

**“Gujarat Pipavav Ports Limited
Q2 FY2018 Earnings Conference Call”**

November 02, 2017

ANALYST: MR. ASHISH SHAH – IDFC SECURITIES

**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 Port Limited Q2 FY2018 Earnings Conference Call hosted by IDFC Securities. 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 an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. We would also like to inform you that the duration of the conference is for 60 minutes. I now hand the conference over to Mr. Ashish Shah from IDFC Securities. Thank you and over to you Sir!

Ashish Shah: Good afternoon everyone. On behalf of IDFC securities I welcome all the participants for the Q2 FY2018 earnings call of Gujarat Pipavav Port Private Limited. We have from the management Mr. Keld Pedersen, who is the Managing Director, and Mr. Santosh Breed – who is the General Manager Finance & Accounts. We will initially commence with opening remarks some from the management and then we will proceed to the question-and-answer session. Thank you Sir and over to you!

Keld Pedersen: Thank you very much. This is Keld Pedersen, Managing Director of Gujarat Pipavav Port. I would like to jump directly into the key highlights for this call and based on the numbers you have already seen then I will try to add a little bit of comments and elaborate a little bit more than I usually do as the results are obviously not satisfactory.

We start by the container volumes. So the container volumes has decreased by 3% you may recall from our last quarter that in June we had discontinuation of the INDFX service which was a consortium of six partners and within the same month, we had the first call of Maersk lines Europe service so there was a shift of customer there and in the quarter now we have had two skipped calls on the new service. If we look at it on the container volume year-on-year with the services that continued all the way back in September last year and have carried through over the full year they have actually grown with an average of 17% but bottomline now is that there is a 3% reduction which we are not happy with. On the dry bulk we have a 3% increase versus the previous quarter driven by a higher fertilizer volume. Again a little additional numbers to work with year-on-year fertilizer has decreased with 23% and the coal has decreased year-on-year with 22% according to the market information we have on hand.

If we go to the liquid then liquid continued to grow with a 30% increase for this quarter versus previous quarter. On RoRo for the 27% decrease the only remark I have is that we do not see this as any kind of trendline.

On the revenue 10% decrease versus previous quarter is due to the lower container RoRo and one off offshore and project cargo income and from the expense side we have a 5% increase mainly driven by the commodity mix and higher operating expense so Santosh will come back on that little bit later. EBITDA at 20% decrease versus the previous quarter again large portion to give an indication of the lower EBITDA is cost and the one off offshore income that we had in

the two previous quarters where we were very happy with the result coming in from the offshore.

Bottomline, we end up by the Margins of 54.6%, which is 11% lower than the previous quarter if we go to the operational highlights and again a little more comments this time we have on the containers you will see that our ICD volumes has closed a number of percentage quarter-on-quarter for the last three quarters while with this time had a lower local cargo range at 160,000 TEUs. So on the liquid side 276000 metric tonnes and on the RoRo again if you see the trend line here we do not see that as a trend line we see it more as fluctuation as we have seen for the liquid and RoRo during the early years for base business. So with those words then I will hand it over to Santosh and I look forward to the Q&A.

Santosh Breed:

Thanks Keld. Let me start with an overview of the financials for the quarter ended September 30, 2017. The total income for second quarter at Rs.1517 million is 10% lower than the immediate preceding quarter mainly due to lower income from container, RoRo and offshore and project cargo. This has been partially offset by higher bulk income in this quarter. Container volumes at 160,000 TEUs were 3% lower than the previous quarter due to discontinuation of INDFX service partially offset with the volumes coming in from the new Maersk Line service.

During the quarter the bulk volumes at 518000 metric tonnes with 3% higher from the previous quarter mainly due to higher fertilizer volumes. Liquid volumes during the quarter at 276000 metric tonnes were 30% higher from the previous quarter on account of higher LPG imports.

RoRo volumes at 19000 cars were lower by 27% from previous quarter and as Keld mentioned that this is not a trend so we do not see this as a trend going forward as well. Total expense at Rs.689 million is higher by 5% as compared to the previous quarter mainly due to the higher bulk volume and the commodity mix.

EBITDA at Rs.828 million and EBITDA margin at 54.6% are lower as compared to the previous quarter on account of commodity mix and the one off project and offshore income in the previous quarter. Other income includes interest on tax refund and interest income on bank deposits. The tax holiday period ended for us on March 31, 2017 and effective this financial year we are under full tax regime and the current tax provision is the full corporate tax.

Net profit at Rs.442 million is lower by 21% as compared to previous quarter; however, if we exclude the one off offshore and project cargo income in the previous quarter then the results are in line with the previous quarter.

Moving onto the financial overview for the six months ended September 30, 2017 total income for the six month ended September 30, 2017 at Rs.3207 million is about lower by 5% mainly on account of lower container and bulk income partially offset but higher investment RoRo and project in the offshore cargo.

Total expenditure at Rs.1343 million was lower by 4% in line with the lower container and bulk volumes. EBITDA at Rs.1864 million was lower by 6% and EBITDA margin at 58.1% is lower by 50 basis points as compared to the earlier year due to the lower container bulk volumes. Net result for the year at Rs.999 million is lower by 16% from the previous quarter this is mainly due to the tax provision at a full corporate tax rate in this year. Based on the company profitability for the six months ended September 30, 2017 the board of directors has approved an interim dividend of Rs.1.70 per share and it will be paid in November 2017. It constitutes entire distributable profit for six months ended September 30, 2017.

Moving on to the balance sheet, there is a temporary increase in trade receivables, which was high in this quarter due to the cyber attack and the GST rollout we expect to get back to normalcy by end of November. There are no other significant changes in balance sheet.

We are now happy to take the questions.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin with the question-and-answer session. First question is from the line of Inderjeet Singh from Macquarie. Please go ahead.

Inderjeet Singh: My first question is on realization, if I look at on a year-on-year basis compared to Q2 FY2017 there seems to be a fairly sharp drop in realization, what can be attributed to that?

Santosh Breed: Under you are comparing with September 2016 versus September 2017.

Inderjeet Singh: Yes.

Santosh Breed: Of course one aspect of this is because the exchange gain. There has been a drop of about 4% in the exchange rate year-on-year and that is the key reason why you see a drop otherwise in terms of the realization for all our business we are more or less maintain our realization so it is mainly because of exchange rate.

Inderjeet Singh: So there have now been no additional discounts kind of given in this current quarter.

Santosh Breed: No.

Inderjeet Singh: My second question is Keld you mentioned that there are couple of skipped calls now is that a trend or is it any particular reason that you want to kind of assign and then given that the Maersk the new line has been there for two, three months now are we kind of position to kind of give more clarity as to what kind of volumes did this can add to our business?

Keld Pedersen: I do not want to get into the details of the volumes by specific customer but we have grown the volume on the service. That is one I can say and the other one is that the skipped calls the issue that we have seen as a trend sometimes it can be the vessel is delayed so to prevent it getting further delayed in other ports there is a skipped call, but also you can read all over the news in connection with the China golden week where China basically shuts down and we see a lot of the

main carriers on Europe Far East skipping calls and canceling calls so it does happen on and off but it is not like it is predictable or anything you account on each quarter I hope that clarifies?

Inderjeet Singh: Slightly longer-term question now what we have seen is some early trends early signs of exports and imports pickup so unfortunately we have been stuck in this cycle where we have been losing some lines and services get added and some of the stabilization has never happened so I just kind of look towards end of the year or maybe next year is there light at the end of the tunnel can you start to see some growth come back to our container business?

Keld Pedersen: If I look into next year when we are still optimistic clearly that we will grow the port and the business we have from the port. When you look at the market outlook then I think if you look at the container volume here so I think the year-on-year growth is said to be around 7% to 8%, but the market figures we now have for the quarter-on-quarter actually the quarter we are reporting on now we see the West Coast volume of India decrease was 2%. So there are some indicators where we are, we maybe a little bit less optimistic on the market but when we look at our port and the reason why in the key highlights mentioned that the services that have carried through have increased volume with 17% despite the loss of services we had last year in particular that is the clear indication for us that we have some customers and cargo owners who have strong intentions to continue to use our port and grow together with us because otherwise our volume would have decreased much further based on the handling in 2016. So that was a long explanation.

Inderjeet Singh: Thanks Keld. Thank you.

Moderator: Thank you. Next question is from the line of Chintan Seth from Sameeksha Capital. Please go ahead.

Chintan Seth: Thanks Keld and Santhosh. Just I wanted to understand on the project cargo revenue last quarter we book?

Santosh Breed: Of course we cannot give the split but I can only comment that what is the sizable amount which was there in the last quarter so the change what you are seeing in this quarter within two quarters a sizable portion of that is because of the offshore.

Chintan Seth: It will be between 15 Crores and 20 Crores is it the right number a broad range?

Keld Pedersen: That could be in that range it is on the project cargo.

Chintan Seth: On the working capital we see some deterioration in the debtor side is it the fag end bookings, which led to increase in receivables this quarter?

Santosh Breed: As I mentioned in my comments it is a temporary phase which we see because we had cyber-attack and due to GST there has been some delay in settlement so this is temporary one we are already on to recovery now by end November which will have much better position.

- Chintan Seth:** What kind of capex number we are targeting this year?
- Santosh Breed:** So capex we are looking at around Rs. 50 to 60 Crores.
- Chintan Seth:** This year.
- Keld Pedersen:** I could comment on the capex when we say Rs. 50 to 60 Crores so this is as a general rule of thumb our maintenance capex and that includes some we have some dredging one-off here in so there are no specific plans where we want to announce any large capex investment right now this maintenance capex and it is in the range of Rs. 50 to 60 Crores every year.
- Chintan Seth:** Lastly on the rail terminal side when we are talking about some capex couple of quarters back at Pipavav Rail Corporation side so any update on that are there any progress towards it or approvals which were pending?
- Keld Pedersen:** No. At this point in time there is no update so what will happen is that Pipavav Rail Corporation and Pipavav Rail Line will be electrified with the dedicated freight corridor which means that the rail line electrification to take place. This one is in progress although not physically but as an overall project is in progress. It is the PRCL Company that is executing this project. In that context in order to connect the electrified rail lines into the port where we are responsible then there will be some capex at a point in time but we will announce it when we have the drawings and when we know at what time and we will obviously also be open to give the numbers at that time, but this is not something that will come in the next couple of quarters.
- Chintan Seth:** I will join back in the queue. Thanks Sir.
- Moderator:** Thank you. Next question is from the line of Kushan Parikh from Emkay Global. Please go ahead.
- Kushan Parikh:** Thanks for taking my question. Just wanted to understand either like if we look at it from a sequential basis our revenues have fallen around 10% so now that is explained by the lower offshore and project cargo volumes but consequently on a sequential basis our expenses are up by close to around 5% so just wanted to get some take on that as and what would explain that sequential rise in operating expenses?
- Santosh Breed:** Well of course I mean look at the operating expenses, as we mentioned higher bulk fertilizer, which we handled this quarter and because of that handling expenses are on the higher side that is what we are still see in the operating expenses.
- Keld Pedersen:** If I can just elaborate because this is often a question so I just want to elaborate a little bit. In our set up on the cost part we can absorb more containers without adding significantly through the cost; however, on the bulk side for coal and fertilizer, it is resource intensive business wherefore the margins are lower because the expenses are higher so whenever we go up on the bulk cargo handling we will see an increase in our cost and if we then do the RoRo liquid container and

offshore we would not see that at least not for a while ahead if we are going in each of those areas.

Kushan Parikh: Just if I could squeeze in one more question just wanted to understand our sort of take on the liquid part so this time we did really a good number of the liquid part at 236000 tonnes so here we did higher LPG import so I need to understand there are lot of government initiatives as well happening whether to increase LPG consumption and therefore LPG import so just wanted to understand what our take is on the LPG port business and if you could share something in terms of numbers in the sense of what was our sort of FY2017 share of LPG and liquid overall liquid volumes and for 1H FY2018 as well?

Keld Pedersen: I think if I may start by commenting on the markets, I think we are fully aligned that the LPG in India the expectations are very clear that this commodity will grow a lot in the next five to ten years so the market outlook for LPG looks very helpful. I do not know if you have any things to add on that.

Santosh Breed: Just to add to what Keld said actually we are a strong player in this market and see continuous growth in LPG volumes.

Kushan Parikh: Sir if you could just sort of corroborate that with some numbers like in terms of what our share like how much of LPG do we do like in terms of our overall liquid volumes.

Santosh Breed: If you see the volumes, which are being of liquid it is in the range of 60% to 70% is right now LPG.

Kushan Parikh: That would hold true for FY2017 as well?

Santosh Breed: That depends on the operators so it depends on what kind of commodity is being imported or exported by the operator so it is very difficult for us to comment on the future.

Kushan Parikh: I am asking for FY2017 historical.

Keld Pedersen: FY2017 historically it has been building up so LPG has increased for quite a while now as a percentage of the total.

Kushan Parikh: At present it would be about 60% to 70% of our total liquid volumes.

Keld Pedersen: That is right.

Kushan Parikh: Thank you. That is it from my side.

Moderator: Thank you. Next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Thanks for the opportunity. I had a few questions; the first one was to get your views on how to think through margins incrementally because it is even in this quarter the mix was not as bad liquid, actually it should be a high margin business and that grew fairly well for you would have negated, whatever miss would have happened or whatever issues, would have happened because of higher bulk. What are the two three key variables which decide this margin trajectory going forward especially in light of the cost efficiency program that you are doing and possibly so that is the basic question towards key factors that will determine margins going forward?

Santosh Breed: Just to answer you talk about liquid, yes the volumes have gone up but what we also seen is a recent change is the parcel size are increasing so for the port the marine income is the key income from this particular business so with the increasing parcel size, the marine realization are not in line with the increase that is one. In terms of the margin of course we will continue our focus on containers going forward it is our focus area.

Keld Pedersen: No you see the setup we have, for our container part of the business we have a certain level of fixed cost which means that as I said before when we fill up with more container volume whether it is offshore or RoRo or liquid then our margins will improve and this is clearly as I have stated a number of times before this is clearly something we as a company has a very strong focus on. We do not only want to grow, we also want to continue to squeeze whatever we can out in terms of margin and that requires some continuous cost initiatives, which we are also year-on-year we take out cost out of the system so that we will continue and that will be along the lines we have been working all the time but again when fertilizer goes up then you will see some fluctuation in the margins and also if we are extremely successful on offshore, which goes on more straight through the bottomline then there will also be fluctuations.

Aditya Mongia: Sir the second question, which I had was more on this trend that you were highlighting of ICD volumes starting to grow up again after having bottomed out in the fourth quarter now whether if this is coming at a time wherein on the rail of course as we were suggesting not much growth is happening in fact decline is happening should we be reading more into this trend? Are the things that you are doing on the rail front, which can help you, become more relevant?

Keld Pedersen: As a commercial team we have been active in the north, but even more importantly so we are mentioning the trains and the total volume and to see that we are not losing the grip we actually now have trend a bit around and we start to see more volume from the north as well, positive for us, it is a largely supportive. We are still also doing on what we call the local volumes the remaining part we also are very active but it is more seasonal determining how much volumes we can take because there is a lot agriculture products and so on in to it we are in the middle of a very large agriculture built in Gujarat. I am not sure if I had answered this question?

Aditya Mongia: Yes it does answer what I was thinking. Just wanted to again on the pricing front does it make sense to be offering more discounts and can that change the scenario other than things that you are focusing on when you are thinking of reversing this trend in decline in volumes for the container business?

- Keld Pedersen:** I would by and large not like to comment too much on rebates and discounts because it is of course in the sales it is commercially sensitive information but clearly as a company, with no debt, dividend paying overall we see ourselves as a healthy company then we are obviously all the time to the extent that makes sense we are trying to go I would not say no matter what it takes but we will in principle what has there is very often this question whether it is for GPPL makes sense to lower the tariff, lower all the way and so on I do not see that because if you are taking the whole supply chain and we are taking the quarter expense for the customers that in the overall supply chain this is not such a large portion of the overall cost. So even if we were to block 20% and it would not matter much for the total cost in this business supply chain system.
- Aditya Mongia:** Thanks a lot. Those are my questions.
- Moderator:** Thank you. Next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thanks for taking my question. Sir you indicated that the market growth was negative 2% or thereabout for the first half just wanted to understand which all ports do you include in that is that only three ports when you take it west coast or you take all six, seven ports put together?
- Keld Pedersen:** We have taken the whole west coast and it is not half-year and half-year it is quarter-on-quarter and again I mentioned it because we said in some way that we try to pick up and analyze but again you cannot take this as a public figure, but as I also said because of the numbers we show you this time it requires a little bit of extra explanation so the point I tried to make is that our figures based on the amount base then it seems like there has been a drop of 2% quarter-on-quarter but I do not think we should look at it longer than that because if you start to read and collate information on it then you will see that year-on-year there are still a healthy growth.
- Achal Lohade:** I am bit lost when you are saying quarter-over-quarter is it second quarter or the first quarter you are talking about?
- Keld Pedersen:** Yes that is correct.
- Achal Lohade:** Second quarter over the first quarter.
- Keld Pedersen:** Yes.
- Achal Lohade:** Got it. The second question I had was about the export import mix if you could talk about that in terms of the growth was it too different for export and imports or was it similar?
- Keld Pedersen:** We normally see a spread of around 64, 65, 35 maybe it has been little bit closer to each other for this quarter but it is not something we had see as a trend.
- Achal Lohade:** That means actually the exports were better in this quarter when you are saying it was almost similar-ish is that right Sir?
- Keld Pedersen:** No same.

- Santosh Breed:** Same actually we have not seen any significant changes right now.
- Achal Lohade:** Okay they are similar growth actually okay. Sir in terms of the data point I just wanted to know the realization a broad realization for the container and the bulk for the quarter?
- Santosh Breed:** Container we continue to be in the range of Rs. 6500 to 7000 bulk in the range of Rs. 450 to 500 per metric tonnes.
- Achal Lohade:** Right and in terms of the bulk cargo breakup in fertilizer coal and others?
- Santosh Breed:** The main component is fertilizer. So for the current quarter we had 117000 metric tonne of coal 376000 of fertilizer and 23000 of minerals.
- Achal Lohade:** You said the project cum revenue did have significant number in the last two quarters, which was not the case in the second quarter FY2018 is that right?
- Santosh Breed:** That is right.
- Achal Lohade:** In terms of the number would you be able to give a broader range because 15 Crores appears to be very high number for the first quarter or the fourth quarter or was that the further two quarters put together?
- Keld Pedersen:** I do not think we confirm the 15 crore number. It is a solid number for the offshore in the previous calls we saw this quarter we are reporting on now.
- Achal Lohade:** Great Sir. Thanks once again. I am done.
- Moderator:** Thank you. Next question is from the line of Ankit Panchmatia from ICICI Securities. Please go ahead.
- Ankit Panchmatia:** Good afternoon. Thanks for taking my question. Sir an update on the liquid transport, which we were planning to do via rail from our port have we got the license for the same or we are yet in the process of for getting the same?
- Keld Pedersen:** Yes, we have been reporting that we are running trial on cargo. There are; however, some measurements and other things that need to fall in place before we become a full-fledged sort of cargo, LPG, rail port, so we will let you know when we have something a little bit more trends on this if that is the case going forward.
- Ankit Panchmatia:** Sir just wanted to get a broad update on how the competition would pick up on the western side so will JNPT aggressively expanding the capacity by December so our first phase is expected to go live by December just your broad thoughts on how the competition would pick up maybe post the commencement of that facility and how we are planning to counter the same?

- Keld Pedersen:** We are obviously perfectly aware that more capacities coming on stream all the time both south and west for GPPL and I would not go into the details at this point in time because there are number of factors playing here in terms of rail connectivity, the conditions of rail connectivity, there is the whole commercial path in terms of rates and cost of calling at the new capacity and so on so and I will abstain from being a specific but what I can say is we are very much aware of it what I do believe we as a company are in a healthy position to fight in the market.
- Ankit Panchmatia:** Sir sorry to harp on the same again, is it fair to assume that of more pricing pressures would be seen or can be experienced going ahead?
- Keld Pedersen:** I again in broad terms globally is the more on capacity you see it all result in pricing pressure but for west coast of India and for GPPL I would not like to comment at this point of time.
- Ankit Panchmatia:** Sir just to understand this dollar strengthening so this would be the quarter phenomena right may be next quarter this will paid out and again the realizations will improve is that fair assumption?
- Santosh Breed:** Yes it all depends on how the currency moves right so it is very difficult to say whether it will strengthen or weaken so accordingly of course because our container tariff is in dollars so impact will be because of the change in the exchange rates.
- Ankit Panchmatia:** So we would be passing on the rates or we would be negotiating the same with it are line as I right?
- Santosh Breed:** We have never been into any negotiation on exchange rate changes with our customers.
- Ankit Panchmatia:** That is all from my side. Thank you.
- Moderator:** Thank you. Next question is from the line of Nitin Arora from Aviva Life. Please go ahead.
- Nitin Arora:** Keld good evening. Keld just one question in the Maersk line which came to us I would not say a line but a call which came to us is it on a take or pay mode?
- Santosh Breed:** No we do not have any commercial terms like that.
- Nitin Arora:** So whenever a liner keeps a call, which is, generally not should be treated, as one of it is part of the R&R?
- Keld Pedersen:** When they skip, they skip and we do not get the revenue. What often happens just to speak a little bit on to it what you will often see is that if the call is skipped we would often see a fairly solid part of that volume that we miss out we would often see it carry on to the weeks after so it is not like we are looking for the volume what we would obviously lose the marine income from that call.
- Nitin Arora:** Given that this call have you also seen some customer shift because the line is still calling the same number of ports and one port got added, which was you, have you seen the customer shift

also the line already coming to you but the customer has shifted to some other port is there some sense you are getting from that area?

Keld Pedersen: No it is not. Actually I think if you asked our container business then I just want to make a point now of which again as Santhosh was mentioning in the beginning so last year one year ago at this time or in September, October 2016 heading one of our customers went bankrupt and at the same time we had another service leaving India at that point in time so now comes a point and that there is that our existing customers who have carried through the full year since then they had a growth 17% so we have absolutely no indication of that.

Nitin Arora: Yes that is now the point to look at it but fair point. Now the second question was to do with the outlook, which you were mentioning like a sequential degrowth I think you are including ICPT Vallarpadam or you might be including Kandla, which is showing you a 2% which you then you are showing a 2% degrowth but yes definitely the market has been flat sequentially and your large partner your largest player on the west coast has also been declining by 2%, 3%. What is your sense can you give us a little bit ground sense is it more to do with the pharma cargo whether we be seeing the cargo has stagnated a lot, which used to go from JNPT coming from the eastern side?

Keld Pedersen: Again rough 2% decrease quarter-on-quarter is what we see on the overall west coast line of India. I am absolutely not specific in terms of how our competitors have moved up and down including JNPT and so forth, but if you ask me about the general outlook then I think this quarter that we are reporting on is also on the back of the GST so the coming quarters will give us a more clear visibility in terms of what we should see as a trend and what not.

Nitin Arora: Lastly Keld in terms of the transitions we saw lot of consolidation due to which we lost some liners if you see a chance where now things have settled for you in terms of only one thing the line going out or line any new customer going out. Do you think that is something has played out and now it remains on the market if the market improves which is currently going at a good rate but you can add on one more customer or a liner so my question is more towards that do you see that now no more lines going out and we some sort of bottomed out in terms of that?

Keld Pedersen: I think I do not think, I can say that we could not lose another liner at some point in time or even a line get discontinued or could be bankruptcy in the industry but on the other hand then you know we are after a stagnating growth for GPPL but on the other hand, I am not less optimistic than I have seen all the time, I know we have strong competition. I know we have a lot of capacity on stream around us but I am not less optimistic in terms of continuing very much to land new lines as well and it is in terms of consolidation in the market there are still mergers announced, which are not yet on-stream so we have a three Japanese lines becoming one line so it is full load out according to the information we have on hand from the news which will only be fully in place in April 2018 and so forth so there are still movements there are still mergers coming in place so it has happened faster in the industry but it is over at last not as we see priority and now with at least these Japanese lines becoming one.

- Nitin Arora:** Got it. Thank you very much for the detail explanation. All the best.
- Moderator:** Thank you. We take the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.
- Pulkit Patni:** Actually Sir my question was also on the JNPT competition so nothing incremental. Thank you.
- Moderator:** Thank you. Next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.
- Vipul Shah:** Sir can you comment on the capacity utilization on the container side?
- Keld Pedersen:** We expanded and completed an expansion on the container side on March 31, 2016 and that capacity we announced to be roughly 1.35 million TEUs. If you look at our run rate now, you will see that we have a lot of free capacity, which will be convenient, in terms of the service level we provide to our customers but then you should also remember that as the RoRo business has grown, we are using the same assets meaning that the capacity we created for 1.35 million TEUs is also used for the fairly solid growth that we have had on the RoRo business. So we used to same yard for parking area both for areas we won, and moved the operations on both front, both from the container and the RoRo front.
- Vipul Shah:** So RoRo and container volume should be taken together to arrive at capacity utilization in container business.
- Keld Pedersen:** What is happening is that the RoRo part of the business is using the container space where we are underutilized so it comes in conveniently but let us say we were full capacity of 1.2 to 1.3 million before we would initiate further development for containers then we have alternative space ready for RoRo business that we continue up on in terms of that capex payment, parking lots for 2000 to 3000 cars and so on so we have the land availability but right now because the container part is only utilizing let us say 50%, 60% of the capacity then we are using it to shift by means of the RoRo business also.
- Vipul Shah:** Lastly I missed on the container tariff so would you repeat what is the figure for container tariff?
- Santosh Breed:** You mean the container realization?
- Vipul Shah:** Yes.
- Santosh Breed:** It is in the range of Rs. 6500 to 7000 per TEU.
- Vipul Shah:** Thank you and all the best for the future.
- Moderator:** Thank you. Next question is from the line of Inderjeet Singh from Macquarie. Please go ahead.

Inderjeet Singh: One follow up question I had look at again from a sequential basis and look at the net realization numbers is it a fair assumption that the RoRo profitability is significantly higher than or at least in line with what the container would be that?

Santosh Breed: No, it is not seemingly higher I think it is more or less in line.

Inderjeet Singh: Basically the big change in volumes it seems to be around RoRo, which if we adjust for the one time cargo the project cargo all the remaining impact we can guess are into RoRo volumes right?

Keld Pedersen: That is right yes and then the 3% on my containers of course but you are right if we go in and annualize on the line numbers and we take the offshore then there is not that much of a difference and obviously the RoRo has a significantly lower number this time for this quarter previous quarter.

Inderjeet Singh: Any particular reason why this volumes are lower in this quarter?

Keld Pedersen: No, I think again in terms of commercial sensitivity and so on we still need to have ten customers in the long-term future for the RoRo part of the business but as long as we do not have more customers than what we have then all we have to say for this is as best guidance for us is that we do not see this as a trend.

Inderjeet Singh: One last question is now is there a concern within the top management that this ongoing talk about the status and ownership of the port is that impacting morale within the group especially our teams, which you engage with the end owners of the cargo in the hinterland is that a concern?

Keld Pedersen: No, the rumors for our team are not a concern. I mean we are very open about talking about those rumors in the market and these rumors until we are informed otherwise so it for us business as usual and I do not think we can relate anything to the performance of our teams. I think they are delivering a really very solid performance both in the sales level that we are delivering to the customers continuously as well as the energy we put behind our hinterland and exploration of possibly commodities and volumes in the port.

Inderjeet Singh: Thanks Keld. Best of luck for the future.

Moderator: Thank you. Next question is from the line of Jinit Mehta from B&K Securities. Please go ahead.

Jinit Mehta: I just wanted to know one thing so as we enter the reefer season could you get the proportion of reefer volumes to total container volumes for FY2017 what was it?

Keld Pedersen: We would have to check that number but while I am segregating it out, may be we are now what I would like to say is that we have a very solid portion of the sea trade. There is no change in that based on the numbers we see this year so far and we see actually the total market is growing for that part of that commodity.

Jinit Mehta: Sir a broad range you will also work sir if it is possible?

- Keld Pedersen:** We will come back to you on that. We will take another question, in the meantime, we will come back and answer.
- Jinit Mehta:** Thank you so much. That is it.
- Moderator:** Thank you. Next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Sorry to harp on the same thing, is it fair to say that while the market decline 2% Q-o-Q we were similar and we were actually impacted little bit more because of the outgoing service so is it fair to say that the Q-o-Q volume should see a pickup in coming quarters. Would that be a fair statement?
- Keld Pedersen:** We will try our best as always but I do not think I can comment on it because I can really not associate this 2% and with GST coming in, I think we need more before we can actually comment on any trend. I think it is fair to say that by and large it is around par this quarter and we will have to see how the market evolves based on the customers we have seen now.
- Moderator:** Thank you. Next question is from the line of Jaikant Kasturi from Dolat Capital. Please go ahead.
- Jaikant Kasturi:** I just wanted to know was there any export incentive income for this quarter and other thing is in terms of your bulk volumes as you have told there has been an increase in fertilizer volumes so if you could provide me a percentage terms number? Thank you.
- Santosh Breed:** First of all there is no export incentive income reported in this quarter and in terms of the fertilizer volume we mentioned it earlier we have given the number it is around 376000 metric tonnes.
- Jaikant Kasturi:** That is all from my side. Thank you.
- Moderator:** Thank you. Ladies and gentlemen this was the last question today I now hand over the conference to Ashish Shah for his closing comments. Over to you Sir!
- Ashish Shah:** I thank the management of Gujarat Pipavav Port for giving us the opportunity to host this call. Thank you Keld and thank you Santosh. Would you like to make any closing remarks Sir?
- Keld Pedersen:** I think we have elaborated and tried to clarify on all the numbers and as I said as my very first statement this result is not at the level where we want to be and we do anything to continue to improve it.
- Santosh Breed:** Reefer of course volume is around roughly on 10% of the total volumes for the financial year 2017.
- Moderator:** Thank you Sir. Ladies and gentlemen on behalf of IDFC Securities that concludes this conference call. Thank you for joining us today and you may now disconnect your lines.