

“Gujarat Pipavav Port Limited Q3 Financial Year 2016 Post Results Analyst Call”

January 28, 2016

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Moderator: Ladies and gentlemen, good day, and welcome to the Gujarat Pipavav Port Limited Q3 FY16 Post Results Analyst 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 for an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Achint Bhagat, Ambit Capital. Thank you and over to you!

Achint Bhagat: Good afternoon everyone. Welcome to the Q3 Earnings call of Gujarat Pipavav. We have with us today the management represented by the Managing Director, Mr. Keld Pedersen, and the CFO, Mr. Hariharan Iyer. May I now request the management for their opening remarks and then we can open up the floor for questions.

Keld Pedersen: This is Keld Pedersen here. Good day to everybody. I just want to start by showing you all a very nice picture of the three new cranes we are about to take into operation. They are now all in the port and worked on through to get ready and if we jump into the key highlights, we have in the quarter handled 178000 TEU, which is a 21% increase versus the previous quarter. So we can now say that the Force Majeure impact has improved despite the fact that we are still operating in a global slowdown, a slow market place.

If we go on to the dry bulk, we have totally handled 443,000 metric tonnes, which is a 30% decrease in volume versus the previous quarter. But if we look at fertilizer and mineral volumes compared year-to-date with the previous year, then it is actually on a par with the previous year. However, the coal part has dropped significantly.

Moving into the liquid business there we handled 189,000 metric tonnes of liquid cargo. This is a 16% increase in volumes over the previous quarter, and actually also, the highest ever handled in the quarter. On the RoRo, which we started up in the middle of August, we handled 4,500 cars in the quarter. So taking us into the financial results then there was the 100 crores EBITDA to an EBIDTA margin of 61%, which again is the highest ever for the company. There are a number of factors behind this which Hari in a short while will come up and elaborate a little bit on it.

So profit after tax in line with the previous quarter, 533 million, so in summary on the highlights, the third quarter was better than the previous, with the Company gaining back the volumes lost during the Force Majeure. The headwinds in global trade have impacted volumes in India; however, as we begin the new calendar year now, we are well positioned to take advantage of diversified offerings of our container bulk, RoRo

and liquid cargo and the new cranes and additional projects which will come in on-stream to help us turnaround the vessels, faster for the customs, and also increase productivity.

If we go into the operational highlights, I think I have been through most of it. On the container and rail volumes, you then again see for the last quarter, how they have rebound.

Moving on to the infrastructure, just to make it little clear, the three cranes that service our new container yard as you see below, and the project overall, the total project is on schedule and we expect completion by the end of March. Then I would like to hand over to Hari who will take you through the financial which I am sure you are very interested in, so please, over to Hari.

Hariharan Iyer:

Thank you, Keld and good afternoon to all. Let me start with the income, the income from operations in this quarter at 1,521 million is higher by 8% than the previous quarter mainly driven by the higher container volumes. The container volumes in this quarter as Keld mentioned rose 21% from 147,000 TEUs to 178,000 TEUs recouping mostly the volumes impacted by the force majeure in the previous quarter.

The reefer volumes also grew during the quarter and were higher by about 4,000 reefers than the previous quarter. We also see some trend of customers shifting volumes from the services which moved out in quarter two of 2016 to existing services in Pipavav. This reiterates the customers' confidence in Pipavav.

Another block train commenced operations during this quarter for North India based customers. We gained an additional coastal service this quarter and currently have three coastal services from Pipavav to South India.

The global headwinds as Keld mentioned continue to impact the industry overall both in terms of rates and volumes. The trends are similar to the earlier quarters and the growth in the volumes for the North West region remained more or less flattish.

Coming to the bulk: The bulk volumes in Pipavav were lower by 30% from the previous quarter, mainly impacted by lower fertilizer and mineral volumes, while coal volumes also dropped marginally from the previous quarter. However, when you look at it on a year-on-year basis, the overall coal imports into India has significantly dropped, and on a quarter-on-quarter basis, it has dropped by almost 20% from the same volume in the previous quarter.

Overall, the fertilizer and mineral volumes year-to-date are in line with the same period in the previous year and the variations within the quarters are normally due to the arrival sequence of the vessels.

Liquid volumes continue to ramp up. During the current quarter we handled 189,000 tonnes, up 16% from the previous quarter. We handled seven RoRo vessels during the quarter carrying roughly about 4,000 cars.

Coming to the expenditure side, the operating and other expenditure during the quarter were lower, partly due to favorable write-back of INR10 million on the Maintenance Dredging cost, which we had accrued earlier in the previous quarter and also some savings in our cost lines and partly also due to lower bulk volumes during the quarter.

EBIDTA at INR 1,000 million is up 31% from the previous quarter and the margins have improved from 51% in the previous quarter to 61% in the current quarter largely driven by higher container and liquid volumes favorable write-backs in revenue and cost and favorable exchange rates.

The net profit at INR 533 million is net of deferred tax liability at INR283 million for the current quarter. The project as Keld mentioned is on track both on cost and timelines, and enhanced container capacity of 1.35 million TEUs will be in place and operations will commence from the quarter ending March 31, 2016.

In summary, excluding the one time in the previous and the current quarters, EBITDA, margins and operating net results for the quarter all ended up higher than the previous quarter on the back of regrouping volumes, favorable write-backs and savings in costs. With this now I open the floor for questions. Thank you.

Moderator: Thank you very much. ladies and gentleman, we will now begin with the question and answer session. The first question is from the line of Aditya Bhartia from Investec Capital. Please proceed.

Aditya Bhartia: Sir I just wanted to understand what would be the quantum of benefit of writeback from volume incentive?

Keld Pedersen: It is Rs.40 millions.

Aditya Bhartia: On the competition bid, are you seeing increased rates of competition from Hazira and do you see potential of impacting pricing in the long term?

Keld Pedersen: I think we have to respect our competitors and we are clearly in a very competitive market; however, as a company in tough times, which is this, or then I think we as company are well-positioned, our carry forward losses have gone, we are debt free, and that is even despite the fact that we have an expansion project going on through internal funds. So that is the best answer I can give you .

Aditya Bhartia: Given that we will be installing new cranes in his particular quarter, should we expect any disruption in operations or can they go uninterrupted?

Keld Pedersen: The critical part of the project is: while the cranes actually arrive , and they have landed on the Quay from the Barge. That piece of the project that happened in December and we are now just having a few people working on the cranes with what we call commissioning in order to have the cranes fully operational for the crane drivers and the customers. So the answer is no, we should not expect any unexpected interruption of all these.

Aditya Bhartia: That is pretty helpful Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Ateek Balesaria from Capital Matrix. Please proceed.

Ateek Balesaria: Thank you for the opportunity Sir. I wanted to know why the bulk volume has dropped if we can compare YOY, because our average for the last year was 1,000, but now it has come down to 600 and 400 despite 43 this time, so what should we expect further?

Hariharan Iyer: If you look at it on a quarter-on-quarter basis, then yes in this quarter, the fertilizer and minerals actually dropped by close to 30% in total. However, you need to look at it on a year-to-date basis. We did about 988,000 tonnes December nine months ending December and correspondingly the nine months ending we did almost the same about close to a million with respect to the fertilizers. The big drop has actually been on coal. The imports of coal have been impacted number one, and number two, for us we still continue to have the rail freight differentials, which is further impacting us in terms of participating for upcountry coal.

Ateek Balesaria: Sorry Sir, rail freight what?

Hariharan Iyer: Rail freight differential.

Ateek Balesaria: Okay and one more question container part, is this the impact, decreased in volume YOY, is this the impact because of the line shifted?

Hariharan Iyer: Yes, in this quarter, you have the full impact of the line shifted to some extent that also has a contribution, but it is a mix of multiple factors, but largely due to a shift of the service.

Ateek Balesaria: Okay and any new lines coming in sooner?

Hariharan Iyer: That is an ongoing process. In fact as we mentioned we had a coastal service, which commenced operations now. These are early stages. We also had a new service to the Middle-East started by SCI, but that is also almost at the end of December, so you do not see any impact of this at this point of time, as the volumes grow. These are early stages. We will get the impact of that in the coming quarters.

Ateek Balesaria: Last question from my side, this 10 million of exceptional writeback for dredging and 40 million per the volume, so there is no cost booking for this. It is only revenue booked right?

Hariharan Iyer: Let me explain that to you very clearly. On the 40 million, this is a revenue writeback, the reason being is that normally we have volume rebates based on the slab rates, but this is over a period of the time, during the course of the year, as we get closer to the completion of the contract period, that is when we assess really what the volumes of the contracts have been and depending upon the fulfillment of the contract there are either some write backs and this is what this 40 million write backs represent. As far as the second part of it is concerned, that is an Rs.10 million writeback, that is on the cost side, which reflects under the repairs and maintenance or other expenses in the sheet that you see, and that is relating to the maintenance dredging which we accrued in the previous quarter. As we concluded the dredging now, we have the right measurements and the right amount that need to be paid and therefore the writeback of Rs.10 million.

Ateek Balesaria: Is it relating to that Rs.9 million impact we took in the Q1?

Hariharan Iyer: Exactly. That is correct.

Ateek Balesaria: Thank you very much.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citi Group. Please proceed.

Atul Tiwari: Good evening Sir. Congratulations on very good set of numbers. I have two, three questions. First one is on margins. Now even with 170,000 containers your margins even after adjusting for these write backs were at about 60% and normally when we used to do 200,000 kind of boxes per quarter, the margins were like 59% or so. Has the

efficiencies of the operations now are improved so much that this is a normal level of margin even at 180,000 kind of volume and if the volume goes up should we see even higher margins?

Hariharan Iyer: This is the factor of the composition of cargo that we do and the cargo mix that we have. In the current quarter, you will see that the container volumes have gone up while the bulk volumes have dropped down. That is one of the reasons why the margins are moving up, because container definitely gives us a better margin. Number two, we have liquid and RoRo also coming into play now slowly, but steadily, so those are also increasing or giving a positive impact to the overall margins.

Atul Tiwari: Looking at 170,000 volumes in the quarter, it does look like that even in this quarter, you have managed to win a few more customers, so is that impression right and could you give more colour on that. Because, ideally, even after adjusting for cyclone impact and the loss of boxes from FE3, the volume should have been lower than 178, so it does look like that you have added few more customers?

Keld Pedersen: Let me comment on that, to explain a little bit of dynamics in the market. So as Hari already mentioned, we have had the coastal service and we had new service by the end of December to Middle East, which we do not see in the quarter's result. But it is also that the cargo is going to the cargo owners, to the end users, and that continues the movement in the hinterland markets as to what produce to ship out. So losing one line with a certain amount of cargo, or winning one line with a certain amount of cargo, that does not necessarily mean that you get all the cargo that is on board or you lose all the cargo that is shipped on the line. So those movements are continuously enforced in the markets.

Atul Tiwari: My last one is, there is a new Middle East service, so once fully ramped up, how much could it add to ... or how many boxes could it add on an annual basis?

Keld Pedersen: I think that is too early to say. It just started let us give it a chance to start up and then as we said it is a tough market globally and we just have to see what it creates.

Atul Tiwari: Thanks a lot and best of luck.

Moderator: Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please proceed.

Nitin Arora: Good evening. The service, which you talked about, is the Middle East one. I think SCI Smile Services what we are talking at this point?

Hariharan Iyer: That is correct.

Nitin Arora: That is the only service, which is added, or there is additional service, which is also added, because at the same service, which is running on the coastal side as well and then, it is not extended to Jebel Ali?

Hariharan Iyer: Now, this is the Middle East service, and then we have another coastal service as well we got added.

Nitin Arora: Okay, it is not from SCI?

Hariharan Iyer: No.

Nitin Arora: From the SCI assuming that they are running three vessels at 1,600 TEU at this point, what are the numbers considering that it is already running at four coastal ports already in the country and then it is going to Jebel Ali?

Keld Pedersen: I think it is really to say, the service just got into here by the end of December and as we are still in January I think we actually leave room to see what it will produce in service of business.

Nitin Arora: Can you tell us what is the coastal service, which you added which one is that?

Hariharan Iyer: It is the service, which goes to Cochin and in the South of India.

Nitin Arora: Which shipping is that, transit?

Hariharan Iyer: I will give you the details.

Nitin Arora: Second in terms of realization, can you share what is now the current realization of container bulk and liquid?

Hariharan Iyer: Can you repeat that?

Nitin Arora: The realization of bulk container and liquid?

Hariharan Iyer: I will come to the realization number very specifically. Can we move on to the next one that the new service that got started. It started by Shreyas. The coastal service I mean.

Nitin Arora: This is the same service, which got added, in the last quarter itself, which runs the cotton volume from south to the east?

- Hariharan Iyer:** Most of the coastal volumes or coastal services are largely dependent on the cotton volumes. Today we currently have three of the coastal services running.
- Nitin Arora:** I know it is an ongoing thing, which happens in the board, but given that our country had seen in the starting of the year more on the line addition by the coastal players, we got a line from Van Hai in the country, which largely went to your competitor. So what sort of visibility you are seeing at this point with respect to the shipping liners which can add rather upsize from Far East or let say even from Jebel Ali side, if you can throw some light with respect to their visibility, because you must be interacting almost on a daily basis.
- Keld Pedersen:** I think overall, we are continuously for pursuing business like all our competitors, so that is the best answer I can give you in terms of all businesses across customers.
- Nitin Arora:** Is there a possibility Sir, that you can guide us what is your apparent thinking at this point about India, which is Maersk?
- Keld Pedersen:** I think I will leave the clients to comment that, if that is okay.
- Nitin Arora:** Can I get the realization that was my last question?
- Hariharan Iyer:** Realizations for the container business is about in the range of about 6,800 to 7,000, this quarter is also partly driven by the reefer volumes, so you will see that this has gone up. The bulks are in the same range of about 450 to 500.
- Nitin Arora:** How much for liquid?
- Hariharan Iyer:** Liquid would also be in the same range, say 500 to 600. It all depends on the mix of the cargo .
- Nitin Arora:** Liquid has rather increased for us what we were doing earlier?
- Hariharan Iyer:** There will always be some changes based on the mix of the cargo that we do. So, it is a little bit difficult to compare on a quarter-on-quarter basis specifically when the volumes are still growing.
- Nitin Arora:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Amit Sinha from Macquarie. Please proceed.

Inder: This is Inder here. My first question is on the cost structure, now what we have seen is in this quarter we have seen some kind of writeback there, now you have given a quantum for that, but can you give me some sense on whether this is for only specifically the calendar year, fiscal year or some component after there also for previous years included in this?

Hariharan Iyer: Inder, very, very specifically this was relating to only one activity from our cost perspective and that is the Rs.10 million on dredging. We provided for or we put an estimate of Rs.90 million on the dredging which was a part of our cost in the quarter ending September 30, 2015, but now we have concluded the dredging as of this quarter and we have the final amounts, so therefore we can see that there is a writeback of Rs.10 million.

Inder: Actually my question is Rs.40 million which is for the?

Hariharan Iyer: Coming to the second, on the Rs.40 million that is on the revenue side and that is for the current calendar quarter or current quarter of nine months that we are doing. Mostly these are in relation to various contracts, which expire of course at different points of time. We continuously review that and depending upon the level or the kind of slabs that they are in, we writeback as and when necessary.

Inder: My second Q is again on the use of cash given that our capex is like a few weeks away from being completed and we have got a very, very strong balance sheet. Has the management or the board given any thought to when would we want to kind of start paying out dividends or any broad guidelines policy around that?

Keld Pedersen: I think we have to refer you to the board meetings that we are coming out of, but it is the fact that we are debt free and we do not have any carry forward losses, but then it is the sole discretion of the board.

Inder: My last question is on this bulk volume side, assuming that the coal is unlikely to recover given domestic production is increased. Is there a broad sense as to what is the annual number that we should look for? Is there a sustainable bulk number that we kind of do, given that there would be some spare capacity left. Is there something else that we do in that capacity, is there some fungibility in that capacity which exists there?

Hariharan Iyer: Inder, I think as far as the bulk is concerned, dry bulk is concerned, we have been more or less in the 3 million to 4 million range plus or minus a few 300,000, 400,000 tonnes in one year less or one year more. I would expect that the range of the volumes to be good, also be similar, considering the capacity that we have got, and very clearly, as you have indicated that the container is also commencing operations on berth number

3, then the available capacity to bulk will also be restricted. This is well designed and planned in terms of the outlook that we see from a bulk perspective. So it would be range bound in the three to four, but our effort would also be to see how we can get the right mix in order for us to get the margins up.

Inder: If I may squeeze one last Q, regarding the RoRo operations started in August, but what is the level of operation that you see from your end customer, which is Ford. How much is the scope for this to kind of be, how large this can be for us in may be next one or two years' time?

Hariharan Iyer: We do see good potential as far as RoRo is concerned. Putting a number at this stage is again early, because these are initial stages of the export market, our interaction with the automobile manufacturers give us a positive indication, but in the coming few quarters, we will have better clarity or visibility on this.

Inder: Great. Thanks a lot. Best of luck.

Moderator: Thank you. The next question is from the line of Acchal Lohade from JM Financial. Please proceed.

Acchal Lohade: Good evening Sir. Thank you for the opportunity. My question is related to the tax part, if you could elaborate what exactly would be the tax rate for us. Because I understand last time we had some reversal of deferred tax assets, this time we have created entirely deferred tax liability, how are we accounting the MAT payment etc?

Hariharan Iyer: Acchal yes, I will take you through each one of them. Let me start with the first one that is with respect to our tax. We are currently on a tax holiday and will continue to be in a tax holiday until March 2017. So per se there is no tax on any of the income that we earn until March 31, 2017. Come to the second point with respect to having a book profit; then from a MAT perspective then we need to pay the MAT tax which is what we are currently paying which is roughly 21%, 20.96%, so whatever that exact number is, that MAT tax is what we currently pay. We will get the credit for this as we start paying the full corporate tax going forward. So that is from a cash flow perspective. Coming to the third part of it, which is the deferred tax as we have explained in the earlier quarter, we had deferred tax asset scenario largely because of the carry forward losses that we have had. As of this year now fully the carry forward losses have all been written and we expect that the deferred tax asset will get convert it into a deferred tax liability as at the end of financial year March 31, 2016. This is largely the timing difference between the tax depreciation and book depreciation. Therefore, we now have, we need to as per the accounting regulations. We need to take into account the

before tax liability. This will be on until March 31, 2017 and thereafter it will start unwinding if the position remains the same. I hope that clarifies.

Acchal Lohade: Just one clarification, right now we are paying MAT; once we move into full tax rate from FY2019 onward will take the MAT credit, so from a cash flow point of view it will be only incremental tax outgo right over an account 20.9%?

Hariharan Iyer: That is correct you are right, however, the corporate tax will be the full corporate tax as is applicable as of that year.

Acchal Lohade: Got it. So effectively about 11%, 12% will be paid as cash till we exhaust the entire MAT credit. What is the quantum of MAT credit, if you could say that?

Hariharan Iyer: Can we pass on this question while my team will be able to give me that?

Acchal Lohade: My second question is, in the last conference call you had indicated that once we have a capacity on strength, we would be looking for volume to fill up. What I am trying to understand, given the current scenario: do you see in terms of pricing how that scenario is panning out sir?

Keld Pedersen: So in general, in the industry, there are contracts with the individual customers and pricing is discussed on an individual basis with the individual customers. So, that is the best answer I can give you. If you take it at a macroeconomic level and at tough times then of course tough times in the industry also once in a while puts us under pressure that is the best I can say. There are no intentions from our side to start doing all in low prices or anything like that if that what you asked.

Acchal Lohade: Just a clarification, you said part of the FE3 volume is the recovered, is that understanding right Sir in the quarter?

Hariharan Iyer: Can you repeat that question please?

Acchal Lohade: Did I hear it correctly that part of the volume CMA, CGM has moved to the other services which we had lost to FE3?

Hariharan Iyer: We see some trends that certain customers continue to operate with us while they were operating in the earlier services, which have moved out. They are now operating with the current services, so that does give us an indication that there are volumes, which are moving into our existing services.

Acchal Lohade: Got it. That is all from my side. Thank you.

- Moderator:** Thank you. The next question is from the line of Gaurav Sanghvi from Bajaj Allianz. Please proceed.
- Gaurav Sanghvi:** In terms of the last concall, we have mentioned that two liners have moved out FE3 and MG, so overall impact we have quantified around 90,000 TEUs. So in terms of liners, which we have moved back, given our capacities, what is the overall outlook in terms of overall trade volume, do you think we will be able to get additional liners to absorb the new addition in capacity?
- Keld Pedersen:** I cannot answer you, very specifically, on this one, but I can say that in the normal course of business, we are always very commercially oriented and continuously trying to grow the port.
- Gaurav Sanghvi:** In terms of that volume loss which we have observed in last part, you can just highlight now, how much we have got back in terms of this quarter?
- Keld Pedersen:** In terms of volume?
- Gaurav Sanghvi:** Yes.
- Keld Pedersen:** On the container business, we handled 178,000 TEU and that was 21% increased over the previous quarter.
- Gaurav Sanghvi:** Other question is on RoRo facility we have handled around 4,000, 5,000 cars, as compared to last quarter I think you have highlighted around 6500 cars. I just wanted to understand is there any Q-on-Q drop in RoRo?
- Hariharan Iyer:** These are very early stages, I think we had just started out the operations, so to start looking on a quarterly basis is a bit premature.
- Gaurav Sanghvi:** What would be your realization in RoRo facility?
- Hariharan Iyer:** Again let me take that question. I think these are very small number at this point of time. I do not want to go into so much specific details. They constitute a small percentage as this business picks up we will be able to better share these numbers and provide you more inputs. Incidentally, there was another question about the total MAT paid so far I think that remained to be answered. I have the numbers with me. It is about Rs.156 Crores or Rs.1560 million as of date.
- Gaurav Sanghvi:** Thank you.

- Moderator:** Thank you. The next question is from the line of Pawan Kumar from Unify Capital. Please proceed.
- Pawan Kumar:** Good evening gentlemen. Two questions fairly elementary to begin with. When you get a new liner, does your revenue model permit any charge on the liner or is it only on the units of cargo that the liner provides?
- Hariharan Iyer:** I am sorry Pawan. I am not very clear about what your question is?
- Pawan Kumar:** Let me rephrase. You commenced a new service, does the liner company that operates that service pay for every call at your port or only for every unit of container or bulk item that he loads or discharges?
- Keld Pedersen:** Normally, as a general guideline in the industry also then there is some marine charge for us to taking the vessels in and around the port and on top of that there is the handling charges.
- Hariharan Iyer:** So in fact it is exactly the same as what the existing services are, so they say marine charge for the vessel that they offer it and they pay a handling charge or a stevedoring charge for lift on, lift off.
- Pawan Kumar:** What gives you more revenue leverage, is that the cargo or the operator itself, the port call is it the unit cargo?
- Hariharan Iyer:** It is actually both. It is all about how you drive the overall volumes, so our interest would also be to see how we are able to build the volumes?
- Pawan Kumar:** I see okay, I understood then my second question this expansion has taken many years to conceptualize and install and a fair amount of capital. Is it fair to say that it is a big moment for this port when you finally go live, can you please give me a sense of what this means to you from a techno commercial perspective? What does it do for you that you do not have already in terms of being able to compete for business as well as the model your business if it all in many manner different from what you done in the past year or two?
- Hariharan Iyer:** Pawan, let me then just clarify with respect to the timeframe that you are talking about we indeed had a different proposal with respect to how we were planning an expansion. We continued with that however we changed our course of action depending upon what the market scenarios were. We had initially planned a much larger expansion with respect to both the bulk and the container, we have to reshift the gears from the point taking into account what the market conditions are especially with respect to bulk;

however, we continued our expansion on containers so as we speak now this is actually on schedule, and as planned, so in terms of even the total overall cost as well as timelines as Keld mentioned in our earlier presentation, we are on track to have this complete as of the first quarter. Number two: to answer your second part of the question, this relates to incremental volumes in containers, our container capacity has grown from 850,000 TEUs, significantly improves our flexibility to offer additional berthing windows in approaching larger or newer services, so that definitely brings in our better ability to handle the container cargo. We were at almost 80%, 90% utilization of the container capacity adding this additional capacity to 1.35 million, it is a significant move from a company perspective.

Pawan Kumar: Commercially do you intend to compete differently, normally you all have taken pricing increases in Q1 will you take it or will you let that trade off for volumes given you will have more to sell?

Hariharan Iyer: Pawan, it is a balance that you need to find in terms of really seeking the right volumes, our key focus will always be that we fill our capacity as we grow and in that respect if there are volume rebates and our incentives that we need to do, that is the call that we need to take on a case by case basis.

Pawan Kumar: Okay great, last question on liquid, what sort of headroom do you see on the liquid side of the business?

Hariharan Iyer: We have a capacity of two million tonnes of liquid, at this point of time we are in the range of about 35, 40% utilisation, we are consistently growing that volume, so we do see that in the coming few years we will get closer to the capacity utilization that we currently have.

Pawan Kumar: Is the traction strong?

Hariharan Iyer: Yes we have consistently seen on a quarter-on-quarter basis, it has been improving from the last quarter to the current quarter we have grown 16%, the previous quarter also saw an increase, but these are developing businesses, so it is too difficult to really put it on a quarter-on-quarter basis in a very short period of time, but it is all moving in the direction in which we would like it to be seen.

Pawan Kumar: Okay do you disclose the number on the revenue from liquid?

Hariharan Iyer: Today they are single digit numbers, so therefore do not constitute a very large part of it, as we grow we will start seeing this also becoming a significant part.

- Pawan Kumar:** Good luck. Thank you.
- Moderator:** Thank you. The next question is from the line of Milind Karmarkar from Dalal And Broacha. Please proceed.
- Milind Karmarkar:** Most of my questions have been answered. Just one small query, this disruption which probably would have happened because of the expansion, could you just quantify how much revenue loss or how many days would have been lost in this quarter because of the expansion?
- Hariharan Iyer:** That is not really the case, we are managing the project in such a way and in close dialogue with our customers wherever needed, so you would not see a financial impact on that.
- Milind Karmarkar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jinit Mehta from Batlivala & Karani Securities. Please proceed.
- Jinit Mehta:** Given that most of container volumes are more to NCR markets, could you throw some light on how the NCR market is shaping up?
- Hariharan Iyer:** I think this is a reflection of what the global trends are, we have not seen any specific change as far as the NCR market is concerned, they have also remained flattish over the last three or four quarters.
- Jinit Mehta:** Sir could you just give us the Exim values, has that remained fairly in the 50:50 range or has it moved?
- Hariharan Iyer:** No I think we have a 55, 45 or may be probably even 60, 40 now in terms of imports.
- Jinit Mehta:** 60 imports. Okay thank you Sir that is it from my side.
- Moderator:** Thank you. The next question is from the line of Akshay Soni from Morgan Stanley. Please proceed.
- Akshay Soni:** Congrats on a great set of numbers most of my questions have been answered just something broad one a follow up on the 60, 40 imports that you have mentioned we had CONCOR report a little earlier this week and they spoke about imports actually coming off quite significantly as well as especially from China given that you deal with most of the Far East side, is there any particular reason that you think you are seeing fairly

differential trends and/or it is just a timing difference do you think that there would be more impact later etc?

Hariharan Iyer: Akshay, I think on an overall basis yes the import as well as the export volumes have kind of remained flattish or come down, but for us the composition has changed because of the shift of one of the vessels and we have now a larger proportion of services from the Far East, which is typically an import market; therefore, I said that the 55, 45 would have probably shifted to 60, 40, more on a short-term or medium-term basis, hence have remained the same, it is just from a very specific Pipavav perspective looking into the number of services that we have got from far East then our composition of cargo has slightly changed.

Akshay Soni: Understood Sir and just in terms of coastal you have of course added Shreyas, but just in terms of what is the real size perspective here in terms of what could coastal be like even if of course one assumes it stays, but still what could coastal be like for you?

Hariharan Iyer: At this point of time again these are very small volumes, these are developing markets Akshay and we see a lot of potential as much as how even the government is projecting the coastal volumes, but we need to see real big traction in the volumes, there is good potential, but as of know it is still very early days.

Akshay Soni: Right and the last question fairly macro looking forward the next six to 12 months I know that it is a fast changing world, but any numbers on what you think the Indian market itself would grow, I am not asking for Pipavav, but the Indian market itself to give you a comparable number CONCOR has been talking about mid-single digit kind of growth whereas some of your competitors have been talking about much stronger growth so I just wanted to get your perspective on what you think Indian growth could be like?

Keld Pedersen: We also follow it closely and read the numbers, but I do not think under the given market conditions then I do not think we dare to give any kind of qualified data on how the next six to 12 months going to look like for the Indian market.

Akshay Soni: I have to try for that.

Moderator: Thank you. The next question is from the line of Shirish Rane from IDFC Securities. Please proceed.

Shirish Rane: Good afternoon Sir. Actually all my questions have been answered, but I was just going to ask you again on the outlook for the next six to 12 months in terms of the western coast container market, I will be a little more specific have you seen any change in the

macro environment which makes you a little more bullish than that you had seen in the last six months or nine months?

Hariharan Iyer: I think the markets if you see it on a quarter on quarter basis are also year-to-date nine months it has remained pretty much flattish. It does not give any clear direction or indication in terms of whether it is improving or it is deteriorating, so it is a little bit difficult to call at this point of time. We as a port are much better geared now in terms of our capacity, in terms of our positioning, so it is a matter of being alert and being agile to take the opportunity when it arises.

Shirish Rane: So what I understand you are saying is that difficult to call the market, but we are well positioned to capitalize as and when the upturn happens, whether it is three months, 12 months, six months whatever the time being?

Hariharan Iyer: Absolutely.

Shirish Rane: Fair enough Sir. Thank you and all other my questions have been already answered. Thank you very much Sir.

Moderator: Thank you. The next question is from the line of Ateek Balesaria from Capital Matrix. Please proceed.

Ateek Balesaria: Sir last question just wanted to clarify on the write back, so it is revenue decrease right?

Hariharan Iyer: No it is a revenue increase. I mean these are based on what the tariffs are. Let me explain that to you one more time. Tariffs are based on a certain slab level as the customers reach a certain slab then we given them a volume incentive; however, this is subject to their reaching the volume incentive, so when we grow this is known only when we get closer to the end of the contract period, so that is the time when we realize at what level they have reached or what slab they are reached that sometimes requires us to either have an additional accrual or a write back, this is a write back, the volumes overall have dropped during the course of the year, so therefore many of the customers have not reached to the certain threshold that have been agreed upon and therefore we also have a volume write back, incentive write back.

Ateek Balesaria: Okay now understood correctly Sir and the last question Sir only on the bulk side, so you said 3 to 4 million for the next year or whatever in the long-term, but Sir if you maintain the run rate of the current quarter or the last quarter we hardly make it to 2.4 or 2.5 million?

Hariharan Iyer: Bulk is not on a quarter-on-a-quarter basis is the same, if you see or study our graph over the last several years then there are on a quarter-on-a-quarter basis a large kind of development, there are months in which we do more than a million tonnes, there are months in which we do half a million tonnes, so that does not give a very clear indication and therefore we need to look at it on a more long-term or a more full year basis.

Ateek Balesaria: Okay we can in next two quarters we can see the higher run rate in the bulk as well?

Hariharan Iyer: That depends on how the market continues to develop we have to study. As I mentioned to you anywhere between 3 and 3.5 million, 3.8 million has been our steady run and we expect that we will be in a similar kind of run.

Ateek Balesaria: So in past what was the coal percentage in total bulk volumes, in average?

Hariharan Iyer: At some stage in the earlier stage may be three or four years ago, then our coal percentages were in the range of about 60%, today it is the other way round.

Ateek Balesaria: Okay it is 40%.

Hariharan Iyer: Yes.

Ateek Balesaria: No I am not talking about now when the normal import has lowered; at that time it was 60%?

Hariharan Iyer: That is correct.

Ateek Balesaria: Yes thank you Sir. Thank you very much.

Moderator: Thank you. Next question is from Ankit Panchmatia from ICICI Securities. Please proceed.

Ankit Panchmatia: Good evening. Thanks for taking my question and congratulations on good set of numbers. Sir I had a query regarding, can I get a breakup of revenue bifurcated into deberthing as well as stevedoring revenues if you can help me with the same?

Hariharan Iyer: We do not go into so much granular details, it is for us a total business, right and it is interlinked with one another. The structures of the commercial arrangements with the people also are a composition of all. We do not go into the individual breakups.

Ankit Panchmatia: Okay and currently we are running three coastal services, so if you can give me a flavor of all three of them that would be very helpful.

- Hariharan Iyer:** Can I come back to this question while I get some numbers if you are looking at volumes as I mentioned to you earlier, these are early stages, I will share the volumes as what we currently do, can we move onto the next question at this number?
- Ankit Panchmatia:** I think that we had taken a pricing increase in January FY2015, so again it is January, so can we expect the same this year also?
- Hariharan Iyer:** At this point of time we are focused on the new project and adding new capacity, the markets have not significantly changed in terms of overall volumes, so it is a matter for us focusing on filling the new capacity that we are currently creating.
- Ankit Panchmatia:** So Sir would it be safe to assume that once the volume spills in we would be surely looking out for price increase later on?
- Hariharan Iyer:** That is also a constant effort and an opportunity that we continue to keep looking at.
- Ankit Panchmatia:** Sir one more question on the installation of crane, Sir I just wanted to understand what kind of operational efficiency would this be giving us?
- Keld Pedersen:** Obviously the peak range we have, has worn down, they are not producing, such high numbers in terms of productivity and efficiency, so the new cranes will bring those numbers up and they will be able to be just as productive as the five other cranes we have in the port.
- Ankit Panchmatia:** Would it be helping to manage or handle higher volumes or it would be able to reduce the cost, what lever would it work on?
- Keld Pedersen:** Well in general terms, when productivity goes up the customer's vessels turnaround faster, so we become more efficient both towards our customers and internally.
- Ankit Panchmatia:** We surely have the reefer volumes for this quarter, can you provide the numbers for the previous quarter as well?
- Hariharan Iyer:** I will have to come back to you Ankit. I think this quarter we did 4,000 reefers higher than what we did in the previous quarter, but I can come back to you later.
- Keld Pedersen:** The coastal services you asked before I think a ballpark figure is in the area of 10,000 per quarter.
- Ankit Panchmatia:** That was very helpful Sir. Thank you.

- Moderator:** Thank you. The next question is from the line of Nitin Arora from Emkay Global. Please proceed.
- Nitin Arora:** Keld, what you just answered about coastal services that including all the three that adds to the potential of 10,000 you said?
- Keld Pedersen:** Yes.
- Nitin Arora:** Sir in terms of, sorry I am just pressing on this question again because of the FE3 which was, so you said that there are certain operators, certain players have come back and started operating with us again, can you give us a sense because I think what numbers absolutely you gave out in the last quarter call was about 70,000 TEUS only from the FE3 part, 70,000 to 75,000, but what we know is that in CY2015 itself the line downsized a lot compared to CY2014 and where CMA itself and Maersk were totally not more than 70%, so is it that 30% which has started and coming back and operating with us, should we go with that number?
- Keld Pedersen:** I think I tried to explain previously but the number services, number of customers is not necessarily corresponding to equal volumes. Volumes can move around from the customer to customer and from port-to-port while the services are the shipping line customers, they are not moving or they are moving so these are the dynamics of the market.
- Nitin Arora:** I understand Keld, I respect that, but my question was that, it is a line where Maersk runs five vessels, so my point was that generally the liners, which the customers which have moved out, it is moving out by some other line operator like NYK or somewhere else or is this the existing line already that has started moving up in terms of vessels let us say two are coming to us and three is going to Mundra?
- Hariharan Iyer:** See we have given you the indication with respect to how we see the trends, but it would not be appropriate for us to go at a customer level to tell you how much of these boxes are going, they are our direct customers and these are commercially sensitive information.
- Nitin Arora:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Santosh Hiredesai from Edelweiss Securities. Please proceed.
- Santosh Hiredesai:** Thanks for the opportunity. Sir I just wanted to get a sense on the liquid business. Now if my understanding is right, we are entitled to only the marine income, so will it be

right to say that we will still be making about Rs.500 to Rs.600 per tonne of liquid cargo, because I understand that we do not handle it nor we handle the tankages either?

Hariharan Iyer: Sorry I missed your question, can you repeat it, please?

Santosh Hiredesai: I was just trying to get a sense of the realization for the liquid volumes, my understanding was that we will have only access to the Marine income for the liquid cargo and would that translate to about Rs.500, Rs600 per tonne kind of a number?

Hariharan Iyer: Today these are the realizations which are based on: in the marine the wharfage and whatever earnings that we have got with respect to any other activity that we perform on that and this also depends on the mix of the cargo because the wharfage for each of them is different, the size of the vessels and the time that they spend in the port are different, so it becomes very difficult to go into so much granular detail.

Santosh Hiredesai: Got it but the broad sense is that today it is in the range of about 500 to 600; largely compromises the marine side of the income?

Hariharan Iyer: Large part of it is marine as well as also the ground that we have leased.

Santosh Hiredesai: Leased it to the tankages, okay fair enough sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Amit Sinha from Macquarie. Please proceed.

Amit Sinha: Sir just follow up is there any discussion around the dividend payout from PRCL?

Hariharan Iyer: Yes this discussion is ongoing, we need to look at what PRCL's requirements are at this point of time in terms of overall cash, so we are in dialogue also with the PRCL Board and at this point of time we do not have clarity with respect to when the timing for the dividend would be.

Amit Sinha: Okay because in the last call you mentioned that they are looking out for capex?

Hariharan Iyer: That is correct. That situation still remains and therefore, the management of PRCL is evaluating what is the appropriate time for them to declare the dividends.

Amit Sinha: Sure okay. Thanks a lot.

Moderator: Thank you. The next question is from the line of Pawan Kumar from Unify Capital. Please proceed.

- Pawan Kumar:** Yes Sir, I just wanted to understand do we do any POL in terms of the liquid volumes right now?
- Hariharan Iyer:** Our liquid volumes are largely LPG, methanol, ethanol and veg oil at this point of time.
- Pawan Kumar:** So PRCL, our railway line does it have the license to transport inflammable substances as of now, if not what is the status?
- Hariharan Iyer:** We have a rail line which is developed now today already to handle this from the rail side as well, some kind of liquid, certain classes of liquids are allowed to be and we are in the process of also obtaining licenses with respect to all classes of cargo.
- Pawan Kumar:** How long does it take to obtain this license, if I can presume?
- Hariharan Iyer:** I do not have a specific timeframe on that. It depends on what the market conditions are and how our customers mainly the three liquid operators work on that.
- Pawan Kumar:** Lastly, Sir I just wanted to ask you on the competitive landscape if there is any slowdown in capacity expansion of the mostly liquid port like Hazira, do we benefit overall?
- Hariharan Iyer:** I think we should remain focused on what we have the capacity on, what is the value proposition that we give to the customers, we explained most of it during the course of this call and also at several times, market dynamics will continue to remain as they are and we need to be conscious of that and respect that.
- Pawan Kumar:** Thanks.
- Moderator:** Thank you. The next question is from the line of Amar Kedia from Nomura Securities. Please proceed.
- Amar Kedia:** Firstly on Pipavav Railway could you help me with the profit number and the book value number for PRCL as of March 2015 year?
- Hariharan Iyer:** Amar, I think I need to take this question off line because I do not have those numbers right in front of me now.

Amar Kedia: Sir basically just what I wanted to understand is: Last year in the September quarter, we had received about Rs.15 crore as dividend on PRCL, what I need to understand is - was that number in itself rather large and one off, or do you think that the profitability of PRCL is such that annually we could expect, subject to of course the board approving, that kind of dividend payout?

Hariharan Iyer: So there are other factors which need to be taken into account, there are capex requirements that the PRCL also needs to take into account, so I cannot relate it directly to what their current results are and therefore whether the quantum of dividend would be exactly the same.

Amar Kedia: Sir the second question that I have is: You have this bit of capacity coming up at the end of this fiscal year and associated equipment also will be coming up; however, the volume scenario, or rather the market scenario, does not seem as robust at least as of now, in that context do you think the additional fixed charges are overhead that you might have to deploy for some of these assets coming up; and do you think those could impact your margins at least until the volume picks up?

Hariharan Iyer: If you look at it strictly on a month-on-month or on a quarter-on-quarter basis, there can be marginal changes here or there, we do not expect any significant increase into the costs because the cost would remain, we still have the same three cranes, we still have the same number of operators operating the crane, so significantly no other operating cost really changes. There will be some impact on the depreciation side because you now have a new set of equipment, but on an operating side I do not see any significant change, there will be some benefit that would accrue because of the efficiencies that we get, that will kind of compensate any additional operational cost in the initial stages.

Amar Kedia: That is helpful. Thanks a lot.

Moderator: Thank you. The next question is from the line of Acchal Lohade from JM Financial. Please proceed.

Acchal Lohade: Thank you once again Sir. My question was relating to the capex part, how much do you think one should budget for the current year FY2016 and also FY2017?

Hariharan Iyer: I think the capex will be normal maintenance capex. It would be in the range of about Rs.60 to Rs70 crores.

Acchal Lohade: Okay and how much is already spent with respect to our current capex program sir?

- Hariharan Iyer:** I think in the range of about Rs.300 crores.
- Acchal Lohade:** Got it and just last question Sir, in terms of the vessels we handle, what would be the proportion, which would be transshipment vessels in the sense who are coming from Colombo or Singapore?
- Hariharan Iyer:** We do not handle any transshipment vessels or transshipment volumes at this point in time.
- Acchal Lohade:** No actually my question was let me rephrase basically what I am trying to understand is how much of our volume is actually coming from Singapore or Colombo where some mother vessels were handled and moved to smaller vessels?
- Hariharan Iyer:** I think most of them are direct calls on to us from the Far East, it is not necessarily only from Singapore, many of the Far East services are direct calls, which call into Nhava Sheva as well as Pipavav.
- Acchal Lohade:** Got it. Thank you so much Sir.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management of the Gujarat Pipavav Port for the closing remarks, over to you team.
- Hariharan Iyer:** Thank you so much for being a part of this call and I hope that we have addressed the earlier questions. Should there be any you are welcome to reach on to us. The information relating to all that is already also posted on the website. Thank you and have a nice evening.
- Moderator:** Thank you very Sir. Ladies and gentlemen on behalf of Ambit Capital that concludes today's conference call. Thank you all for joining us. You may disconnect your lines.