are volume based discounts.

Achal Lohade:

Got it. Yeah. OK. OK, understood.

Another question I had was in terms of, you know for from a listed company perspective, we are a single port company. So, you know is would we remain in the same fashion or could there be a change where we would look at as a as a listed company, we would look at investment in the other locations, other port greenfield or brownfield ports.

Girish Aggarwal:

As of now there is no such proposal with us of investing in any other port as we sit today.

Achal Lohade:

Got it. And just one last clarification. If you look at the volume, I mean, despite 16 days of shutdown, you still manage to do the same volume what you had done in three Q rather 4Q. So is it that you know the we could fill the balance days through the transshipment stroke coastal volumes where we had lost out on the you know the exim volumes?

Girish Aggarwal:

Yeah, but in general also, I mean, I think the overall as I also gave you know just repeating talked about the fact that we were able to add 3 new services for the quarter in the quarter, right? So that that also helped, but in general I think we've been able to grow our business and we've clawed back some of the market share that we had lost in the you know previous years, right. So there's general clearly growth that we are pushing for. Having said that, the loss was more EXIM in the 16 days of stoppage vis-à-vis coastal and hence as a proportion we saw more transshipment and coastal for this quarter. But that's just because of the fact that we were shut down for 16 days. That's not going to happen as we move forward.

Achal Lohade:

Understood. Understood. Is it possible to get some more understanding about these three new services? How much would they have contributed in the first quarter gone by you said 32,000 annual perspective. So has it started already? You know, coming into first quarter fully or it was just there for the partial part of the portal?

Girish Aggarwal:

That's partial. So the full volume will start coming in this quarter.

Achal Lohade:

Understood. And possible to get some more idea which services are these? Which geographies and what frequency?

Santosh Breed:

So there's one service which is a Far East service. And then you also have one coastal service which has been added and then there's one service to Bangladesh.

Achal Lohade:

Understood. great, this is very helpful. Thank you so much.

Manish Agnihotri:

Thank you. Do we have any other questions? Doesn't seem to be the case. Thank you very much for attending the call and have a good evening.