

“Gujarat Pipavav Ports Limited 1QFY2018 Earnings Conference Call”

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**ANALYST: MR. UTSAV MEHTA - AMBIT CAPITAL
MR. DEVYANI JAVERI - AMBIT CAPITAL**

**MANAGEMENT: MR. KELD PEDERSEN- MANAGING DIRECTOR - GUJARAT
PIPAVAV PORT LIMITED
MR. SANTOSH BREED- GENERAL MANAGER FINANCE &
ACCOUNTS - GUJARAT PIPAVAV PORT LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Gujarat Pipavav Ports Limited 1QFY2018 earnings conference call, hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*” and then “0” on your touchtone telephone. Please note that this conference 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: Good afternoon. We at Ambit Capital are pleased to host the management of Gujarat Pipavav. Today we have two members from the management team Keld and Santosh. Keld the MD will just give a brief address, after which we will have a Q&A session. Over to you Sir!

Keld Pedersen: Thank you very much. This is Keld Pedersen, Managing Director of Gujarat Pipavav Port. I would like to say welcome to the call good afternoon, good morning and good evening wherever you are.

I will start by a small note, so today Santosh Breed, who has worked with Hari and his team for many years here in Gujarat Pipavav Port, is joining me on the call for the financial reporting but in the meantime while we are searching for new CFO then we also have the benefit of having Hari on board as an observer here in the call and also have access to Hari whenever he is needed in the coming months on to such time that we have the new CFO on board and that is of course to ensure that nothing falls between the chairs in terms of our strict control and financial reporting.

By saying that I would like to now jump into the key highlights starting by the container volume. We have in the quarter delivered 165,000 TEU, which is a 4% increase versus the previous quarter. On top of that it is also worthwhile to mention that we have a new Europe service from Maersk Line, which had two calls in the end of June, and we will have to see how we can build on this service but the main point is that this is our first connectivity to Europe since 2012.

At the same time though we had what we call an INDFX service where the service consisted of six partners and there was a break-up among the partners so that service discontinued and phased out in June as well. Getting to dry bulk we delivered 505,000 metric tonne. This is a 60% increase versus the previous quarter and this is mainly driven by the fertiliser volume. It should though still be said that the bulk volumes are pretty moderate in a very challenging market.

On the liquid, we have done 230,000 metric tonne. This is a 15% decrease versus previous quarter based on lower LPG volumes but I would like to put in a small comment that if you look at the last financial year then we did around 680,000 metric tonne. So although we see what we consider seasonal decrease quarter-on-quarter then the run-rate of 213,000 metric tonne is still well above 680,000 we delivered in the quarter last year. Then for the RORO we did 26,010 cars this is an 8% increase versus previous quarter and when we do the math we still see a run-rate above 100,000 that we have reported previously.

Going to the financial results on the revenue part of Rs1691 million then we have a 3% decrease versus previous quarter mainly borne by lower offshore and project revenue and in this context you will also recall that we had a very, very solid income on project and also in the quarter before the immediate past quarter.

On EBITDA, we end up at Rs. 1,037 million which is a 10% decrease versus the previous quarter again lower for the cargo and also the cargo mix have influence that with the fertiliser going up. However, we still maintain our margin above 60% this time at 61.3% although this is 4% lower than the previous quarter. If we go to the next slide then you will just get a quick snapshot of each of the parts of our business and we will see the numbers here the quarter-on-quarter for the four quarters that we have passed.

Moving onto infrastructure we have a picture here of electrification of the yard so we call it e-yard so we call it e-RTGs, expected completion by December 2017 but that being said anything we are doing on the project side, smaller projects whatever we are doing below budget and we are on time or ahead of time.

With those few words then I would like to hand over the word to Santosh Breed who will take us through the financial numbers.

Santosh Breed:

Thanks Keld. Let me start with the overview of financials for the quarter ended June 30, 2017. The total income for the first quarter at Rs1,691 million is in line with the previous quarter with increase in container, bulk and the RORO volumes offset by higher project and offshore cargo in the previous quarter. This has resulted in marginal drop of 3% in the revenue quarter-on-quarter.

Container volumes at 165,000 TEU were 4% higher than the previous quarter. Maersk Line has commenced its Europe service from Pipavav with its first call on June 16. During the quarter, the bulk cargo volumes at 505,000 metric tonne were up 66% from the previous quarter mainly due to higher fertiliser volumes.

Liquid volumes during the quarter at 213,000 metric tonne were down 15% from the previous quarter mainly on account of lower LPG volumes. The RORO volumes were at 26,000 cars up by 8% from the previous quarter.

On the expenditure side, the total expenses at Rs654 million are higher by 9% as compared to the previous quarter mainly driven by changes in the commodity mix and higher bulk volumes. EBITDA of Rs1,037 million and EBITDA margin of 61.3% are lower as compared to the previous quarter on account of the mix in commodity and one-off project and offshore income in the previous quarter.

Other income includes interest on tax refund and higher interest income on bank deposits. The tax holiday period ended on March 31, 2017 for us and effective for financial year 2017-2018, the company is under full tax regime and the current provision is a full corporate tax.

Net profit of Rs557 million is down by 16% as compared to the previous quarter; however, excluding the impact of offshore and project cargo, the results are in line with the previous quarter as compared to the same quarter previous year. The EBITDA has increased by 3% and EBITDA margin has improved by 140 basis points. We are happy to take the questions now.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Mr. Nilesh Bhaiya from Macquarie. Please go ahead.

Inder: My first question is on this container business. Now given that you would also to see in the entire month of July is there some kind of qualitative comments you want to give on this ME-1 what kind of addition in terms of volumes it can kind of generate and in the same context the line which kind of went out what was its contribution to the volume numbers and when exactly it kind of discontinued and if you can share on that?

Keld Pedersen: Let me just start by saying we are obviously very happy right now that we have managed to get connectivity to Europe at the same time, we are seeing so many changes in the industry in terms of alliances and mergers. So just two days ago it was announced that 14 carriers in Korea would look at creating alliances so that came through large list. We have seen three Japanese lines creating an alliance and in an enormous transition we are seeing COSCO potentially buying in to Hong Kong based OOCL so the consolidation in the market is still very much happening as we speak and in connection with the consolidation that is I think it is fair to say a lot of focus is on how should the future look for the new companies that are created under the mergers as well as the new alliances that has been created. So we are still as we see those things we saw INDFEX as a very successful build up over the time it call Pipavav and we were of course sad to see it being discontinued, but we also have to accept that the whole industry has seen a transition or transformation phase. That being said I do not know if we have 10,000-12,000 TEU was what we saw from INDFEX. So that gives you at least a number to work on. We are still working very hard on building volumes, sustainable volume on the new one. So it is little bit too early.

Inder: It would be a safe assumption that this would be way above the loss of volumes we just had given that the alliance is merged with bigger market?

Keld Pedersen: I would rather like to not comment on it right now and target for next call, but obviously we would like to see the solid volumes on these.

Inder: Second is again depending on what all information you can share now. Market has been talking about Gujarat Pipavav being up for sale and all sorts of rumours around that. Anything that you want to kind of put on record on that?

Keld Pedersen: I think my statement remains the same. We do not comment on rumours and speculations in the market place and we are referring media and everyone else to APMT Headquarter as a shareholder for that question and you should trust that the minute there would be anything to communicate then the shareholders will communicate in due course. I am confident if anything should be right in terms of those rumours then as management here, I am happy to report. I

would also like to say that we are never engaging and we also do not know when Macquarie or anyone else is making small or large share trading. We of course follow it on the sideline but it is not our job to comment on it and I hope you take it as a fair statement.

Inder: I have one question for Santosh on this tax rate. Now we have deferred tax, is there some view on how long this deferred tax will kind of continue and even after moving into full tax rate, this quarter it was around 36% slightly more than the run rate or the marginal tax rate. So some view on that will be appreciated.

Santosh Breed: With the current tax, what we have, we expect it to continue in the next two to three years, but deferred tax is something it basically depends on the tax depreciation, so as we keep on investing then we will always have this deferred tax into our books. So, the unwinding at current rate will happen in the next two to three years, but not necessary to go away from books.

Inder: Thank you Santosh.

Moderator: Thank you very much. We have the next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Thanks a lot. This line, which is stopped, didn't it stop at the beginning or end of the quarter? I mean could you share how much contribution was there from this line in this quarter's number?

Keld Pedersen: The line that stopped was called INDFEX and it stopped in June and it roughly was 10,000-12,000 TEU per quarter. I do not want to go into the specific financial contribution numbers as part of the total because it is commercially sensitive.

Atul Tiwari: In terms of the traction on RoRo business etc., we have seen fair bit of traction, so could you give us some more colour as to what kind of growth we can expect in both liquid and Car businesses?

Keld Pedersen: What I can say is that we have been very proud of handling Car number 100,000th car this year and if you look at it then we only started up with business by around August 2015. So, obviously we are very happy for the milestone. We have reached now in terms of having a run rate above 100,000. That being said, it is still mainly volume from Ford, which we appreciate a lot. We have a little bit of Honda into the mix, but we see it having great future. It is something we believe very much in and we are continuously working on expanding the number of customers and by the time we have sufficient number of customers to announce it without the whole market being able to figure out the individual rates then we will do so, but right now because for this by far the majority of the volume then we do not want to segregate it out in the financial statements, because it is commercially sensitive. So that is on the RoRo then you had a question in the liquid. The liquid goes the same way. We are very happy for what we are achieving and if you look at run-rate of roughly 200000 MT it would make it to 800000 MT in a year or more and compared to last financial year 680000 MT then I think that is very decent growth of about 25%. That being said then if you look at the quarter-on-quarter then in the beginning of last year we had a record and then we had a very bumpy road in the quarter thereafter and yet another quarter where we

reduced to 50%, but you see it back up now and I think if you look into the figures then you will see a very sustainable healthy growth and we are obviously very, very keen to develop this market as well and we are in particular having focus on LPG

Atul Tiwari: Thank you Sir.

Moderator: Thank you very much. We have the next question from the line of Parag Jain from HSBC Hong Kong. Please go ahead.

Parag Jain: Thank you. I have two questions. First, if you could throw some colour on the disruption that APM Terminal were over at the end of June. Was the impact in any way meaningful at Pipavav and was the business back and forth in no time? My second question would be the world has seen recovery in the global trade when we look at the volume in India, probably we have not seen the same euphoria in terms of percentage improvement. How do you see the trade panning out for the second half of this year? Thank you.

Keld Pedersen: I am very happy you have asked the question about the cyber attack, because the thing is we here at GPPL, are very proud to say that we have not lost out on any volume or any revenue. We have not added any cost of any significance and we have had a very strong team of people across departments, switching the operations into manual immediately wherever needed and we have only for the first week or so had slight delays in our operations despite running it manually and we have at no time at our gate closed for cargo or anything like that. All in all I should not forget to say for us in the maritime sector here safety is key. We had no exposure on vessels in terms of safety despite having some inventory and process swapped into manual. We have actually today reached 1089 days without any injuries at all in the Port. What are we doing on the cyber attack? We clearly had business continued as planned here and based on the learning's in terms of what we can do better then we are now going from a process where we are looking at what we learn and what we learn we are now updating our business continue to plan along those lines. So that was cyber attack but for you, I know, looking at there is no impact in the numbers whatsoever and we received the recognition from the customers that we did a fantastic job here in terms of managing the situation. So we are proud of that. Coming back to the outlook for the second half I think you probably almost know better than me because I still think that we see a lot of good news, but at the same time once in a while there are some news that are not meeting expectations and so on. But I think overall in the GDP growth in India the highest number has been on the service part while export and trade has been down I think we see a number of positive signs at least that is what we discussed in today's board meeting that they are indeed starting to become some more solid numbers in certain areas. So we are still fairly confident that India will continue to grow.

Parag Jain: One final before I have stopped this until the next participant. I appreciate that each of the businesses except container are not sizeable enough for you to come out and talk about on standalone basis. But this for us to visualize, could you help understand of the total revenue and income for the port services. How much of it is from container, basically we can put together all three combine. If you can give some sense, is it still 80% container or it is a different number?

- Keld Pedersen:** 20% liquid on RoRo.
- Santosh Breed:** So the container continues to be in the range of 62%, 65%, so that is in the range you can take.
- Parag Jain:** It is 65% of revenue in some ports.
- Keld Pedersen:** But liquid on RoRo some 20%, so now you almost got all the numbers, but yes that is a very good indicator.
- Parag Jain:** Thank you so much.
- Moderator:** Thank you very much. We have the next question from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thank you for the opportunity Sir. Just a couple of data points related question. Early we used to share what is the average realisation of broader indication of what you see realisation for the container and the bulk cargo a broad number?
- Santosh Breed:** The container realisation continues in the range of Rs. 6,500-7,000 per TEU.
- Achal Lohade:** Okay and about bulk?
- Santosh Breed:** Bulk is in the range of Rs. 450-500 per MT.
- Achal Lohade:** Right. Number two is if I look at the other expenses I see a drop of almost 10% on a YoY basis. I just wanted to check whether there is anything in terms of specific head? Can you talk about where you have seen a reduction in the cost?
- Santosh Breed:** No, basically one-time impact in the earlier quarter, so that is what is the impact, year-on-year that is right.
- Achal Lohade:** You think Q1 of 17 had some one-off costs?
- Santosh Breed:** 2016.
- Achal Lohade:** No, 1QFY2017 I was talking about, so June 2016 quarter you think there was one-off cost?
- Santosh Breed:** That is right as one-off cost.
- Achal Lohade:** Could you have it handy what was the number and for what purpose Sir?
- Santosh Breed:** It was certain disposal of one of the old equipment, which had an impact.

Achal Lohade: Three is, other operating income what we used earlier show just below the net sales number, for revenue number, would you have it given there is a change in the disclosure now other operating income which was Rs9 crore in the previous quarter last year same quarter?

Santosh Breed: The other operating income is still there, so in the presentation you can see that number still as is. You are saying to that number right?

Achal Lohade: Right, I got it. That is all from my side Sir. I will come back in the queue.

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

Nitin Arora: Good afternoon. Keld, I think we discussed this on INDFEX impact of 10000 to 12000 TEUs a quarter. But when we look at the ME1 it is just a one-port addition what the line did it to you because of a global help. I do not want an exact number but ideally it could not it in your sense you have seen that line starting from June 16, you have seen July month also where I do not think it has done that great, but if you can give us a sense. Is it just okay enough to offset 10000 to 12000 TEU INDFEX mark or you think the up sizing has still not happened and you could see some upper number to it. I just want a sense it does not matter if you do not give the number. That is fine.

Keld Pedersen: I do not want to give the number as I stated previously, we have not had that many calls at this point. So we are reporting for the previous quarter, so the previous quarter ending June. So please excuse me for not giving you that number yet. As I said, we are still working very hard on building that volume and we do not want to give the number at this point in time.

Nitin Arora: The second thing just the confusion. You said about container revenues would be 80% of the total revenue as of today or that includes the bulk as well.

Santosh Breed: We said 60% to 65%.

Nitin Arora: Is container right?

Santosh Breed: Yes.

Nitin Arora: Okay and 20% to 25% you said is liquid and RoRo, so rest would be bulk?

Santosh Breed: That is right.

Keld Pedersen: I said roughly 20% before, but I mean if you look at it overtime then if you take several years of numbers then you will see the bulk is coming down while the other two are coming up.

Nitin Arora: Absolutely understood. Now the container realisations being said that 6,500 even as of today 6,500-7,000 taking into account a rupee appreciation have you taken a price hike or something here at the terminal?

- Santosh Breed:** There is no price hike, but as you rightly pointed out there has been some impact on the rupee appreciation and that is in the range of around 100 to 150 per TEU. So when you give this range of 6500 to 7000, we have had some months where we had better realization because of exchange rate. So that time we did about 7000 but now it is in the range of 6500 to 7000. So it keeps on moving between this range.
- Nitin Arora:** Last question, Keld for you, you have been highlighting us with respect to the macros of line consolidation, which is nothing new, but which is happening over the last almost like two years from now, it is happening. I just want to get a sense that if you look at in FY2016 the total market size on the west coast was about 2.09 million TEUs. Today in 1QFY2018, the total market size of west coast is 2.44 million TEU, you used to do about 193000 TEUs a quarter in FY2016 or rather I will put a straight number of Q1 FY2016. Today you are standing at about 163000 TEUs. Can you highlight from here on, is it something a base volume we should work with what is going to change for you going ahead because more than now two years and we have been nowhere as compared to the Indian market growth if I look at as I shared a number which has grown almost like 16% over the last two years from 2.09% to about 2.44%. So what sort of strategy are we looking for, because if you go at this run rate it looks like a doubt that even towards the end of our concession agreement we will not be looking for another expansion in a market, which is still growing more than the GDP growth? That is it from my side.
- Keld Pedersen:** I do not have a lot of comments to it. To be honest, I think what we are doing here is we are trying very hard in a very competitive market to grow our container volume and there should be no doubt that it is a very, very competitive market, not everybody may be aware although you are, that there is a lot of consolidation happening in the industry, so I just thought I wanted to highlight that this is actually influencing the partnerships and so the way the alliance is coming together. So it is a very predictable composition of customers right now. So I do not think I have anything more to add.
- Moderator:** Thank you very much. We have the next question from the line of Kushan Parikh from Emkay Global. Please go ahead.
- Kushan Parikh:** Thanks a lot for taking my question. All my questions have been answered. Thank you.
- Moderator:** Thank you very much. We have the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Good afternoon everyone. I had two questions. The first one was on the concession agreement and whether there have been any more steps taken by GMB in this selection?
- Keld Pedersen:** We have something solids to communicate then we will do so, but at the same time I would like to give you the confidence that we have seen no red flags whatsoever in terms of opportunity for extending the concession agreement.

Aditya Mongia: My second question is more on certain lines that obviously you have lost out over the past two years, just wanted to get a sense that barring the one wherein the line got dissolved in itself, have the issues, which have cropped up more, are they more related to pricing or let us say the offering or would you not want to consider these two to be in appropriate baskets for those lines actually going away?

Keld Pedersen: No, yes, so the answer is that it is not related to bid offerings from our side and I think I have put the comment before that we have not taken prices hikes, but we have also not gone into reducing prices very significantly. We are of course continuously evaluating our options and we reviewing our strategies in a very competitive market, so I just want to recap, so last year we had Hanjin line, the Korean line going bankrupt, we had one service, which discontinued its calls in North West India and now we have one despite what we saw as a very successful build up of volume then it was discontinued because of change of direction among the six partners. So nothing is related to rates and we are completely aware being what we see as a financially healthy company, we are completely aware that we have this that we can go in and do things on the rates if that is what is needed.

Aditya Mongia: That is now understood. One more question from my side if you can on this new line, which has gotten added, I understand it is difficult to be commenting on numbers at your port that would you be able to comment on the volumes that it brings from other nations to India or vice versa that is other two ports combined if we are doing what kind of volumes on that line today?

Keld Pedersen: I would not like to comment on it not only because of GPPL, but also I would not like to go into the specifics of what the individual customers are bringing in and how, but I think it is fair to say we can call it, so the line is calling Mundra also and it can be looked at in many ways whether this is in port GPPL or not, I think for us the main thing is that even though it is an affiliated company then everything you do in the different companies has to make sense, so nobody is here to lose money in one place versus winning money in another place, this is not how it works, so we are still very happy, we have landed this connectivity to Europe, which we have not had for the past five years and we work very hard on building it up, but I do not want to get into the import export split and exact weekly volumes so on at this point in time.

Aditya Mongia: The question was not on imports or exports, the question was what is the India business being handled by this line right now? That is as much, thank you.

Keld Pedersen: That I do not have the total business in India?

Aditya Mongia: Of that line yes.

Keld Pedersen: No I do not have that.

Aditya Mongia: Those are the questions from my side. Thank you.

Keld Pedersen: Sorry for that, you are welcome.

Moderator: Thank you very much. We have the next question from the line of Chintan Seth from Samiksha Capital. Please go ahead.

Chintan Seth: Thanks for taking my question. Dwelling again on the growth aspect you did mention that we are looking at options for either reducing price or doing whatever it takes to get the volume back in our port, just my question is on that whether taking tariff correction will certainly attract volumes in this market that is one. Related to that itself if we see our margins over a period of time like say five years we have done a tremendous job of improving our margins, reducing cost, even though our volume growth has not been panned out as we have expected, so we still have some room on maybe reducing price at a cost of margin to get the volume from the market, is this a right way to look at it?

Keld Pedersen: So let me try to explain a little bit. If you look at the company over five to six years then you will see a very sustainable growth in sense of the numbers and we of course perfectly aware that if you look at it over the past 8 to 12 quarters then the pace of growth has slowed down, but on the other hand we are also going through a part of transformation in the sense of putting our bit on the liquid and RoRo while the part is less successful and the containers are in a very competitive market place, but containers are still very, very important key part of our business it will remain to be a core focus area. When it comes to the question on the rates I will try to explain it this way that if you have a container going in and out from Delhi via rail or truck you take the shipping line where the freight rates have been going up and down a lot, and then port cost is not really the biggest number in terms of the total cost for that container it is actually a very small number, so if we go in and do some regulation of our rates then it will actually only make fairly small impact on the overall cost in the supply chain. However, that being said it is of course still a competitive measure when we are in discussions and negotiations with our customers. Is that giving you the picture?

Chintan Seth: Indirectly, more of the consideration and alliances as you talked about, which plays more important role on volume run rates?

Keld Pedersen: Yes it is and then the way we have build up the company right, so the company came out in 2010 out of a lot of trouble for decade, so we are of course having a risk profile as a company where we would like to at least have a certain level of confidence before we embark on huge capex or lowering prices or whatever we have opportunities, but at the same time I think we are also still proud that we have now been paying our dividend three times and some people would argue that we should have a dip way through and we should have more capex, but on the other hand we also have a certain level of confidence before we embark and do anything at too higher risk.

Chintan Seth: Because already our effective utilisation is way below 50% in most cases?

Keld Pedersen: Yes, but the liquid and the RoRo are building up right and the containers are still in the game.

Chintan Seth: Why effective tax this quarter has been a bit higher?

- Santosh Breed:** As I explained basically we are now moved out of the tax holiday period and now we have the full tax regime, so what you see is the full tax rate, which is that increase in the tax expense.
- Chintan Seth:** Sequentially also we see that it increased from 30% of the PBIT to 35%?
- Santosh Breed:** That is right, so that is pretty close to the corporate tax rate.
- Chintan Seth:** So it will continue?
- Santosh Breed:** That is right.
- Chintan Seth:** And real volume this quarter the presentation does not have that number?
- Keld Pedersen:** Now we actually chose to change it a bit, what we showed was not really giving you anything that you could use, it is more like a statement right,
- Chintan Seth:** Thanks, I will join back in queue. Thank you.
- Moderator:** Thank you very much. Next we have a follow-up question from Parag Jain from HSBC Hongkong. Please go ahead.
- Parag Jain:** Thank you for taking me once again. Just have two questions. First, why has the operating expense jumped quarter-on-quarter that significantly, I am not sure if that has been answered earlier and with that respect can you help us visualise the seasonality across different cargo type, given the whole commentary was on quarter-to-quarter basis, if you can help me understand these two aspects that will be very helpful.
- Santosh Breed:** On the first question, the operating expense jump, so it is directly related to the volumes, as we mentioned there is increase in the bulk volumes, so it is basically related to that and commodity mix what we handle so we handle more fertilizer this quarter, so it is directly related to that.
- Keld Pedersen:** So bulk gives more resource, it requires much more manpower and contractors.
- Santosh Breed:** Can you just repeat the second question what you had?
- Parag Jain:** Across the different cargo type be it bulk, be it RoRo, be it liquid and container if you can talk about the seasonality quarter-on-quarter basis, which quarters are high or low or for instance for container looking at their performance sequentially makes more sense rather than year-on-year?
- Santosh Breed:** In terms of container of course we had always seen the second half of the year giving better volumes because of the festival season starting, so that is how we have seen it. As far as bulk is concerned of course it is very difficult to speak about the seasonality as such and the same goes for liquid, so mainly we can speak about the container business.
- Parag Jain:** Thank you.

- Keld Pedersen:** So I can just add the reefers for second half has also been arrived, the reefer season starts around August and it continues through the first quarter of the calendar year, next year.
- Parag Jain:** Very helpful. Thank you.
- Keld Pedersen:** You are most welcome.
- Moderator:** Thank you very much. We have the next question from the line of Mr. Ankit Panchmatia from ICICI Securities. Please go ahead.
- Ankit Panchmatia:** Thanks for taking my question. Sir just wanted to know does this Gujarat floods have impacted some of our volumes for the current quarter or how has been the impact on the movement of containers in the area, which we operate?
- Santosh Breed:** The rains what we had, so there have not been any impact of rains for us.
- Keld Pedersen:** No and we are very happy for that, so no impact on us actually the opposite.
- Ankit Panchmatia:** Sir just to get the number of capex plan for FY2018?
- Keld Pedersen:** So our capex now, I am moving into US dollar in the range we given in crores Rs70 Crores, Rs50 to Rs60 Crores, Rs60 to Rs70, but in that range that is what we are tracking on annually when we do not have any major projects.
- Ankit Panchmatia:** Sir this ERTG project, which we have been undertaking how would that help us operationally or just want to understand how would they be improving our margins, would they be improving our turnaround time, how would this help us?
- Keld Pedersen:** So that may be gives me the opportunity to put the comment that we are continuously year-on-year having strong focus on remaining lean and continuing to cost optimize, so we are doing that year-on-year and this capex on ERTGs will deliver for the RTGs, it will deliver significant double digit savings on fuel and at the same time it will meet our ambition of also continuously becoming more and more green just like we have swapped our cars at our facility to electrical cars and so on, so that goes hand in hand.
- Ankit Panchmatia:** Would it be fair to assume that although marginally it will improve our margins going ahead?
- Keld Pedersen:** Yes, as I told it is of course not made a number out of the total, but it is very solid number for the running cost of the RTGs alone.
- Ankit Panchmatia:** Although I agree that we have made changes in the presentation for rail volumes can I just get the number for the same, I agree it would not make any sense, but tend to just a number to?
- Santosh Breed:** For the current quarter, the rail volume was 1.67 million metric tonne.

- Ankit Panchmatia:** Just to understand the number of trains, is there some issue with the rail line because I want to understand or I want to see the whole trend line earlier we used to do 665 trains, which has now declined by 100 trains approximately, so 513 and the trend is almost declining every quarter-on-quarter, are the people more preferring via road or how is this?
- Keld Pedersen:** No, I do not think you should measure on road versus rail, but I think on the line as I said and the reason why we actually stopped is because you cannot see the mix that is continuously changing in terms of single stack versus double stack trains, so the double track trains we have pioneered back in 2006, those we continue to see, our rail operators having high interest in this, our shipping line customers having high interest in this, so we continue to develop that efficiency and we are also continuously focusing on getting to a point where we have scheduled trains.
- Ankit Panchmatia:** The understanding is right that the decline in the number of trains is just because of higher double stacking, which we are doing?
- Keld Pedersen:** Yes, that is correct.
- Ankit Panchmatia:** That is all from my side. Thank you Sir!
- Keld Pedersen:** You are most welcome.
- Moderator:** Thank you very much. We have the next question from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Few question from my side. First can you highlight what is the status on the PRCL capex on being with compliant for DFC train handling, if you can just update on that?
- Keld Pedersen:** Yes, so the comment would be that we are on track and we expect anything on the PRCL capex to be in the range of Rs.250 to Rs.300, Rs.350 Crores, but of course it is a couple of years of execution and the detail project plan is now being laid down followed by execution, so may be it is a little bit early to give you more than fairly broad range, but Rs.300 to Rs.350 Crores is not the way of.
- Rakesh Vyas:** Sure and will we be required to put in any equity or some funding to meet this?
- Keld Pedersen:** No.
- Rakesh Vyas:** My second question is on this electrification. So if you can just help us in terms of quantification on the cost saving, moving away from diesel to electricity on your current volumes, how would that pan out and what is the capex that you are incurring on this particular project?
- Keld Pedersen:** So we are discussing for the port now. So you see the thing is that whatever we convert into electricity is actually a little bit competitive information, so we are not too keen on giving you exactly what we do and how much we save on it, but I can for sure say that we are continuously

reviewing cost and part of that is now by electrification of our yard cranes, which again will provide us with solid double digit percentage numbers on our fuel cost for instance while it takes us to lot of more green environment and that then now I also mentioned and gave you that we have changed to electrical cars at the terminals and also there are continuously a number of these initiatives going on in terms of cutting cost and becoming more green.

Rakesh Vyas: My last question is we have seen the global freight rates have strengthened a bit and globally the trade has also improved, for us as you highlighted the cost for shipping line is relatively low and we have also been impacted by the INR appreciation, so is there a thought process on renegotiating the tariffs higher because it has been almost I think two years now that we have not changed tariff, we have not increased it, whereas I think that the other competitive ports, the tariff would have been hike over last these two years?

Keld Pedersen: The answer is no, when you recall our expansion project completed by March 31, 2016 then our main focus is still very much on increasing our utilisation and that is by far a higher focus than even considering increasing our prices, so focus on getting utilisation up and when you look at it the other way about reducing prices then the answer is also no, there are no firm plans or anything like that in terms of reducing prices, it is at the same time confidential and sensitive, so we would probably also not announce it if we took some decision, but now I gave the status, the status is that we are status quo and we are focusing on our utilization.

Rakesh Vyas: Great Sir! Thank you and best of luck.

Keld Pedersen: You are welcome.

Moderator: Thank you very much. I now hand the conference over to the management for any closing comments.

Keld Pedersen: So we appreciate all the questions, we thank you very much for your interest in our company. We will continue to work very hard to address your concerns in terms of growth and by that then I would say thank you very much and have a good day.

Moderator: On behalf of Ambit Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.