"Gujarat Pipavav Port Limited Q1 FY17 Post-Results Conference Call"

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MANAGEMENT: **MR. KELD PEDERSEN – MANAGING DIRECTOR, GUJARAT PIPAVAV PORT LIMITED**
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MODERATOR: **MR. UTSAV MEHTA – AMBIT CAPITAL**

Moderator Ladies and Gentlemen, Good Day and welcome to the Gujarat Pipavav Port Limited Q1 FY17 Post-Results Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the opening remark concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference call is being recorded. I now hand the conference over to Mr. Utsav Mehta from Ambit Capital. Thank you and over to you, sir.

Utsav Mehta: Hi. Good afternoon. Thanks for joining us for the Gujarat Pipavav Port Limited 1Q 2017 Call. We have Mr. Keld Pedersen – Managing Director and Mr. Hariharan Iyer – CFO on the line. We will start with a brief commentary by the Management, and then the Q&A session. Over to you, sir.

Keld Pedersen: Good afternoon. This is Keld Pedersen, GPPL, here. So I would like to jump directly into today by starting out with our key highlights. And I would like to start with the Container business where we handled 172,000 TEU, which is a 3% decrease versus the past quarter. Imports are steady, exports are slightly down in the business for us.

On the Dry Bulk, we have a 59% increase and handled 600,000 metric tons. But I should also say under bulk business it continues to be a challenge and a 59% is obviously coming from a very low performance in the quarter before this quarter.

On the Liquid, we did 128,000 metric tons and this is down 48%. This is mainly due to seasonality and subdued market conditions during this quarter. On the RORO segment, we did 9 calls equal to 11,000 cars, this is up 26% versus quarter four of March 2016. And on top of that, we did a Trial shipment of Honda Cars in June. So the RORO segment, indeed, continues to encourage us and we hope this trend will continue.

On the Financial Results, we are ending up with an EBITDA margin for the quarter of 60% and a profit after tax of Rs. 598 million. I will come back on this one, but SFIS income of Rs. 35 million is included and the higher bulk volume and growth in RORO and on top of that cost efficiencies provided this result. I would like to take a note that we remain in the top quarter based on continued focus on cost and service efficiencies.

And if we move on to the operational highlights, I think they are in line with what I have just reported. On the bulk part we see an increase for the quarter significantly above the previous quarter, but they are obviously still down compared to five quarters ago.

Then we have infrastructure development here, so on our infrastructure development we are borrowing our plans in terms of what we have initiated and that is both with regards to timeline as well as project.

So, if I can hand over the financials results and then I am sure we have some Q&A afterwards.

Hariharan Iyer: Thank you, Keld. And good afternoon to all. Let me take you through the first quarter 2017 results overview.

The financials for the current quarter has been prepared in accordance with the IndAS or the new India Accounting Standards Rule 2015. This is beginning April 2016. The company has for the first time adopted the IndAS with a transition date as of 1st April, 2015. The impact of the transaction from the Indian GAAP to the new IndAS has been provided in the opening reserves as of 1st April, 2015, and the results for the quarter ended 30th June, 2015; 31st March, 2016 and the year ended 31st March, 2016, have been restated accordingly. I will take you through that in a little more in detail, the key impact of these transactions later in the presentation.

But first, let's focus on the overview for the financials for this quarter. The total income for the first quarter at INR 1,672 million is marginally up 4% from the immediate previous quarter. Bulk volumes in the quarter were higher by about 29% from the previous quarter, which was partly offset by marginally low container volumes and liquid volumes were also down from the highest level in the previous quarter. RORO volumes further picked up during the quarter and grew 26% from the previous quarter.

Overall, these mixed changes in volumes have resulted in a marginal increase in the total operating income to INR 1,672 million. The current quarter, of course, also includes an SFIS income of INR 35 million. During the quarter the container volumes were marginally lower than the previous quarter. The imports, as Keld mentioned, have remained at similar levels as the previous quarter while the exports marginally dropped partly because of the reefer season tapering off during this quarter.

The drop in container volumes from the same quarter of the previous year represents the loss of the volumes due to two services that moved out during the second half of the previous quarter. The lower container volumes were offset in this quarter by higher bulk volumes, we closed at 600,000 metric tons this quarter, up 59% from the low base in the previous quarter. These were due to delayed arrivals of certain shipments which moved from an earlier quarter to the current quarter.

Lower petrochemicals and LPG volumes during the quarter resulted in a drop in liquid volumes to 128,000 tons and down 38%. These movements are seasonal and trader driven volumes are generally subject to market dynamics due to global price fluctuations, reflecting current subdued markets. The RORO volumes have picked up and continues to grow steadily, up 26% from the previous quarter. A total of 11,000 cars were shipped out from Pipavav of this quarter.

Continuous focus on costs have helped us gain cost efficiencies and maintain the operating cost levels. The quarter-on-quarter change in the employee cost is a result of a favorable write-back in the previous quarter, but otherwise in line with the earlier quarters.

EBITDA at INR 1002 million is at the same level as the previous quarter and slight drop in the margin can be attributed to the mix in the volumes with increase in revenue mainly coming from low margin bulk during the quarter.

If I take you to the overview of the IndAS adjustments, then the Company has adopted the IndAS accounting standards with a transition date of 1st April, 2015. The current quarter financials as of 30th of June, 2016, are therefore in conformity with the IndAS and consequently the opening balance sheet as of 1st April, 2015, and the quarterly results thereafter, i.e. as of 30th of June, 2015, then 31st of March, 2016 and the year-end 31st March, 2016 have been restated accordingly.

There are basically changes in three key areas; number one, the deferred tax asset and liability. As you would know, until the year ended 31st March, 2015, largely on account of brought forward losses of earlier years, the company had a deferred tax asset scenario which was not recognized as per the Indian GAAP which was based on a virtual certainty principle. With the adoption of IndAS, the bases change into a reasonable certainty principle and as a result the company has restated the opening balance sheet as of 1st April, 2015, recognizing the deferred assets as of 31st March, 2015. Consequently, the deferred tax assets so recognized at the opening balance sheet have been adjusted against the deferred tax liability during the financial year 2015 - 2016. These adjustments, however, do not have any impact on the closing deferred tax liability and retained earnings of the company as of 31st March, 2016. So, these changes you would only observe on a quarter-on-quarter basis when it ends as on 31st March, 2016, there is no significant or there is no change overall.

The next point which will have an impact on is government grants. During the financial year 2013-2014, the company received a grant of INR 200 million from the Government of Gujarat for the road connecting the port and the national highway. In accordance with the Indian GAAP accounting standards, the set grant was netted off against a total cost of the road construction which was at that time INR 615 million and the net asset value carried in the balance sheet was INR 415 million, subject of course to depreciation each year from the financial year 2013-2014.

With the adoption of IndAS, the grant so received needs to be accounted as an income instead of netting off against the total cost of the asset. Accordingly, the opening balance sheet reflects the grant net of depreciation already provided in the year 2013-2014 and 2014-2015 as deemed income with a corresponding impact to the opening retained earnings. The deemed income will be amortized each year during the life of the asset, and therefore would result in an increase in the profit of INR 2.5 million in each quarter, about INR 10 million in full year.

And the third impact is in relation to the employee benefits, the actuarial gains and losses on defined benefit obligations, in our case, the employee gratuity was charged to the P&L under employee cost in accordance with the Indian GAAP accounting principles. The IndAS accounting standards require such actuarial gains and losses to be recognized as other comprehensive income. Accordingly, an amount of INR 4.48 million, net of tax, appear as other comprehensive income for the year ended 31st of March, 2016. The company does an external actuarial valuation once a year and any actuarial gains and losses going forward will be reflected as other comprehensive income.

There are no other changes arising out of the adoption of IndAS, the opening balance sheet reflecting these changes is being presented with the current quarter financial, and that gives you a complete overview. We have also given you the key remarks column where these changes have happened.

So with this, I have concluded my part of the financials. Now the floor is open for questions. Thank you.

Moderator: Thank you. Ladies and Gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Inderjeet Singh from Macquarie. Please go ahead.

Inderjeet Singh: My question, first, is on container volumes, how do you characterize the volume growth in this quarter where sequentially it is down but we have known historically Q1 can be softer seasonally compared to Q4, but also on a year-on-year we are still down. And there are reports about the major ports doing roughly around mid-single-digit volume growth in quarter one. So, can you just throw some more light on container volumes, what is the trend that you are seeing on the ground and a broad outlook for the remaining year?

Keld Pedersen: Yes, I will try to get that. If we go back a year, or we go back to September into last year, then we had loss of two services while we had a new service coming in here in the end of March. If you look at the same quarter last year where we did 192,000 roughly and you deduct what is sequential quarterly loss of the two services last year of 30,000, then we are actually 172,000 above what we should in principle have lost without any growth. So that is one way to look at it that we lost our two services that is a fact, and the new service regarding March is still fairly new and keeping up in the market. So, that is the situation and that is why we end up with a number we have. On top of that, seasonality in terms of reefers and cotton and a number of other products.

Inderjeet Singh: In terms of the way the new lines are shaping up and the quarter two onwards you also get into some kind of a favorable base last year having impact of the weather-related issues, is there a confidence that the volume growth will come back more strongly going into the remaining part of the year?

Keld Pedersen: We will do anything we can to continue to grow the company and we continue to have a number of focused initiatives going.

Inderjeet Singh: My last question is on overall industry where we continue to see consolidation playing out. So in that context, our initiatives to talk to customers, both on the owners of the cargo and also the liners, how do you think Pipavav Port is placed at this point of time in this whole scenario of consolidation?

Keld Pedersen: I think we are talking to all our customers and we are very aware of how our customers are tuning up in alliances or mergers. And we continue to work with them and we have a number of very close customers by whom we have conceived this loss. And I do not want to see right now any remarkable change because of the alliances. When it comes to the hinterland, we continuously try to be very targeted, very focused in what we want to go after. And that continues, actually we have strengthened hinterland team.

Moderator: Thank you. We have the next question from the line of Nitin Arora from Aviva Life Insurance. Please go ahead.

Nitin Arora: The first question is, Keld and Hari, there is no doubt we have been capped from the last almost 14 quarters to a number of 170 to 190. My first question is that over the last four, five quarters we are maintaining that run-rate, but if I look at your rail volumes, it will be great if you can segregate that where actually we are losing the market, because our primary market is Gujarat in northern hinterland. So can you segregate how much rail share loss we have seen in the north market and in the Gujarat market and actually in which market we are losing the volume part?

Keld Pedersen: Maybe I give it a shot here. I think what I would like to disclose is that on the Indian Railway there have been some significant increases on the freight slabs on the rail and we do see some volume moving to road in line with very strong competition in the trucking community and then also, again, combined with much lower diesel prices than previously. So, this combination is for sure moving a bit of volume to road which then goes more widespread, if I can say that way.

Nitin Arora: Can you elaborate a little bit on the decline in the rail share for you, let's say, for north if we have declined by, let's say, 10% or Gujarat we have seen a decline, so we just wanted to know that where we are losing that volumes in which market.

Hariharan Iyer: Nitin, actually when we drill down that, there are no specific key areas for a market where these declines have happened. Largely, the declines that we are seeing are in relation to the two services that we have talked about. In fact, the decline has not been as much as what the total services were carrying at that point of time. In fact, we possibly could have gained something out of this process, which is what Keld was trying to explain to you. Overall, these two services we carry roughly about 30,000 TEUs but we currently are having a cap of about 20,000 TEUs. So there have been some gains; however, there has also been some shift from rail to road for the reasons that Keld explained briefly now. And this is a continuous interaction that we have with also the rail operators, with all the key customers, to see how we can bring value again into the rail moments. But that is a continuous process. So if you ask me very specifically is there something that we are have lost in market share or anything like that, that is largely driven by the two services moving out and it is a bit about all that. You can see it overall on the total volumes than it has more or less maintained at the same level or similar levels.

Nitin Arora: So Hari, I was asking it because very specifically we have been told in the last few quarterly calls that we are losing the volumes because of the two lines going out, but the quantum will be less because some of the customers remain with us, so that was the context of it.

Hariharan Iyer: And also the breakup that we also just now shared with you.

Nitin Arora: My second question is, in the country, over the last about a year your competitors have somewhat added lines and that has ramped up also very well… whether it was K-line which got added in March to both your terminals, I mean, you and your competitor. So just wanted to get a sense of the line addition of K-line or let's say a line which came into you, how has the ramp up been there and the 172,000 TEUs number what we have done, implies an average run rate of 57. So is there something July and August looks to be on an average on the lower side or on the higher side? So these two things if you can elaborate a little bit.

Hariharan Iyer: The second half of the calendar year for us is better than what we would see in the earlier quarters. But having said that, it also depends on how the markets grow. Some of the cargo which moves from this section, for example reefer, the reefer business will now pickup soon after the monsoon, so that will likely to add something. We are also in the agricultural belt, so some harvest after that would also result in some additional volumes there. But those are seasonality, right, and we will have to really see how each one of them plays. So, maybe difficult to predict, but based on the past trends normally the coming quarters are better months than the earlier quarters.

Nitin Arora: Just one last question: we have seen that there is a new CEO of Maersk Line now, Mr. Soren, who is also the Group CEO of APMT Terminals. My question is little bit broad; going forward, does it change a lot of strategy, because we are owned by APMT, for us where more of Maersk Lines going forward comes and deals with us? So for example, today DP World which runs a terminal at your competitor's terminal, Maersk runs about two very big services with them which is ME1 and FM3, which contribute about 40% of their total volumes. So just wanted to understand this new CEO coming in, who is the Group CEO as well, how does it change for us going forward? Thank you very much.

Keld Pedersen: So, I think this is really early days and I think it is too early to say. I would refer to the shareholder announcements coming out from the Chairman and the Management of the Group where there are some reviews ongoing. But I do not guess the outcome rather than what is coming out as public information. So that is simply too early to say.

Moderator: Thank you. We have the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: My first question was more on the two lines shifting away and I am assuming that the volumes are lost not in one go but, let's say, over a period of two, three quarters. Has this process of volumes going out, because these two services are not going to come incrementally broadly there now or are there expectations that volumes from these services are still there which will go away over time?

Keld Pedersen: I think we will do anything we can to grow our existing customers. We work very closely with them also on seasonal changes in the market and on top of that we obviously pursue new opportunities on a continuous basis.

Aditya Mongia: So sir, again, am I to assume that these two lines which have shifted, the volumes are broadly gone away?

Keld Pedersen: No, I think that is a point we tried to make earlier, if you compare this past quarter was the same quarter last year, then if you deduct the volumes that those two services have then we are better off than what we should have been at the start of the cargo not remained.

Aditya Mongia: Second question was more on the fact that exports are drying up as you are seeing, which means that the imbalance which was already there at the port would actually be increasing. In this context, just wanted to get a sense whether the commissioning of Khatuas, which will bring in more double-stacked volumes would relieve the situation for Gujarat Pipavav Port, is that the way we should be thinking about it?

Keld Pedersen: We have a very close collaboration with CONCOR and Khatuas is definitely not going to be a downside for Pipavav. I think it is a good project and we are working very close with all our stakeholders and customers.

Moderator: Thank you. We have the next question from the line of Amish Shah from Bank of America. Please go ahead.

Amish Shah: My first question is regarding any news on the concession life of Pipavav Port, has there been any negotiations going on for extension beyond FY28?

Keld Pedersen: No, I would remain with the statement that things look very positive but we do not have any underlying numbers or finial decision to announce at this point in time.

Amish Shah: And the second question is, with most of the capex going to be behind after the next quarter, has there been any official policy regarding dividend payout?

Hariharan Iyer: We already outlined the dividend policy in the previous quarter, what we have of course done is, subsequent to our dividend policy, we have also come up with some sort of regulations with respect to the dividend policy, what needs to be covered or not that is being discussed with the Board and we will also put out a new policy which already encompasses our earlier ones.

Amish Shah: Okay, I will check on that. And my last question is regarding the competitive dynamics shaping up on the western zone as regarding you have Hazira coming up and scaling up and it is now more than half your size in last four to five years. And obviously Mundra and JNPT are the large ones. So, regarding the competition, how do you think Pipavav is shaping up in a sense there is concerns regarding market share loss to, let's say, Hazira and Mundra, or is it otherwise?

Keld Pedersen: I think we are really aware of the competitors account and we respect them a lot. But that being said, we can continue to grow Pipavav. And we have no intention not to do whatever we can to grow this company and I do also believe that in terms of our efficient services and a number of other things then we have a clear justification to be in the game and continue to grow.

Amish Shah: The consolidation in shipping industry might affect you slightly negatively versus larger ports like Mundra and JNPT?

Keld Pedersen: I think many different consultations of mergers and alliances and I do not think we can say in any way that a negative impact on Pipavav could also actually also fall as a positive impact.

Moderator: Thank you. We have the next question from the line of Pravina Vijayak from Spark Capital. Please go ahead.

Pravina Vijayak: So the question is, sequentially volumes in liquids and containers have fallen wherein the revenues have not; so does it have to do with increase in the mix towards minerals or has there been any tariff hikes for our containers?

Hariharan Iyer: Actually, it is a bit of both. We have seen in the current quarter an increase in the bulk part of it, so that gives you a larger top-line than the containers. But having said that, there are also marginal improvements in the realizations at the top-line, so both are contributors. And of course, as we mentioned, the current quarter also includes an SFIS income of INR 35 million.

Pravina Vijayak: So how much have the tariffs increased for the containers?

Hariharan Iyer: Tariffs remain the same, I am talking about the overall improved realization.

Pravina Vijayak: So, that comes due to the rupee…

Hariharan Iyer: The exchange which also plays a part, number one. Number two, in a couple of services we also have larger vessels which have been deployed, so that has also improved our realizations.

Moderator: Thank you. We have the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: What I wanted to check is, if you could talk a little bit about the imbalance of the import or export for the current quarter vis-à-vis fourth quarter as well as last year same quarter.

Hariharan Iyer: See, on an overall basis, Achal, we have a larger part of services which are coming in from the Far-East, those are mainly import market, so you will have a positive impact on the imports. As far as the exports are concerned, while we do have markets on the exports, in the current quarter the reefer volumes which are generally as far as the exports are concerned are lower in this quarter and therefore you have a larger imbalance or the drop in the volumes that you have seen is largely attributable to lower volumes of reefers as compared to the previous quarter. So, per se, there has not been any major or a significant change in the imbalance. Yes, on a quarter-on-quarter basis when you do compare then there are marginal changes because of seasonality as well.

Achal Lohade: Just in addition to what was addressed earlier, you explained that given the increase in the haulage charges by railways as well as drop in diesel cost and road has become more competitive, I would imagine the exports could be more moved by road than the imports, would that understanding be right in our case?

Hariharan Iyer: It is a fair assumption to make at this point of time that some of these export volumes have now shifted from rail to road.

Achal Lohade: And given the presence of SEZ around our competitive port, would it be fair to say that those volumes could have gone to those places because the SEZ is relatively share for us at Pipavav?

Hariharan Iyer: On an overall basis what you say may be true, but it is fairly difficult to keep track at a commodity or a customer level. We continue to keep engaging with our customers to see how that works. But pinpointing it at each quarter or every monthly level always becomes a little difficult. It is logically very much positive.

Keld Pedersen: But I would also like to add to that that we have a lot of focus on the export part.

Achal Lohade: My second question is about the DFC. We are hearing that the government is pretty keen on providing the port connectivity in the Sagarmala project to the DFC routes. So I am just trying to figure out where do we connect for DFC? would we require any further connectivity to get on the DFC and are you hearing any new port coming up under the Sagarmala project of government around our region?

Hariharan Iyer: Many questions in one. But as far as the first part of it is concerned, on the connectivity, I think we addressed that and we also have a map in our website. You will find that the DFC runs more or less parallel to the existing links are and we do not see any major things with respect to connectivity to the DFC. We will have a similar connectivity as what currently is to the main grid. Having said that, the next step of course is that we are working very closely with our company PRCL that we are invested in, to see how we are aligning ourselves also in terms of how the DFC is getting developed. For example, the level of electrification, the level of other activity which has to go side by side to be both DFC compliant. So that is where the focus is along with PRCL.

And coming to, what was the third question?

Achal Lohade: New port projects under the Sagarmala scheme?

Hariharan Iyer: No, we have not heard anything more than what is already done on this domain. So I do not think there are any specific highlights as such.

Achal Lohade: And just a small book keeping question about the RORO. Where this volume actually gets clocked, is it part of the bulk cargo?

Hariharan Iyer: It is neither clubbed on the bulk cargo nor clubbed on the container cargo.

Achal Lohade: So, you would have revenue booked against that but there is no, I mean, if one was to try and calculate the blended realization then obviously it will get influenced?

Hariharan Iyer: No, the 11,000 cars that I gave you the number, but yes it is a blended one because for us it is difficult to breakup by each section and it is still a growing business now for us.

Moderator: Thank you. We have the next question from the line of Kushan Parekh from Emkay Global. Please go ahead.

Kushan Parekh: Two accounting questions. One, this time around we have seen our tax rate coming in a bit lower than earlier quarter at about 27%. So, I understand that we still have a tax holiday till end of FY17 and the reason we are accounting tax in our accounts is to sort of smoothen out the impact of tax. So just wanted to understand why we have accounted for a lower tax rate this time around?

Hariharan Iyer: Sure. I will explain that, it is not a lower tax rate, what we have, as you correctly said, we are still into the tax holiday scheme. So until 31st March, 2017, all our income is zero tax. What you see here is deferred tax liability which is there; the deferred tax liability happens based on the timing difference on the depreciation between the book depreciation as well as the tax what is allowed as tax depreciation. So, it is not linked to the profits, it is a fixed amount, we have already recognized a major part of the deferred tax liability in the last year, i.e. year ended 31st March, 2015 – 2016. Now for the year 2016 - 2017 we have a total deferred tax liability of roughly INR 818 million that had been equally spread over the four quarters. So when you compare it between the two quarters, then you see the difference.

Kushan Parekh: Sir, another thing on the SFIS part. I believe SFIS is something that we have recorded earlier in Q4 FY15 about INR 123 million; this quarter we have recorded INR 35 million. If you could just elaborate a bit on the nature of that income and if there is any pending income that we will be recognizing in coming quarters on the SFIS front. What would be the nature of recurrence of this income?

Hariharan Iyer: See, the scheme under SFIS has not changed, the government has come up with a new scheme called SEIS. So there are a couple of things around which we are working closely with the new government. But as far as the SFIS income is concerned, this is in relation to the foreign exchange earnings on the past earnings where we get a benefit and this benefit is utilized by the company against duty cess. So we had purchased cranes during the quarter and therefore we have the ability to do that. So these scripts are not exchangeable, these scripts only when it is utilized that is the time when we can recognize it. If this is not utilized then it cannot be recognized. That is one. And the second is, under the new scheme, of course, the scenarios are changing and as we start getting benefits under the new scheme, SEIS, then we will be able to elaborate that and put this forward more clearly.

Moderator: Thank you. We have the next question from the line of Akshay Soni from Morgan Stanley. Please go ahead.

Akshay Soni: Just a slightly broad question, you said already that you are seeing some level of shift from railways to road. And if I look at the volume per rake, it is has been coming off fairly steadily. There has been a marginal improvement this quarter but it is still the second lowest in the last 12 quarters. So, in that sense I would think that double stacking is getting lower; if that is happening and you are seeing a movement of does not hurt what has been your largest differentiator on which you have sold yourself to clients which is the rail connectivity and the better therefore the advantage from an hinterland perspective?

Keld Pedersen: I do not think you should see that way, you could actually also see the way that volume on double stack trains is increasing and thereby leaving some of rakes less full**.** So, I do not see that we are losing advances in the double stack train. It is something we are promoting and we see advantages for us**.**

Hariharan Iyer: Just to add, I mean exactly the same just to add where there are opportunities there is even an single opportunity for us to put it on a double stack then that benefits are customer benefits the rail operator. So, that proposition and that value position continues to remain.

Akshay Soni: Right. So, my assumption therefore is incorrect that the percentage of double stack trains has reduced. Would you be able to throw some number at me on what it might be now and what it has been in the past, if possible?

Hariharan Iyer: I think we are more or less at the similar level… that may be marginal. I mean, when you compare it on a quarter-on-quarter basis it also depends on the kind of cargo which has landed, the kind of cargo the destination that it is going to. So that does not remain exactly the same quarter-on-quarter. So, there may be marginal changes on that, you are absolutely right, Akshay. But overall we have not seen anything that is impacting our ability to handle double stack trains or percentage shift in the double stack volumes that are being handled.

Akshay Soni: Understood. And for my second question, I will go back to something that has been discussed. I know there is not a clear answer to this; you will focus on volumes, which means that you are willing to look at pricing. Of course, we are still not growing as fast if I remove the losses that you had we are not going as fast as some of the major peers. So, just to understand… while you have kept rates stable and given the dollar and the services as you explained earlier, you have seen a bit of increase for containers. So, in that sense, what is the strategy going forward given that competitive intensity does seem to be increasing trade linkage though seem to be getting a little bit weaker with jingoistic sentiments going up in Europe, in the U.S. So, how would this work? Just your thought process basically?

Hariharan Iyer: You are right Akshay, and there are always commercial discussions which are ongoing with shipping lines. We need to find joint win-win in terms of how best it works. In this scenario of course, yes, with the new capacity in place that we are in a better position to deal with these volumes, number one. Number two, so it is also important that we keep building on the volumes; so there are commercial discussions which are ongoing. We always drive it based on the volumes, so it is not about changing the tariff. The tariff still continues to remain where they are but what has been offered are more like volume incentives and that proposition still continues.

Moderator: Thank you. We have the next question from the line of Bhavin Gandhi from Batlivala & Karani Securities. Please go ahead.

Bhavin Gandhi: Could you just give us some sense of the breakup of the bulk cargo as to what commodities having moving?

Hariharan Iyer: Sure. In this quarter, there are 600,000 tons that we handled. Then we had a break-up of all coal was roughly 250,000 tons. The fertilizer was another 175,000 tons and balance will be a mix of the other minerals.

Bhavin Gandhi: Sure. Also just wanted to get a sense on what is happening on the rail moment of the liquid products you had given the approval. In the last quarter you I think you had mentioned that the approvals will increase; so what is happening on that front?

Hariharan Iyer: Yeah, we have not seen major moments as such it is still picking up there are discussions both from our clients I mean that is the liquid side from operator side we are directly clients of them. For us, we are also supporting, we are making the infrastructure available and see that develops… but these are still early stages.

Bhavin Gandhi: Sir, how long will it take to complete the infrastructure development?

Hariharan Iyer: We are already ready with all that.

Bhavin Gandhi: Okay. And just third question, you mentioned about the incentives being offered. I just wanted to check whether these incentives are booked on a quarterly basis or will there be a timing difference between the incentive being booked and the revenues on those being booked in this quarter and the incentives coming later?

Hariharan Iyer: Okay, let me explain that and I think we have done that before as well. But just from an accounting perspective the way it operates is that when we have a volume rebate kind of an arrangement, which is generally how the commercial arrangements are built in, then we make an accrual already on a regular basis assuming that the shipping lines would meet those volume commitments then as we get closer to the conclusion of that contract period then we will re-evaluate that on a regular basis and if we find that as it gets concluding and they have either met or not met, then accordingly there are some adjustments made. But, overall this is being provided on a regular basis assuming these volumes rebate and these volume commitments are met.

Bhavin Gandhi: Sure, thanks. Sir, these the calendar year contract or financial year contract?

Hariharan Iyer: No, it depends on different shipping lines and therefore it is not necessarily fixed; it is for a year but depends on when you actually execute that contract.

Moderator: Thank you. We have the next question from the line of Vinun Gopal Kare from Bernstein. Please go ahead.

Vinun Gopal Kare: Firstly on the liquid volumes, just wanted to understand on a Q-on-Q basis there is a fairly large decline; so, would you characterize most of this or how much of this would you characterize with respect to seasonality since your volumes have been growing over the previous year. Wanted to get a better sense of seasonality for the liquid volumes and going forward?

Hariharan Iyer: Yeah, on a quarter-on-quarter basis when you compared it then we are comparing to our best quarter, the last quarter was about close to 243,000 tons. So, when you compare to that, we have a significant drop. When you compare it with the same quarter of previous year then we are continuing to grow. So we are up as compared to the same quarter of previous year. Having said that, the seasonality this is basically LPG and other different kind of commodities. On the LPG front there is some amount of seasonality because this kind of tapers down during the monsoon and as the vessels start coming in later then you will start seeing it going up. So, there is some amount of seasonality we may not be able to pick on the exact thing the second part of it is on the other liquids then typically the kind of liquids that come in here today and get stored are largely trader volumes the traders when the market prices are actually falling then the trades are a bit cautious with respect to the falling prices therefore the buying pattern changes and then when you start looking at it on a quarter-on-quarter basis then you can see these fluctuations that changes.

Vinun Gopal Kare: Okay, got it, sir. Sir, secondly in terms of this discussion on new service line additions, etc., specially for container which is an ongoing process; how would we characterize the current environment in terms of availability of negotiations for getting new service lines in the next 12 months. Is it a sluggish environment compared to the previous year or are you seeing things improve?

Keld Pedersen: Maybe I can say that in line with the overall global economy, in line with many of our customers being under severe pressure price reflecting over the past now and then there is no doubt that there is fierce competition for liners and services. Those who have a customer base will try to keep them and that goes both ways; so the competition is very much in the market no doubt about that it comes even softer when the economies are not supporting high number growth.

Vinun Gopal Kare: Lastly on bulk. The increase sequentially you mention coal as one of the key drivers. Now I would assume that these are largely trader volumes coming in; is there any specific season to believe that we will be able to continue with that volumes given the good increase we have seen on the Q-on-Q basis.

Keld Pedersen: I think on the coal in the bulk segment it has come down compared to previous years and the market conditions for coal and import of coal in India is not I mean for us that definitely remains a challenge while RORO business we find very encouraging.

Moderator: Thank you. We have the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: The first question was more on bulk volumes. If I heard it correct you said that certain volumes from previous quarter got booked in this quarter… if there is a quantum?

Hariharan Iyer: Let me explain that to you Aditya. What I meant is when you compare it there were just a few of the vessels which would have ideally come in the previous quarter, they happen to come in just immediately after the quarter. It just got added into the quarter and therefore you can see a substantial change - the last quarter was low 250,000 tons and this quarter was 600,000 tons. A couple of vessels here or there would more or less evened it out, number one. Number two, as Keld explained, overall the market in relation to the bulk continues to remain challenging. We have not seen any significant change in the trend that we have experienced earlier. Our rail freight differential issues with respect to coal still remain; there are a couple of wins here or there but overall the market has not seen any significant upward trend.

Aditya Mongia: Sure, sir. The second question was on the RORO opportunity which is there. There is coastal opportunity as well as export opportunity; if you could give some broad outlook on what you are seeing in terms of both these demand and some numbers if you can share in the realization would be helpful.

Hariharan Iyer: Without going into the details of realization at this point of time because for us it is still smaller volumes now; so we have to keep it from a commercial aspect as well. But, for us largely so far this has been EXIM cargo. We handled the coastal shipment which happened cars thereafter there has not been any movement of cars on the coastal side in the west coast at least at this point of time. There are still a lot of discussions between various agencies, including the government. The government is keen to see such shift but that requires that the trade as well as the arrangements which are currently today need to relook at how this has been planned. These are discussions with the various stakeholders, so we have not seen translating into tangible moment of cargo after the first shipment. So far the numbers that you see here are all EXIM cargo or exports of cars from India.

Keld Pedersen: And again, just add on the market for RORO. I think it is public information that in the coming couple of years a number of car manufacturers will establish themselves into that**.**

Aditya Mongia: Sir, lastly on PRCL, can you share the basic financials for FY16? Maybe the EBITDA and the PAT number… if you would have those numbers?

Hariharan Iyer: No, those numbers are not yet there in hand with this first quarter 2016; hopefully in the next quarter we will have that. There is a bit of delay in getting these numbers.

Moderator: Thank you. We have the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: I just wanted to understand the broader strategy. Is there a plan of expansion to any other port or towards the eastern coast of India given a lot of talk by the government about developing that side of the country. Just wanted to understand the broader group strategy over the next say five years' period… any such thought process?

Keld Pedersen: I can answer you this way that in the AP Moller Maersk Group they have APM Terminals and have 100% ownership by the parent. Under Global APM Terminals they are always looking for investment so they have set out. So when it comes to GPPL as a company, we would not become yet another terminal operating company which is global APM terminals, so we would have actually focus here in anything where we are going to invest money at GPPL there would be something in the vicinity and something that would add value and synergy to GPPL as a company in Pipavav. We would not go and invest in a port on the East Coast that would be not the parent but APM Terminals globally, which is the part of the parent company.

Pulkit Patni: Understood, but let me just repeat if my understanding is correct. If there has to be something like the Eastern Coast that happens through the parent for GPPL, if it all something happens it will be in the vicinity where your existing infrastructure could benefit. Is that right?

Hariharan Iyer: Anything associated with bringing in additional volumes or business to Gujarat Pipavav, we will certainly look at those investments.

Moderator: Thank you. we have the next question from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Three questions if I may? First, can you just elaborate on what is the kind of realizations we are seeing broadly in container, coals, fertilizers, minerals, etc.?

Hariharan Iyer: All the containers I think we are in the range of 6500 plus-minus a few hundred here or there. And on the bulk the total would be also in the range of about 400.

Rakesh Vyas: Is there a major difference between coal and fertilizer even today?

Hariharan Iyer: That will remain. That is always the case because in case of fertilizer the handling is much more than what is in the case of coal.

Rakesh Vyas: Secondly, have we commissioned the capex and is it accounted in the P&L already because I am not seeing significant change in the deprecation either QoQ or YoY?

Hariharan Iyer: Yes, we have. It has already been included and these have been capitalized because the cranes are already operational and as we spoke in the last quarter then they were in trial runs and effective 1st April in the first quarter they have already been capitalized as well as operational.

Rakesh Vyas: Because of IndAS, is there any change in the depreciation rates or anything which is not leading to any significant difference in the numbers?

Hariharan Iyer: No, there are none because as I explained to you the IndAS there were only three key areas where there were changes and all those things have been explained and the balance sheet was also that module….

Rakesh Vyas: My last question is, if you can just highlight in the fourth quarter last year the staff cost was lower on account of what and by how much?

Hariharan Iyer: We have a favorable write-back on some of the costs that have been provided for and that was explained during the last quarter as well. So when you compare it on a quarter-on-quarter basis then we are comparing to a low quarter versus what the number is for the current quarter. But if you go back to the last year's four quarters then you will find that the costs are more or less at similar levels.

Rakesh Vyas: And this was not pertaining to the actuarial impact on the employee cost, right in the last quarter?

Hariharan Iyer: No it was not pertaining to the actuarial gains or losses. That has been also identified at 45 that is about 4.48 and that's what is coming at other…

Moderator: Thank you. We have the next question from the line of Akshay Soni from Morgan Stanley. Please go ahead.

Akshay Soni: Just wanted to get an idea on whether there has been any progress on the coastal side apart from the three odd services that were already running? Has there been any change and what is the scale-up like at the moment?

Hariharan Iyer: That has remained quiet Akshay. There has not been any significant up or down movement but things have just remained steady, let me put it that way.

Keld Pedersen: And there are also seasonal trends in the coastal volumes, as we have earlier communicated, that, for instance, cotton goes coastal to the South and Kochi and so on.

Hariharan Iyer: So if that seasonality happens you will start seeing the volumes going up.

Akshay Soni: On a year-on-year basis there is no significant change in terms of either a big ramp-up per se or even on an expectation basis; there is not anything much that has changed right?

Hariharan Iyer: There is a lot of discussion. There are a lot of interactions with the stake holders who are currently maybe either using rail or road whether they can convert into the coastal but that is three or four prong-approach. Many people, the stakeholder, the vessel owner, the vessel operators, there are many people who are involved and government which is engaged in their process and it is a continuous dialogue. The translation into hardcore volumes is not as fast as what we would have desired.

Akshay Soni: When we are talking to the stakeholders regarding potential rates for coastal cargo, the rates in major ports need to of course be lower than for EXIM cargo. Is it the same case at Pipavav or would that not be the case?

Hariharan Iyer: There will be marginally lower rates as far as the coastal movements are concerned.

Akshay Soni: Would it be as high as a 40% number, which is the number at the major ports, or is it just marginal as you are saying?

Hariharan Iyer: No there will be some reductions. It could be in the range of about 20% to 40% depending upon what volumes they also bring in.

Keld Pedersen: I would refer to public information around the Minister of Shipping and Road Transport that is proposing a number of different incentive schemes to get cargo out for coastal movements and you would be able to grow all the way to 2015 for that and then again here recently there has been plan proposed for that and I think that's really the key if you look at the overall India then the key is that some instance which come in to kick it off the ground so it comes as significant growth.

Moderator: Thank you. Ladies and gentlemen that was the last question and we will now close the question queue. I would like to hand the floor back to the management for closing comments. Please go ahead.

Hariharan Iyer: Thanks for joining us on this call.

Keld Pedersen: If there are any follow-up questions, then you know you will establish contact with Manish Hari or even me. You are most welcome if you need further clarifications. Thank you very much and have a good day.

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