

“Gujarat Pipavav Port’s Limited Quarter Ended December 2014 Earnings Conference call”

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Moderator: Ladies and gentlemen good day and welcome to Gujarat Pipavav Port's Quarter Ended December 2014 Earnings Conference call hosted by IDFC Securities Limited. As a reminder all participant lines will be in the listen-only mode. 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. I now hand the conference over to Mr. Shirish Rane of IDFC Securities. Thank you and over to you, Sir!

Shirish Rane: Good afternoon everybody. Welcome to Quarter Ended December 2014 Earnings Conference Call for Gujarat Pipavav Port Limited. Today from Gujarat Pipavav Port Limited we have Mr. Prakash Tulsiani, Managing Director and Mr. Hariharan Iyer, Chief Financial Officer. To start the call Mr. Prakash and Hari will give us a brief update on the results after which we will open the floor for question-and-answers. Over to you Prakash!

Prakash Tulsiani: Shirish, thank you very much. Good afternoon to everyone and welcome to this conference call for quarter ending December 2014 Results.

The first one is on container business we have taken business-by-business here. Container business we delivered 195000 TEUs. This is similar levels as quarter three or quarter four immediately preceding quarter and in the previous year same quarter that is quarter four as we call it because we have a calendar year that is why this is called quarter four, while we are changing as we go forward and we will have March in the March as the year end in 2015. So we will have 15 month period as we go forward, but looking at the results is 195000 TEUs.

This is with good reefer cargo which is seasonal which came in well. However cotton exports were down and they were down significantly compared to the previous year that is Q4 2013, where we had good volumes of cotton, good exports of cotton going into China specifically this time we are down by 60% only on cotton and that is why you find the numbers at 195000 otherwise this would have been higher if the cotton season would have played as we had expected it to or similar to that of the previous year.

On the trains, we did 143000 TEUs on trains which is 73% of the rail throughput and it is highest ever in any quarter, so the double stack trains has actually added a lot of value to the clients and we have benefited. We have seen that we have almost three times growth in terms of the volumes that we have seen compared to the previous year in the same quarter.

Coming to bulk, dry bulk and liquid, we did 1.22 million tonnes and this is highest ever in any given quarter. It is a 21% growth over the previous quarter preceding quarter and this is on the back of higher fertilizers and minerals and lower coal. This is also mainly rail bound volumes so helping us to give more towards the rail company. Then if we compare our numbers of 1.22 million to the previous year in the same quarter, we have a growth of 128% so higher coal and fertilizers compared to the previous year is what has contributed to this number while in

container business we remained where we were in the bulk business we have come up significantly. Likewise in terms of liquid cargo it has started coming in now though with the fluctuation and or rather fall in the price of crude there is an effect on overall purchase pattern of the end customer and there we have delivered 80000 metric tonnes for the quarter under review.

In terms of financial results this is the best every EBITDA we have seen in any quarter we are at 100 Crores and this is also a 25% increase versus the previous year same quarter on the back of higher container and bulk volumes. PAT that is profit after tax is higher it is achieved compared to the previous year in the same quarter we are at 89 Crores and this is highest profit after tax in any quarter excluding any one times so it is a 16% increase versus the previous year in the same quarter. Apart from that we also received an award for our work that is in terms of ICD connectivity on the rail and we were termed as the ICD preferred port of the year for Gujarat Star Awards.

The second slide which we have about the operational highlights, you can see the container volumes how they have developed their study and in the range of 190000 – 200000 per quarter then we have bulk volumes which have been sturdily increasing mainly fertilizer and coal to upcountry power plant even though at a slightly lower margin in terms of upcountry power plant coal but what is important to note here is that it is very much dependent quarter-on-quarter however if you see the full year rather when I say full year 12 month result you will see that there is an increase but some quarters may go down and there is no reputation what I mean is that Q4 has been excellent it is not necessarily be that quarter four next year will follow or the pattern would be the same it keeps changing depending on the purchase pattern of the end customer.

In terms of ICD volumes as we discussed we had a very good quarter 73% of our total container volumes are on rail and the volumes have done very well the double stack component has really increased even though we handle similar number of trains we have actually handled higher volumes. So these are the developments that we have in terms of our volume or operational highlights. Then we have the infrastructure development as you all know that we have embarked on expansion plan, we will take a capacity from 850000 TEUs to 1.35 million TEUs this work was started a few quarters ago and we are progressing well the project expansion we are on target for project works estimated completion time remains quarter one 2016 RO-RO we have signed an agreement with NYK logistics for a dedicated RO-RO terminal at the port with a designed capacity of 250000 vehicles. The yard is expected to be commissioned by quarter two CY15 and you can see a picture there where the yard works are ongoing similarly you will see that we have a picture of road works or in the yard works and also evacuation of liquid cargo on rails so we are taking the rail product to the next level where we do container and dry bulk on the railway now we have also gone in an developed infrastructure to handle the liquid cargo also on rail whereby adding a evacuation possibility for clients which is typically not available in all the ports and even if they are available, they are available at a distance away from the time comes. So that is the infrastructure developments and highlights.

Now I will hand over to Mr. Hari, our CFO for taking us through the financial highlights.

Hariharan Iyer:

Thank you Prakash and good afternoon to you all also wish you all a very Happy New Year this is the first call that we have in the current year so from the team of Gujarat Pipavav wish you all the very best. Starting with the Q4 December 2014 result as you are aware and that Prakash also mentioned this year the company is changing its accounting year from the current calendar year to the financial year April-March accordingly the current year will be a 15 month period starting January 1, 2014 until March 31, 2015 but more from a comparative purposes just let's look at the key highlights for the 12 month period January to December 2014 versus the same period previous year 2013 we ended the 12 month period with the highest container and bulk volumes container volumes were up 18% mainly driven by new services organic growth and upsizing of some of the services that are operating in our port and a 20% increase in the bulk volumes mainly driven by higher coal and fertilizers partly offset by lower minerals. The total operating revenue was up 31% again driven by both higher volumes and also better realizations in containers. EBITDA increased 51% year-on-year and the margins improved 700 basis points from around 50% in 2013 to 57% for the full 12 month period 2014. Year-on-year the finance cost decreased consequent to our prepayment of entire Indian rupee loan which we paid in full in August 2014 turning into a debt free at this point of time we are yet to drawdown on the ECB funding for the expansion so effective calendar quarter four we do not have any interest cost until we drawdown of the new ECB loan. The net result of the company increased 67% from 1918 million in 2013 to 3204 million in the 12 month period 2014 on positive trends in all aspects of the business in a higher volumes, better realizations, effective cost optimizations, improved margins and of course start of the liquid operations from quarter three 2014. We of course also added dividend from PRCL during the year.

Moving onto the specific elements in the financial results for the current quarter that is Q4 calendar quarter 2014, the operating income at 1845 million 8% higher than the previous quarter is also our best quarter revenue so far this of course is driven mainly in this quarter by a 21% higher bulk volumes than the previous quarter. Container volumes were marginally higher than the previous quarter though impacted by as Prakash mentioned lower cotton exports as compared to the same quarter previous year the cotton exports in this quarter were lower by almost 20000 TEUs as compared to the same quarter previous year as we also maintained the volumes as we had in the last year then this would have been the highest volume in terms of container volumes as well.

Other operating income higher in this quarter mainly driven by higher reefer volumes this is the reefer season so higher seafood exports during the quarter. The operating cost for the quarter higher on account of mainly higher bulk volumes and change in the commodity mix we had higher fertilizers and lower coal during the quarter which resulted an increase in the operating cost, there are no other significant changes in the operating cost or other expenses as compared to the previous quarter. Resulting in an EBITDA at 100 Crores 1005 million highest every EBITDA during the quarter and higher by 5% compared with the previous quarter and 25% higher compared to the same quarter previous year on the other income front the previous quarter includes the 152 million interim dividend received from PRCL and with the full prepayment of debt in August the interest cost during the quarter is nil. There are no other major changes in the

balance sheet other than the repayment of debt an accumulation of the MAT tax credit which will be availing in the coming years.

In summary the operating net result for the quarter at 893 million excluding the onetime PRCL dividend in the previous quarter is 20% higher than the previous quarter and is the best ever quarterly result so far. The current 12 month period ending December 31, 2014 close with the highest to net result of 3204 million again up 67% as compared to the same full year period in 2013. Excluding the exceptional item the net result would have grown actually 89% as compared to the 2013.

So with this we end the overview on the financials now we are open for questions. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question-and-answer session. Our first question is from Amit Sinha from Macquarie. Please go ahead.

Inder: This is Inder here, hi Prakash, hi Hariharan. Actually my first question is on the liquid the ramp up that we have seen you have recorded 80000 tonnes in this quarter now what is your thought entire quarter and how do you see this ramp up happening can we assume that for the calendar year or full 12 month kind of a period we can easily do around 1.5 to 2 million tonnes on an annualized basis has the full ramp up happens of all three facilities.

Prakash Tulsiani: Inder the activities have just started so it will be very difficult to predict at this stage and then when the activity has started unfortunately we have seen the oil prices where they are and these are all by products of crude. So what has happened is that end customers have started buying just in time and they are not storing any of the materials which they would like, like earlier they would do it because the price stability is not there and they do not know whether they would get it cheaper the next day and that is what has happened actually in the past. So that is why it is unfortunate that we cannot predict how it will span out while what will happen further is that out of the three two only were operational in the last quarter that is until December while we expect the third one to be operational during this quarter and that would add some volumes to come in so we will get some more sense of it I think going into the next quarter when we talk and once we see some stability in the oil prices.

Inder: My second question is actually on the bulk volume now though this never has been a big focus area for us but sturdily in the last four, five quarters we have seen volumes ramp up back from almost lows of 500000 half a million tonne to now almost 1.2 million tonnes on a quarter basis would you think it is more sustainable number to kind of work with on the bulk side.

Prakash Tulsiani: Again bulk is similar policy driven that...

Inder: On a full 12 month basis is that a 3 million tonnes, 4 million tonnes what is this year.

- Prakash Tulsiani:** I think on the bulk as you know our capacities between 4 to 5 million and we operating very close to our capacity so I would say that it will be anywhere in the range what we have seen in the current year.
- Inder:** My third question is on this the infrastructure that you have been creating for evacuation of liquid through rail now does this catered to a completely different set of customers that we are in terms of tankages and what do you think is kind of again the outlook on that is this a big market because you said you have an edge because your line right up to the port.
- Prakash Tulsiani:** Right, this customers are the same customers who store their cargo into the tank pump so it is the end customer who take it or a trader who take this material on the railway line or rather the wagon and definitely the customer would then be attracted towards these tank pumps at Pipavav because there is a evacuation capability not lonely via road but also with the railway line.
- Inder:** And lastly in terms of the container have you seen any change on this cotton side it is picked up because quarter four and quarter one are the peak season right.
- Prakash Tulsiani:** No it is remaining stagnant as what we have seen in quarter four so there is not any significant change.
- Inder:** Thanks a lot. Best of luck for the year.
- Moderator:** Thank you. Our next question is from Achal Lohade of JM Financials. Please go ahead.
- Achal Lohade:** Sir two questions, one on the bulk front would you be able to give us some sense as to the breakup of the bulk which commodities and the numbers and just wanted to understand last year same quarter we had about 0.5 to 0.53 million tonnes the 1.2 to can we work with the, is this number sustainable.
- Prakash Tulsiani:** The first part Achal in terms of what the breakup of the 1.2 million is we did about 526000 TEUs at tonnes of coal about 579000 tonnes of fertilizers and about 119000 in terms of minerals. So that is the 1.2 million, in terms of the sustainability Prakash just previously answered a question ago that basically we are working almost close to our full capacity so we expect that it would be in this range.
- Achal Lohade:** What would be the breakup for last year same quarter for 4Q CY13.
- Prakash Tulsiani:** Yes we had about 200000 tonnes in terms of coal, we had 237000 tonnes in terms of fertilizer and we have about 95000 tonnes in terms of minerals and others.
- Achal Lohade:** Second wanted to understand sir if I look at the number of train stacks they have remain pretty much stable actually in the last three four quarters is there any constraint on that front or it is more because of the double stacking.

Prakash Tulsiani: It is actually more because of the double stacking in fact the double stacking has improved as Prakash mentioned three times we had about roughly 8% of our cargo moving on a double stack 8% of trains moving on double stack the last year versus this year 24% so we have actually tripled the number of double stack trains which is the best value proposition in terms of what the customers and the entire logistic change benefit from.

Achal Lohade: And just one more question in terms of the outlook if you could talk a little bit about how you are looking at the container volume growth because we have seen even in the competitor port the volume growth has slowed down considerably. So how are we looking at the volume growth in the coming year?

Prakash Tulsiani: Again it will be dependent on the trade that we have however what we have seen is that the world market are having that challenges whether it is China or whether it is Europe though while US is improving so totally dependent on the trade and we have seen the volume growth coming down though it is growing but the growth numbers are coming down and that is on the west coast of India completely and overall India also. So really dependent on the trade and how the purchase pattern is of Europe and to some extent even China.

Achal Lohade: In other words there is no exceptionally apart from the cotton thing there is no exceptional factors impacting the volume growth and what could uptake the volume growth is you are saying how the purchase pattern actually move.

Prakash Tulsiani: Yes.

Achal Lohade: Understood that is all from my side sir thank you.

Moderator: Thank you. Our next question is from Nitin Arora of Emkay Global. Please go ahead.

Nitin Arora: Sir just wanted to understand because we are at the calendar year end now so what would be the far east liners are telling you in terms of their outlook in terms of line addition and upsizing this will help us taking a little assumption over side on the container volume growth, because you have been driven by the largest liner Musk, NYK so just wanted to understand what they are saying in terms of their outlook in addition to Indian lines.

Prakash Tulsiani: I think we are waiting for Indian market to also take or stabilize and move on, but in the meantime all the upsizing had happened in the last year that is in 2014 so we do not have any visibility of what the plans are as yet but again they all are working towards looking at how they will work it out for India trade. Generally the imports have been good, so if the growth or rather the manufacturing and the consumption pattern in India improved we will see the volumes coming in more and more and China would be more than glad to supply it given the world situation.

Nitin Arora: Sir no for any liners has given outlook as far as the year.

- Prakash Tulsiani:** No, not yet it is too early in the year I think we should give them some more time.
- Nitin Arora:** Sir just wanted to understand on the realization part on three areas that what would both our realization in this for bulk container and liquid.
- Prakash Tulsiani:** In the current quarter the container realizations have been higher as I mentioned to you this is also the period where we have higher reefers so the container realization in the Rs.6000 plus on the bulk side this is of course our total average that has been more or less similar it depends on the mix of the cargo that we had in the current quarter I think the average realization had been 400 plus and liquid it is a too early to repeat on our realizations because we are just ramping up volumes now at this point of time.
- Nitin Arora:** Sir in terms of our price hike which we took in Jan what would be the sustainable container realization to work with.
- Prakash Tulsiani:** Right now as good question in the sense we have announced that rate increase and the tariff has been already published that are carrier you are still negotiating that and we have not yet concluded everything all the discussions so please allow us some few more weeks before we conclude because it takes time therefore the carriers accept and they pass it onto their clients so I would say there has been success, there has been success in some of the carrier but we do not have the full picture as yet available because the negotiation by the commercial team is still ongoing.
- Nitin Arora:** In terms of the storage income which we took in the last quarter because there were the congestion at ICD that still remains in this quarter so any storage income which came into the revenue in this quarter.
- Prakash Tulsiani:** On a normal course we do have some level of storage income what we got in the third quarter was a little exceptionally higher storage income because of the congestion we do not have the same level of storage income in the fourth quarter this year but that kind of cost compensated because of better reefers.
- Nitin Arora:** Just last one sir there is no doubt that the value proposition comes from the railway but we have seen a tariff hike which was done by railways in the container part as well have you seen the arbitrage because of this lower crude prices has come in, in the lower between the road and the railway so have you seen any client moving up from the railways and going to NCR by a road because what we discuss is like customers like LG are started doing this started moving from road which are well we moving from railway so have you seen any shift like that.
- Moderator:** Participants it looks like the management line has dropped off we request you to please hold the line I while we call them back. Ladies and gentlemen thank you for your patients we have the management line now connected. Sir I will just unmute Mr. Nitin Arora's line. Mr. Arora you may go ahead sir.

- Prakash Tulsiani:** Nitin sorry I heard your question but we got disconnected and your question was whether we have seen any arbitrage or in terms of road versus rail. Let me be frank now there is no change that we have seen because end of the day there are not many trucks available and the rates are already high for this trucking so volumes which are going on rail continue to go on rail.
- Nitin Arora:** Sir just last one I will squeezing just one more.
- Hariharan Iyer:** And just to add to that the more and more of this double stack which happens which further benefits in actually putting it by rail rather than by road.
- Nitin Arora:** Sir just one last question basically there is a 780000 TEUs that gives an quarterly average run rate of about 195000 TEUs what we are doing every quarter. Sir I do understand that there was an export problem that came from a rice also wheat also to Iran and cotton as you mentioned to China we still would have close at 8000000 TEUs so the average quarterly still remained at 1952 lakhs so my point here is that in the next year if we grow by about 15% - 18% what we have done 17% growth this year. Can we still do a quarterly number of 220 every quarter?
- Hariharan Iyer:** We have the capacity to do it definitely.
- Nitin Arora:** 220.
- Hariharan Iyer:** Yes.
- Nitin Arora:** Fair enough sir thank you so much sir for this.
- Moderator:** Thank you. Our next question is from Madan Gopal of Sundaram Mutual Fund. Please go ahead.
- Madan Gopal:** Congrats on good set of numbers. Sir you have taken a recent price increase you said and are still negotiating with liner but with this increase how are you push in compared to other competing port I understand we are almost equal or even more than that in terms of charges that we make for containers is it perhaps the liners will benefit because of double stacking still they in overall cost basis they are well placed coming to the Gujarat Pipavav Port compared to the other ports that will help us how are you seeing it.
- Hariharan Iyer:** First of all with this new tariff also we continue to remain higher than that of JNPT in the previous tariff also we were higher than JNPT and compared to other ports we will be just in line with them maybe slightly lower. The question over here is on the railway which you have put to us the rail product which we have with the enhancement of the double stack it has put us into advantage the situation given that the volumes from the rail has increased and there has been shortage or congestion in the ICD so with double stack we have a better proposition and yes we will continue to see the volumes going forward for the rail because that value proposition continues to be good for the client.
- Madan Gopal:** And in case of so this should help you to negotiate and get this increased...

- Hariharan Iyer:** That is work in progress, you are absolutely right.
- Madan Gopal:** My second question is on the bulk side since you have reached that maximum capacity is not it not giving you any cannot you go for an expansion or you still seeing that this the volumes may not be consistent so we have to wait some more time for going for an expansion on the bulk side.
- Hariharan Iyer:** I think we would like to wait and watch a bit more let the policy pattern come out clearly and once those decisions are made then we will take a call because what we have as power plant they are already operating any new thing which will come up will require the port facility.
- Madan Gopal:** Okay thank you sir and wish you best of luck.
- Moderator:** Thank you. We will take our next question from Mr. Ashish Shah of IDFC Securities. Please go ahead.
- Ashish Shah:** Sir on the container volumes during the quarter we saw JNPT volumes growing at about 14% whereas what we have seen is volumes for the private ports have not grown as much so to what would you attribute this difference in growth rates.
- Hariharan Iyer:** Sorry your question was that why have...
- Ashish Shah:** Yes, what I am basically saying the JNPT growth for the October to December quarter was about 14% whereas the growth for the private ports has been much less when we compared so why would that the discussion which we come in because so far we have seen the private ports growing much faster than JNPT.
- Hariharan Iyer:** See frankly it is because also of our if you go to see that what are the commodities which are being exported out of Pipavav and the Gujarat region you will find that there are mainly rice, sugar, cotton and those commodities and these commodities had a slow I would say off take as far as the markets which they go into whether it is Iran or whether it is China and that is what has affected us otherwise the numbers would have been much higher and even if we would have produced the numbers similar to that of the previous year in the same quarter even I am assuming they were stagnant. We would have been much higher, despite those numbers being much lower we have been equal to the number that of the last year.
- Ashish Shah:** So there is not any change as far as the preference of the shipping lines or anything of that sort it is more of a mix of the cargo that we handle vis-à-vis the other port like JNPT that has cost this...
- Hariharan Iyer:** No, also last year if you I do not know whether we had mentioned this but there was a go slow at JNPT last year and now they are back in full action and that is why that could also be the reason that they were lower in the last year but if you see year-on-year you will see that the JNPT has only grown at 8% while we have grown at 18%.

- Ashish Shah:** Sir secondly we have always maintained that in terms of capacity potential at Pipavav we can possibly be around 3 to 4 around 3 million TEUs plus at some stage if volumes are there but what I would like to understand is that is this 3 million TEU was coming more from the water front we have are most on the land side what would be the constraining factor why on three 3 million TEUs capacity.
- Hariharan Iyer:** There is no constraining factor if you we want to grow we can continue to grow.
- Ashish Shah:** Yes so what I am saying is that assuming we have enough cargo and we want to go as highest 4 million TEUs for example so do we have the water front as well as the land to do that.
- Hariharan Iyer:** Yes.
- Ashish Shah:** Okay so 3 million is basically a ballpark number in a way what we have in mind at this point.
- Hariharan Iyer:** There is no such number; I think we have been always talking about 4 to 4.5 million TEUs. So 3 million no that has never been a number of 3 million it has always been 4 to 4.5 million.
- Ashish Shah:** So we could go to as highest 4 – 4.5 million TEUs.
- Hariharan Iyer:** Absolutely.
- Ashish Shah:** Thank you very much.
- Moderator:** Thank you. Our next question is from Kaushik Dhanuka of Dhan Group. Please go ahead.
- Kaushik Dhanuka:** Prakash this green nod which you have got for Capex do you foresee any issue given reports that the present government might relook at certain clearances given by the previous government.
- Prakash Tulsiani:** No we have not heard anything and we continue to do our project.
- Kaushik Dhanuka:** So you do not foresee any risk for that green clearance right.
- Prakash Tulsiani:** No we have not heard anything so I do not see anything going around.
- Kaushik Dhanuka:** And Prakash just any update on renewal of the consistent agreement.
- Prakash Tulsiani:** We continuously talk to the government there has been a lot of policy and we discussed with Gujarat government on this particular issue that is how can we get an expansion but we have not heard anything back from them at yet.
- Kaushik Dhanuka:** You expect anything in the recent in the near future.
- Prakash Tulsiani:** Well we will have to wait I, really do not know because we are pursuing this on a ongoing basis.

Kaushik Dhanuka: And Prakash what is the present term within the present concessional agreement what are the terms?

Prakash Tulsiani: The term is that concession is until to 028 and the term is that into 028 if there is no extension then the government that is Gujarat government are TMB would give us depreciated replacement value of all the asset that we have created.

Kaushik Dhanuka: And what are you giving them as like something percentage of turnover or something.

Prakash Tulsiani: Yes we have a royalty scheme where we pay per container and also tonnes which we handle at the port.

Kaushik Dhanuka: And another request is that can you put up this con call invite on your site because then it becomes very easy for all of us to just go to the site and get the number in future.

Prakash Tulsiani: I think that is a great suggestion yes we will advice our financial consultant team to do that.

Kaushik Dhanuka: The present double stack is 24% Mr. Hari was saying right.

Prakash Tulsiani: Yes.

Kaushik Dhanuka: So it is what percentage can the trains be double stack.

Prakash Tulsiani: See if the ICDs can handle and they can take the railways can take it then it can be 100% but right now the trains going over to Delhi cannot be double stack so they go until a particular destination and then they become single stack. So as far as port is concerned we can take the entire trains 100% Trans as double stack.

Kaushik Dhanuka: Prakash this recent reports suggested that government ports have been given more leave as far as pricing is concerned.

Prakash Tulsiani: On the government port the tamps is there for a review or reconsideration that are talks but there has no final decision come out from the governments. So let us wait and see what comes out but yes we are also reading that the tamp authority or rather the tamp policy would be reviewed.

Kaushik Dhanuka: So much investment coming in ports in India both private and even the government is talking about it so how do you foresee the dynamics in the future for say a company like GPPL.

Prakash Tulsiani: What do you mean by that in that competition will always be there?

Kaushik Dhanuka: Yes competition.

Prakash Tulsiani: Yes competition will always be there and the idea is to have a unique selling proposition and continue to work on it.

- Kaushik Dhanuka:** Thanks a lot Prakash.
- Moderator:** Thank you. We will take our next question from Bhavin Gandhi of B&K Securities. Please go ahead.
- Bhavin Gandhi:** Good evening sir and congratulations on a good set of numbers. Sir just two things can you also comment on how the NCR market has shaped up in last one year we have seen our rail volume going up by 24% so how is the NCR market per se grown in the last one year.
- Prakash Tulsiani:** NCT market keeps in tandem with the growth in the market and it has been growing in the last 12 months at around 18% to 20%.
- Bhavin Gandhi:** So our rail volumes have been higher than this so we have gain some market share this year as well.
- Prakash Tulsiani:** Definitely there has been a slight shift away from other ports to us.
- Bhavin Gandhi:** Sir on the Capex side how much have you incurred so far for the project and what is the balance.
- Prakash Tulsiani:** I think that is very minimal capital outlay at this point of time because this is now the finalization of various tenders and all the stuff so we are just concluded placing orders on the trains so at this point of time no significant outlay the me put it this way the main things will start flowing in, in the coming months.
- Bhavin Gandhi:** Sir how much loss, are to be recouped yet before we can consider declaring dividend.
- Prakash Tulsiani:** I think the year end as of December 31, 2014 the total carry forward losses are 1884 million.
- Bhavin Gandhi:** Thank you that. I am done.
- Moderator:** Thank you. Our next question is from Sonal Gandhi of Capital Matrix. Please go ahead.
- Sonal Gandhi:** Sir is it possible for you to give breakup of container volumes as in rice, wheat, cotton how much is contributed by them.
- Prakash Tulsiani:** Sonal unfortunately we do not have that breakup because we typically go by the containers that come in and no we do not have that break up we do not keep it.
- Sonal Gandhi:** Sir any seasonality.
- Prakash Tulsiani:** Yes there is seasonality definitely in terms of cotton the season starts somewhere in the month of October and continues until March.
- Sonal Gandhi:** Sir how this exports and import balance at the port this quarter.

- Prakash Tulsiani:** It is almost same that is 50-50.
- Sonal Gandhi:** Thank you.
- Moderator:** Thank you. Our next question is from Achint Bhagat of Ambit. Please go ahead.
- Achint Bhagat:** Sir firstly on the double stack operation just wanted to understand the unitary economics of cost savings for you on a double stack rather than a single stack train.
- Prakash Tulsiani:** there is no specific benefit directly to us in terms of cost as far as the double stack or a single stack it is mainly to the customers, the guys who operate the trains the exporters who utilize that so it is all those logistic chains who benefit.
- Achint Bhagat:** Sir secondly my question is on your operating expenditures if I see the percentage of your sales has increased to close to 25% as against roughly 21% last year is it given that your volumes are higher in operating leverage benefit should have kicked in is it primarily because of higher coal volumes or how can that be explained.
- Prakash Tulsiani:** See on an overall basis when we look at it yes we do have a good operating leverage mainly driven by container volumes, as far as bulk is concerned it is of course the commodity mix so you have a larger fertilizer then the operating cost fertilizer is much more than the coal.
- Achint Bhagat:** Yes, but Sir so would be the realization right, just wanted to understand that while operating expenditures as a percentage of sales in Rs.225.
- Prakash Tulsiani:** Are you referring to any specific period.
- Achint Bhagat:** Specific period for quarter 4Q CY14.
- Prakash Tulsiani:** 4Q CY14 if you compare it with the previous quarter then the main drivers are that we have larger fertilizer volumes during the current quarter and therefore you see a handling cost going up. In fact if you see the breakup as far as the equipment higher is concerned it is marginally lower than the previous quarter mainly because last quarter we talked about additional restructures, stackers being hired for handling the congestion at TKD.
- Achint Bhagat:** And sir what is the largest size vessel that is calling at your port right now and how can this change when posted capacity expansion.
- Prakash Tulsiani:** Presently the size of the vessel which called is 300 by meter and in the range of 6000 to 6500 TEUs.
- Achint Bhagat:** Can you handle 10000 plus TEUs that the start calling into India at your revamped container terminal numbers two.

- Prakash Tulsiani:** Yes we are able to handle up to there is a clause called S clause and the S clause is 335 meters yes we can handle that comfortably.
- Moderator:** Mr. Bhagat could you please return to the queue as there are several participants waiting for that on.
- Achint Bhagat:** I understood.
- Moderator:** Thank you. Our next question is from Chokalingam of Deutsche Bank. Please go ahead.
- Chokalingam:** I think most of my questions have been answered, just one thing on bulk any headway in terms of any contracts or any long-term customers that you have been able to progress on.
- Prakash Tulsiani:** No bulk does not operate on long-term contracts basically whatever is captive around in and around you can say that is basically on a long-term basis because they also are reliant and dependent on the port closers to them but any upcountry volumes does not necessarily have on a long-term basis.
- Chokalingam:** No, my question more was like on the power side I think few quarters back you talked about possibilities of that happening so is that if you can elaborate on that aspect.
- Prakash Tulsiani:** Yes, that is the uncertainty that Prakash mentioned earlier in reference to another question where we do not have a clarity with respect to how the government the new government is looking at various policies with respect to power, so that will give us a picture on how things will emerge in the coming quarters.
- Chokalingam:** And as far as your operating cost are concerned on the power and fuel front which is one of the key cost components is there any possibility of a lower or cost savings which is come from the recent correction made accrued or the power cost itself anything in that front.
- Prakash Tulsiani:** Yes indeed in fact you can see in the current quarter itself we already have our contracts are build in such a manner where if there are change with respect to any the fuel cost then we also get a corresponding savings while there are increase in the volumes you can see that the cost are more or less equal to what it was in the previous quarter. So we are gaining some benefits on that though not very large but yes we do have some benefits.
- Chokalingam:** And last question was on the capacity addition timelines given that you still not finalized the tenders would there be any revision to the expansion timelines.
- Prakash Tulsiani:** No we still continue to see because these are all going as per schedule so as I mentioned to you first quarter of 2016 will still continue to be our target we do not see any changes.
- Chokalingam:** Okay thanks for the opportunity.

- Moderator:** Thank you. Next question is from Barnidhar Vijaykumar of Spark Capital. Please go ahead.
- Barnidhar V:** Sir my first question is what percentage of exports are to USA to Europe and to Chinese markets.
- Prakash Tulsiani:** Let me explain what happens in shipping business is that it will be very difficult to actually tell exact number the reason is it depends on that outing there are ships which go direct into China there are ships which go into the west coast of USA via Singapore so what happens for us the same ship which goes to China would actually carry the volumes up to Singapore. So I would not know whether after Singapore it is getting connected into which port whether it goes to Australia or whether it goes to the west coast of USA. So a difficult numbers to give however ballpark number would be that 60% to 65% of our business is Far East or China and approximately 15% would be in the range of 15% to Middle East and the balance is Europe and US.
- Barnidhar V:** And has this significantly change in the last two years in the sense because Europe has slowed down so has it changed or is it continuing in the same.
- Prakash Tulsiani:** I think it is in the same range.
- Barnidhar V:** Final question sir what proportion of your revenue is in dollars?
- Prakash Tulsiani:** Around 70% to 75% of the topline is currently in dollars.
- Barnidhar V:** Okay that is it from my side thank you for answering my questions.
- Moderator:** Thank you. Next question is from Nitin Idnani of Axis Capital. Please go ahead.
- Rajesh:** This is Rajesh here, I just had one question the government has recently hike thoracic railway freight rate quite significantly so at the same time right now you are also looking to increase your tariffs at the port now given that the container logistics cost is going to move up substantially already because of the rail freight hike how much of a push back do you expect from clients because of this to your tariff client to tariff hikes.
- Prakash Tulsiani:** We do not see any significant change on that as far as our clients are concerned because the people who are paying of the shipping lines whereas the end customers who actually has to pay as far as the freight is concerned. However eventually it does you are right eventually it does add to the overall logistics cost but we do not see any direct impact to us at this point of time.
- Rajesh:** Okay thank you sir that is all from my side.
- Moderator:** Thank you. Next question is from Gautam Roy of Motilal Oswal Asset Management. Please go ahead.

- Gautam Roy:** Good afternoon sir a very good set of numbers. Just wanted to check that we are one month into the New Year so what is the outlook and growth for this year and how does the Capex plan stand vis-à-vis the growth expectation that we have.
- Prakash Tulsiani:** Capex plan has announced earlier we are embarking on it and we are on target there have been trains which have been ordered as regards the business it is too early to say and as I said it is very much dependent on the trade we have three verticals the fourth one has been developed which is RO-RO and depending on each of the verticals it is difficult to give a futuristic statement on this one. So cannot predict a lot, sorry.
- Gautam Roy:** Are we cutting it a bit too thin with our expansion plans given that you are running into full capacity utilization both on the bulk as well as the container side is that perception wrong.
- Prakash Tulsiani:** Actually Gautam we had explained this at an earlier instance as well that while yes on an overall basis when you look at it then we are hitting closer to the full utilization but however we are capable of handling higher peaks and throws during the course of normal operating month we have seen very high volumes being handle them a single month basis when you annualized by and it will reach much higher than the capacity that we talked about so I do not see that as a concern and in any case our new capacity will come into stream in the first quarter of 2016.
- Gautam Roy:** But not on the bulk side right.
- Prakash Tulsiani:** But not on the bulk side because we do not see a clear visibility at this point of time as far as bulk is concerned.
- Gautam Roy:** So when will we reverse it our Capex trends is there any plan to quarterly deficit or anything like that.
- Prakash Tulsiani:** No that is a regular thing that we need to be in readiness so I think we are in all sorts of readiness here if you see any substantial jump in terms of or a quantum leap in terms of the volume expectations for bulk then we are fully geared to quickly get into motion to increase that capacity.
- Gautam Roy:** So in terms of lead time for the capex even on the bulk side it is not too high right.
- Prakash Tulsiani:** It is not too high or at least we will have enough time to really put our infrastructure in place before the end-user really needs it, or when he puts his plant up.
- Gautam Roy:** Okay great perfect thanks.
- Moderator:** Thank you. Next question is from Nitin Arora of Emkay Global. Please go ahead.

- Nitin Arora:** Sir I just wanted to understand is it possible to share that how the facility which is set up in the RO-RO which has given to you by NYK Logistics sir how are you work the revenue mechanism there if you can share some revenue potential and the profit, in terms of rental.
- Prakash Tulsiani:** RO-RO business like the liquid cargo what we have done is we have given the land to NYK they have develop the yard they will manage the yard they will do this keep enduring. We will do all the marine side of activates which will mean wharfage as well as well as marine services. In terms of total revenue or anything no I do not have a number because we do not know how many vessels will call what are the number of throughput that they will have because this is at a initial stages the OEMs that is equipment manufacturer are still putting their plan together they have not yet or rather they have just started their trial production so we will have to wait until we get to any number that we would be able to assign to it, so please allow us until the business starts.
- Nitin Arora:** Sir you said that the export import remains the same 50-50 whereas our export has weaken and the imports were very high in this quarter especially by I am not saying only for you on the west coast the rubber imports the raw chemical even the other products so it still remain in that range of 50-50.
- Prakash Tulsiani:** Yes it is in the range of 50-50.
- Nitin Arora:** Okay thank you Sir.
- Moderator:** Thank you. Our next question is from Mukund Saraogi of Morgan Stanley. Please go ahead.
- Akshay:** Prakash Akshay here congrats on a good set of numbers. Just one question sir and I know everyone has been harping on it my apologies for repeating it but basically would you care to talk about how much cargo you might have done in any particular month and what might be a potential number to look at in terms of what is really the limiting factor for this year in terms of cargo because clearly 850 is not you said it is durable and response to our question but where does one draw the line because there are four quarters left before your new capacity comes on.
- Prakash Tulsiani:** Let me take that question Akshay the highest in a particular month that we have handled in terms of container volumes was in December 2013 where we handled 77000 TEUs when you annualize that we are touching almost close to a million TEUs we handled similar kind of volumes in other months in 2014 as well where we were close to that numbers so in terms of our ability to handle a larger volume than what we are currently talking about in terms of rated capacity we should be fully in a position to do that.
- Akshay:** Brilliant Sir that is all, all that I needed thanks very much.
- Moderator:** Thank you. Our next question is from Achal Lohade of JM Financial. Please go ahead.
- Achal Lohade:** Just wanted to know in terms of the margin expansion now even we have had a very good ramp up in the container volume and also we looking at volume ramp up in liquid how do you look at

the margins do you see the kind of shift what we have seen about 700 basis points in this year can happened again in the coming year or you think it would be lower than that.

Prakash Tulsiani: No we will continue to have an operating leverage on that to a certain extent so we will see that happening we have not fully utilize on the liquid front liquid gives us a better margins so therefore hopefully that will also give us a positive thing in terms of margin improvements than where we are currently today. So it all depends on of course the increase in the container volumes and as well as ramp up with the liquid volumes both are positive what do you call it is trends with respect to margins.

Achal Lohade: Any quantum if you could indicate.

Prakash Tulsiani: No it is difficult to really say because the reason at this point of time we cannot estimate how the liquid ramp up would happen because the reason we discussed earlier.

Achal Lohade: Just one more question on NYK, you said you would be entitled for the wharfage and the marine income there would not be any handling charges as such is that right understanding sir.

Prakash Tulsiani: You are right, because the cars are being driven straight into the vessel or the shaft and that is done by NYK there is a specialist job because the car should be in a tip top condition as and when they are on the vessel so let the experts do that.

Achal Lohade: So in that case the contribution to the revenue may not be significant from NYK is that correct.

Prakash Tulsiani: Well I would not say correct or wrong because let us wait and see how the business develop because end of the day wharfage and marine is to us so if the vessels keep coming in because there are volumes to be loaded out of Pipavav then automatically we make money on the marine side.

Hariharan Iyer: And it is similar to how liquid is this would therefore also mean that this is high margin business.

Achal Lohade: That is all from my side sir thank you.

Moderator: Thank you. Our next question is from Nilesh Dhamnaskar of Religare Invesco. Please go ahead.

Nilesh Dhamnaskar: Hi sir my question pertains to again on the RO-RO facility. In the ship which will actually deliver as well as take up through its guards will birth on the container birth or the bulk birth.

Hariharan Iyer: Container birth.

Nilesh Dhamnaskar: That is it from my side. Thank you.

Moderator: Our next question is from Nalin Bhatt of Motilal Oswal Securities. Please go ahead.

- Nalin Bhatt:** Thanks for the opportunity and congratulations on good set of numbers sir. just wanted to confirm one thing sir we had around couple of quarters back highlighted that we had entered into embarked into some sort of cost efficiency measure and while I do understand appreciated the bulk volumes have been growing on QoQ it seems that the cost have actually not the container volume growth has not yielded any cost efficiency gains so if you look at your margins also is one of the lowest in last five quarters so is there something which I am missing here in terms of cost efficiency and margin improvement.
- Hariharan Iyer:** Nalin that is not entirely let me put it this way the cost efficiency is continued to happen and we have a benefit from that you need to look at it on a total year basis then you look at it purely on a quarter-on-quarter basis comparison with the third quarter and the fourth quarter I already explained the drop in the margins this purely the commodity mix that we have got we have not seen any specific drop in our margins this is purely because the incremental revenue that had come in it is mainly driven by the 31% increase in the bulk volumes and bulk volumes relatively have lower margins as compared to containers.
- Nalin Bhatt:** But sir when I look at year-on-year actually when your bulk volumes have grown by only 5% YoY versus your container volume growth of 25% vis-à-vis compared with the cost and this is almost at a 11% - 12%.
- Hariharan Iyer:** No it is on the back of the bulk business because the bulk business has also increased significantly the handling charges are shown that and that is why if you take the entire cost you will find that the cost has probably gone up but that is because of the bulk business increasing as far as we know and our container business is I think we are stable in terms of our cost except for the trucking cost which increased and we mentioned about it in the last call.
- Nalin Bhatt:** Sure sir thank you so much and all the best for the future.
- Moderator:** Thank you. Next question is from Lalitabh Srivastav of Dalal & Broacha. Please go ahead.
- Lalitabh Srivastav:** Congratulations on great set of numbers. Just briefly if you can help me with this the revenue breakup from your handling charges, your rental income and your wharfage charges for this quarter as well as the last quarter if possible.
- Hariharan Iyer:** We do not give the breakup in terms of all these things it is for us the total port business so therefore it will be total revenue that gets reported.
- Lalitabh Srivastav:** Okay fine sir thank you.
- Moderator:** Thank you. Sir that is the last question, would you like to add a few closing comments.
- Shirish Rane:** Thank you everybody today for joining for the call and a special thank you to Hari and Prakash for giving us this opportunity to host the call. Thank you everybody once again.

Moderator: Thank you. Ladies and gentlemen on behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.