



“Gujarat Pipavav Port Limited Q1 FY22 Earnings Conference Call”

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MODERATOR: MR. ASHISH SHAH – CENTRUM BROKING LIMITED.

Moderator: Ladies and gentlemen, good day and welcome to the Gujarat Pipavav Port Limited discussion on Q1 FY22 Earnings Conference Call hosted by Centrum Broking Limited. 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 phone. I now hand the conference over to Mr. Ashish Shah from Centrum Broking. Thank you and over to you sir.

Ashish Shah: Thank you Stanford. A very good morning to everyone on behalf of Centrum Broking. I welcome you all to the Q1 FY22 Earnings Conference Call of Gujarat Pipavav Port Limited. We have from the management Mr. Jakob Sorensen – Managing Director and Mr. Santosh Breed – Chief Financial Officer of the company. I hand over the call to Mr. Jakob to take us through the initial remarks and we will have a Q&A session after that. Over to you Jakob, thank you.

Jakob Sorensen: Thank you. Thank you very much and good morning to everybody. I hope you are feeling well. And fresh here on Friday, the 13th of August, I have basically four things that I would like to highlight to you all pertaining to this quarter here. And then we can dial into question and answer after that and I’m sure as usual, Santosh is good at answering the financial questions. But as you all know, on the 17th of May, we were all struck by the cyclone Tauktae. And we had followed the storm days in advance. And obviously we have done our contingency plans and preparations and we follow the track of the storm and for a good long time it looked like it would continue out at sea and proceed further North and maybe make landfall even beyond the border in Pakistan. But then on the 17th it went straight North and probably made landfall somewhere between Diu and Pipavav. And despite our efforts, we were severely hit by wind speed of up to 240 kilometers per hour. And it leveled down all the electricity power masts and we also lost communication because of course, mobile phone networks, et cetera is powered by electricity and it was completely wiped out, the storm continued up through Saurashtra and past into neighboring states and all the way up to Delhi, where it diminished in power. But we were left devastated after that.

And immediately we could see that while our infrastructure was fairly intact in terms of cranes and jetties and so on, warehouses and in fact all buildings had the damages to the roofing. And then of course, in turn was giving us also not only flying debris from roof covering, but certainly also water damages from the downpour. And on top of that, we had a storm surge that came in from the sea, which was about three meters higher than the high tide normal mark. And that added in a lot of salt water and mud from the ocean, which contaminated both electrical transformers and substations and we had some containers that had moved around.

All trees were uprooted, there were not a leaf left, there was not a green spots inside everything was just grim gray. And I must admit personally I have not seen anything like this. What we did, we put the team together and I should have started out by saying that nobody lost their life inside port. We had minor injuries, we lost one of the tugs that due to engine failure it went in the ground but luckily the crew was saved by the Indian Coast Guard, so which we were appreciative

to watch. And we had no major injuries to people inside the port. There's no doubt that in the nearby villages and surroundings we have seen fatalities and there's also been big damage to livestock, because of the severity of this storm.

To regain electricity, we quickly mobilized a diesel power gensets power plant from Navi Mumbai and in about a week's time we had that mobilized and put together in Pipavav, then we have to start it up. But it meant that we, from the 17th of May already by the end of May, we had the first ships coming in, we had a supply vessel in from Adani Welspun, which actually had a rescue mission to safeguard some oil installations out in the sea. We had them in as the first vessel. And then we started to handle bulk ships, as we got the cranes up and running. And by 1st of June, we had advised our customers that we will be getting back to normal operations on the container front. At the same time, let me also say that our rail connectivity was all the time intact PRCL, the rail operating company suspended operations for safety reasons, but after the checking, we could prepare and we could handle trains in a fairly short time after the cyclone.

So, we were recovering fast and we recovered some of the business, we had ships waiting due to the cyclone. And we had also containers waiting so we recovered some of the business. But there's no doubt that we have a couple of different categories of types of damages and losses. So, we have direct damages and things that has to be repaired. And that, of course is partly insured so we are now working with the insurance company on what is covered and what we can expect. We'll get into the details and another thing is of course, it's hard to say commercially what did we lose. We did certainly have no major revenues for two weeks and we had extra expenses for mobilizing that power plant, as I said, but on the other hand, all our customers were also some way affected by the cyclone. And they had their own challenges to deal with. So, I don't think long term that we have lost on this events. On the contrary, we have shown tremendous resilience. And let me take you from the storm 2.2 that I have on my agenda here, because luckily just before the cyclone hit, we have actually concluded two new ocean services to cover Pipavav. One is the so called PIC 2, which is Jebel Ali service. And that will link us up through the Middle East. And it is already having a tremendous request from the shipping community for space there. So, that's looking very good.

And then I'm very proud to say also that we have signed up CI-from COSCO. And COSCO being one of the big mainline operators from China, that is obviously a very big win for Pipavav. We are working on additional international exchange services, but these two, services have been signed up before the cyclone and they have started operations in June, after the cyclone and we will gradually see volumes ramp up from these services.

The outlook, my expectation says that we will continue to see turmoil in the container business. And right now if you're following we now have the Ningbo terminal in China, which is locked down because of COVID. And that's going to continue to be uncertainties in the shipping lines deployment on the container front. But, the volumes will be there, they're just waiting for capacity to carry them. But strong bulk volumes are also looking to be continuing to come in to

port. And that's very heartening we see our fertilizer, minerals as well and liquid bulk as well as our RoRo volumes are picking up. So, that's indeed heartening to see. So, Santosh will elaborate on further financials, but out of the cyclone, we will maintain our full year estimate for this financial year and for this calendar year. And we believe that here from August and September and forwards that we will pick up the volumes.

Another thing that makes me very optimistic is as you have heard me say before the commissioning of the DFC, our rail connectivity again during the cyclone showed how resilient we are and we are now almost ready to start completely electric engines all the way on PRCL as well as on DFC and you actually heard the Prime Minister commenting on this and opening up the electrified rail link. And this is going to be a game changer because, it will attract cargo away from the road into ICDs in the North. And with rail connectivity that is a much more reliable, faster and predictable, then trucking by roads. And I expect also that the rail operators will adjust the tariff and give back some of the savings, we have savings from the operations, we have saving from using electricity rather than diesel as fuel. And that the tariff will be substantially adjusted downwards to the benefit of the market and the customers and that in turn is going to make Indian importers and exporters more competitive, also on the global scene, so I'm really optimistic but it's going to be a long haul, it's going to be taking some time to make everybody understand all these opportunities. My commercial team is working very hard to prepare material and to have workshops and discussions with customers with NVOCCs, with shipping lines and all stakeholders to really make this a success. And failure is not an option because the government has invested so much money in the DFC. And, I'm quite sure that nobody is going to allow that to be standing idle, and not utilized. We need to harvest all the benefits from this upgrade.

So, despite you never know what's coming, Gujarat Pipavav port limited, our green gateway to India is certainly showing our resilience and we are bouncing back. And I'm looking forward with optimism to the future. So, with that, let me conclude here and pass the microphone back. And, I'm waiting anxiously for good questions. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Mohit from DAM Capital. Please go ahead.

Mohit: Sir my first question is on the given the fact that the container freight rates are way, way higher, at the same time we are talking about DFCC, we is not going to reduce the logistics costs very, very substantially. When do you see the container freight rates coming down, and do you expect it to hit our volumes?

Jakob Sorensen: Yes, let me take that. First of all, it would be really nice to have a crystal ball to answer that question because, as you said yourself, the rates are extremely high at the moment, but for various reasons. And let me just recap the main ones here. First of all, we still have COVID. And the COVID is creating challenges to shipping lines for their crew. People at the crew change, Maritimes around the world are facing severe challenges in plane travel and getting in

and out of countries for crew change. This is getting under control with vaccination programs firming up. But that's just one bottleneck. There's congestion in almost any port, especially the hub ports where the transshipments are taking place. And this is causing delays and we feel a little bit consequences of that and people are, because we see sometimes there are skip calls because the vessels are simply show delayed that shipping lines are trying to get back on schedule. And that is just causing all the capacity tie ups and empty containers are still in short. Full containers are standing in the port and they are not moving and despite also high penalties and charges for that, it doesn't make shippers take their containers out. And this is probably cascading down to congested warehouses, et cetera, et cetera.

But things can quickly change as I mentioned. Now we see the terminal in Ningbo shutting down and excluding shipping lines because of COVID. And if there's a drop in cargo from China, we can very fast see that the ocean rates could drop. And we can also expect that shipping lines will look for cargo from elsewhere and that would benefit India, if we can keep ourselves going and not being locked down by COVID. So, this turmoil unfortunately, we have all hoped that things would normalize, but this can last into 2022. But nevertheless, we do see strong volumes. And we do see that our port is, although we can't predict so well, but we still see that we get the volumes that we are hoping for both on containers and on the bulk side. And on the DFC, I do believe that they will come tariff-reduction and it is one of still the stabilize the factors in the whole supply chain. So, it's still a benefit and DFC is the way forward for India to become more competitive internationally. Thank you.

Mohit: Understood sir. Secondly on this, are we still looking to bid for the Pipavav, the company which is under NCLT, and what kind of benefit we would like to achieve, does it make sense to take over the entire shipyard?

Jakob Sorensen: First of all, the data and the qualified resolution applicant is our parent company APM Terminals though it's not GPPL, we were too small to qualify as a resolution applicant to begin with. So, this is our head office, our principal which has qualified and I understand they are hesitant also, because of some uncertainties after the cyclone. One of the big Goliath cranes toppled over, and we have some open questions about the insurance, et cetera. We will be very much monitoring this, I know we will be monitoring this whole process from GPPL. We are looking at the combined waterfront and synergies and whoever is going to take over RNEL, we are open to collaboration. And there are some synergies that we can get out of it. And the waterfront, although it now needs a lot of maintenance, thanks to not being active for years, but certainly also now post cyclone, we can still work out and get some good synergies out of the waterfront. So, we are looking in GPPL for that development, but at the moment, it can go several ways and the process might be prolonged further.

Moderator: Thank you. The next question is from the line of Achal Lohade From JM Financial. Please go ahead.

Achal Lohade: Sir my question is with respect to the storm, what has been the cost impact on the P&L as well as if there is any claim related revenue book?

Jakob Sorensen: Yes. So, roughly speaking, we think that the expenses pertaining to the storm is around \$11 million. Some of that will be recovered by our insurance, but there's certainly a lot of things we need to do now to rebuild. And we want to rebuild stronger we are already now technically working on making sure that these kind of events will not knock us out again. So, we're looking at our power supply, we're looking at preventing water damage, et cetera, et cetera. On the P&L, you can see the numbers and I would ask Santosh maybe to comment in details on it. But, I actually think that we are coming relatively fine out with a modest drop in revenues, due to the cyclone. But Santosh can you try to just explain in the short term, what the financial impact has been for this performance quarter?

Santosh Breed: Sure Jakob. Also, just let me clarify a few things related to numbers, so as Jakob mentioned earlier on the call. So, because we have taken a lot of initial steps, in terms of preparing for the cyclone, because of that there was no damage to our equipment and that's also one of the reason that we got back to operations very quick. The damage which is there is really the rooftop and certain civil structures which is under repair now. In the quarter, we have already accounted for around INR 109 million, as an excessive cost which you can see in the published result. The way the account is going to work is that, every quarter whatever we incur, towards the restoration, we will be reflecting in our financials, we are also working with our insurance company on the insurance claim. And that process is already on, we already share a lot of information with them. As far as the insurance policy is covered, all the damages which has happened are covered. So, now we are providing all the evidences to them. And once that is complete, the insurance settlement will happen and accordingly that claim amount will be recorded in the respective quarter when we actually did the final settlement. So, this is going to be the process for the next few quarters, because it will take some time for restoring all the damages and then submitting all documents to the insurance company.

Jakob Sorensen: Yes, and I just want to follow up again, and say that we are performance wise looking at EBITDA, which actually only went down by 17%. And if you're looking at the margin, we went from 60% to 55% EBITDA margin, which it's a very small dent. And as I also said, we expect to recover back to 60. In the coming quarters, you did also ask about claims and in fact what we did, due to the nature of this disaster here it was obviously a force majeure event. And we have actually worked very diligently with each and every customer. And we have declared force majeure on a contract-to-contract basis after consulting with each of our customers. So, we actually don't face a lot of claims or that kind of things, because given the nature of why this happens, and also subsequently what we did to minimize the losses, we are in fact been able to work out with most of our customers, how do we mitigate this also on the claims and compensation basis. So, we don't face a lot of claims based on this events. Thank you.

- Achal Lohade:** INR is basically the impact of this but will be recorded as we incur the cost. And at the time of settlement we will record the insurance claim, is that right Santosh?
- Santosh Breed:** That's right.
- Achal Lohade:** Great. And, my another question is this 5% to 6% tariff adjustment has it been reflected now or it is yet to be reflected for the full quarter, so September quarter will be the full quarter where we will see the impact of the tariff hike?
- Santosh Breed:** Increased from 1st of May. So, what you see in the current financials is two months of tariff increase and the full quarter increase in September yes.
- Achal Lohade:** Understood. And if you could help me with the realization and the bulk cargo mix. Realization for container bulk and the Liquid?
- Santosh Breed:** With the tariff increase we see some improvement in the realizations, now we are in the range of around 6500 to 6940, bulk also because of cargo mix, has seen some improvement around 450 to 500, 550 per MT what we're seeing in bulk and if you look at the breakdown of bulk, then coal we are done around 270,000 metric tonne, fertilizer we are done 257,000 metric tonne and other commodities around 175,000 metric tonnes. So, that's the mix of cargo what we handled in this quarter by bulk.
- Achal Lohade:** Understood, and any comment you could make with this through the concession part and the Dholera region how it is coming up?
- Santosh Breed:** Jakob would you like to take that?
- Jakob Sorensen:** Yes, we have visited Dholera and also recently we are clearly having our eyes on that opportunity. It's a bit early days, but there's nothing wrong with being a first mover sometimes. So, at the moment, I can just confirm that we certainly have our eyes on all the inland container depots and also the Dholera and other places where we can see the natural hinterland to keep our port growing, so that's confirmed.
- Achal Lohade:** Understood, and anything on the concession part?
- Santosh Breed:** On the concession, it's ongoing, we are on the right track and in fact, yesterday only we had confirmation verbally from GMB that we are doing all the right things. GMB has sought third party assistance from a consultancy on this question as well. But it's clear that it's not only Pipavav which is standing in front of extension, there's also other minor ports in Gujarat, which will have to get a clarity. So, they are formulating a policy that's clear and fair. And that's good enough for us, we think we are definitely on the right track. But it's going to take a little bit more time. But as I said, all is good in our communication with GMB and the process is ongoing and it's going as fast as it can.

Achal Lohade: Great, just one clarification, 5% to 6% tariff adjustment on our container tariff compared to our competitors at Mundra and JNPT on the rack rate basis, I know there would be large discounts et cetera but just on a rack rate basis, are we at par, what is the discount we are at as compared to Mundra, or at premium to the entity?

Jakob Sorensen: Yes, I'll be quick on that we are still competitive and I will not exclude that we could take further tariff adjustments upwards in the coming quarters, because the shippers are appreciating the way we do it, we take it a little bit step-by-step we've seen other ports, increasing their tariffs by double digit percentages and that is maybe it's tough to swallow, as you said also with already higher logistics costs. But we have been able to justify and we still have room to improve that further, without pricing ourselves out of the market. So, that's a good observation, there's more to come now.

Achal Lohade: But if you could give a number, like what is the price difference, the tariff difference between us and the other two ports?

Jakob Sorensen: I don't want to go into anything detailed, but maybe to the same tune as we've done and if you look, there's now forming a small pattern, we are taking small increases on a regular interval. And as I said, without any pushback from customers, they understand also our increases in expenses, et cetera. So, that's probably a pattern that you can see that we will try to follow also in the coming quarters.

Santosh Breed: On tariff label we are still around 8% to 10% lower than the competition. So, we do have scope of further increase in the tariff.

Jakob Sorensen: Yes, that's one thing Santosh, and I believe also competition is also taking price increases. So, we monitor and of course we don't want to be left behind in that race. We also don't want to be unnecessarily hurting our customers.

Moderator: Thank you. The next question is from the line of Deepak Krishnan from Goldman Sachs. Please go ahead.

Deepak Krishnan: Just probably one question, are we still facing a lot of skipped call on the container front and when do we kind of expect this to normalize, obviously this quarter was impacted due to Cyclone. But are we completely back in June and July to normalize levels in terms of container ships calling?

Jakob Sorensen: Yes, but you're right, the skipped calls exactly that they are not scheduled and a little bit unpredictable. And it's not caused by the cyclone, it's more the global congestions and delays that are important unfortunately all shipping lines are facing. The shipping industry at this point in time is probably at its worse in when you come to reliability and schedule adherence. So, I am afraid to say that this will continue for quite a while until the whole global network starts to normalize a little bit. On the other hand, as we are suffering from skipped call, we're still seeing

the containers and the volume coming in. And as I mentioned, we have a couple of new services and we're working on a third new service on the container front. So, one thing is compensating a little bit from the other, but unfortunately it's giving us just a very murky. So, I called for that before, I wish I had a crystal ball. But what we are looking at here is a very murky outlook. But nevertheless, despite of all this, it looks like we'll be okay on the volume front.

Deepak Krishnan: Sure, probably one question on the cyclone expense so USD 11 million is between INR 700 to INR 800 million. So, another 600 million or we could expect over the next coming quarter, as in when we kind of assess the damage and repair is that the right way to look at it?

Jakob Sorensen: Santosh, will you comment. But, in this quarter here, we have a checking in quite a big percentage of the full impact.

Santosh Breed: That's right Jakob, so just to clarify on that, as we mentioned our very high level estimate right now is our \$9 million which is roughly around INR 800 million and out of these 109 has been booked in the current quarter. In the rest of the quarter as and when we incur then the balance will come in. So, what you mentioned about 600 to 700 is the right number, which will come in in the future quarter as we start and complete our restoration process.

Deepak Krishnan: Sure, any expense one of the EBITDA essentially any part of the EBITDA margin going from 60 to 55 some part of expense which is one off due to cyclone which may not come through in coming quarters?

Santosh Breed: So, all the expenses which are related to Cyclone are being recorded as an exceptional item. So, those do not impact EBITDA. What you see an adjustment in this quarter is mainly because of the lower volumes what were done, because the port was not operational for a few days. So, there is impact there.

Deepak Krishnan: So, major a volume and a mix impact, is that the right way to look at it?

Santosh Breed: That's right. So, we have impact on the EBITDA because of this.

Jakob Sorensen: The same thing also for the recovering from insurance coverage.

Santosh Breed: So, the recovery also from the insurance company, whenever it happens in the future quarter will be recorded separately as part of the other income and exceptional income and that's why there is no impact on EBITDA on any of these items.

Moderator: Thank you. The next question is from the line of Sitaraman from Spark Capital. Please go ahead.

Sitaraman: Sir, first question is, because of this cyclone, both due to the cyclone impact as well as the COVID we have seen that container capacity, container handling had dropped for the last few quarters and also there has been a cushioning effect from the other products, the bulk and the

liquid. So, due to the cyclone, what is the damage that has happened to these other infrastructure, which may actually reverse this cushioning effect, or when it is expected to come back. The entire infrastructure?

Jakob Sorensen: I'm not sure I understand the question fully because there is not that much significant damage to infrastructure. And, I do think I've said already that we believe the bulk volumes will continue to be strong and that we can see because we have a fairly clear pipeline of vessels that will come, whereas we have the uncertainty as the previous caller also mentioned that we have skipped calls and so on, on the container front. So, that's a little bit more difficult to predict, but nevertheless we expect the volumes to come back. So, I don't know if the caller can just specify if that answers the question.

Sitaraman: Yes, it does answer the question.

Santosh Breed: And just to add, just to further as I mentioned also the new damage to our operational equipment and with the restoration of power now, we are fully operational back to normal operations. So, there will not be impact to the volume because of any of these cyclone. So, on the container portion it is happening, more on the line side and there is no impact in the operations.

Jakob Sorensen: And what we are doing to repair is also, we are repairing all our roof coverings, we are making it stronger, we continue to do the expansion of our fertilizer, warehouse where we add 10,000 square meter more capacity. And we still plan to go ahead on top of the warehouse to install our solar plants. We continue to build out the draining system and this is another area where we will continue to upgrade and strengthen the draining system. So, again, that we have the infrastructure ready for the next natural calamity. So, it just means that everything that we are doing going forward will be with a more stronger specs in order to be able to withstand whatever may hit us in the future. Because, I will attribute this to climate change and that is something that we will continue to be facing. And then we try to do whatever we can not only to withstand the damages. But, I also think that Gujarat green gateway, and what we have done now with electrifying our rail connectivity, what we are doing with the solar plant, and other initiatives, we will continue to drive the green again and make sure that we are not contributing to this climate change going forward.

Sitaraman: Okay, And my second question is basically, you mentioned that the customers had also been a bit support, have been supportive on this particular cyclone and the hit on the power. But do you actually find any of the customers have actually gone to another port business, basically so they have shifted the business permanently or a high volume to a competing port?

Jakob Sorensen: No, I would say no. On the contrary, in fact because don't forget we were probably not also the only port affected and there were other facilities around in Gujarat that had an effect from this cyclone. And we were very fast to recover. So, I don't think long term we have lost anyone. In fact what we have probably done is, we have built up the confidence in us from all our customers.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: My first question is, can you give a bit more detail on like construction progress on what we are doing in terms of for DFC related thing on the PRCL and when do we expect the running off like full electrified double stack trains from like NCR to running up to Pipavav port?

Jakob Sorensen: So, we actually already, now able to take electric engines all the way from Pipavav PRCL up to DFC and then going up to the NCR, and we are running some double track trains with some of our shipping lines already. So, this is something that will take some time but then it will gradually, surely but and steadily ramp up and increase. And it's early days that we still, actually when we talk to customers, when we talk to shipping lines, when we talk to freight forwarding companies and people in the North, and surprisingly, but this is maybe a good thing for everybody here on this call to note. Surprisingly, a lot of people react by saying, the DFC the never ending story. But the thing is, we are now getting to the end of the road in terms of the construction and it is now starting to be commissioned. I was very happy to hear that the Prime Minister Modi was congratulating the railways for electrifying the Pipavav off track and we need to continue to communicate that is actually happening. And then there is, an adjustment period where people start to get used to it and understanding the impact and so on and we are working very hard on our commercial sites, with our sales people in Delhi and in Ahmedabad, in Mumbai, to address this with the relevant stakeholders and make them understand and wake up and really realize that this is happening now. So, it is actually physically possible and now it's to get the whole supply chain and the components, all the stakeholders to adjust to this new way of working. And that will take some time, because as you probably realize any change is hard. And since we have the turmoil on the ocean rates, and we have a lot of other disturbance, COVID, et cetera. Maybe it's coming in the right time, and maybe it's going to take a little bit more time.

Prateek Kumar: Sure, thank you. My second question is, you talked about it in the previous question. Like, could you also like update like the fertilizer warehouse which we were for expansion got impacted by cyclone and that up gradation of liquid for handling of like VLGC vessels. So, what is the status of this, and in terms of delay in this process, and in general regarding the cyclone was this the worst, we saw in like last 20 years?

Jakob Sorensen: I will tell you what, now I'm talking about my personal experience, I have never seen anything like it. And I have been in storms in the North Sea and out at on vessels and then on oil drilling platforms. I've never seen anything like this. So, I regret to say that this may be how we can expect future storms to be due to climate change. And as you can see, also maybe if you're looking at the international press, our parent company, A.P. Moller-Maersk is taking this very seriously. Maersk is investing in what you call it the zero emission of container vessels with new fuel types, et cetera, et cetera. So, we will continue to do also what we can do on the land side in the port. One of the things you mentioned, unfortunately our fertilizer warehouse extension got damaged by the cyclone because it was incomplete. But maybe it was lucky, because we are

now rapidly reconstructing that and the luck is that we did not yet install the solar plant. So, that was not affected by the storm and I would have seen the solar panels being damaged by flying debris. Had it been installed so maybe that was a little bit of luck that we didn't get too far. We are now pushing that full speed ahead. And the same goes for the upgrade of our liquid berth to VLGC capability. In fact, just earlier this morning, I had a call with our project manager in the port and then we are finalizing the tenders and procurement of the parts for that. And, I would hope within three to six months that we have that up and running. But again, we have been delayed also due to the cyclone in this process. But we are now pushing full speed ahead.

Moderator: Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: Sir just wanted to understand how do we expect this scale up of volume from the two new services. Previously, we have indicated potential of maybe around let's say 40 to 50,000 so annually, how do we look at the numbers as we stand today and is this going to take like a year to scale up or maybe in a couple of months you can expect to get the run rate which we expect?

Jakob Sorensen: Yes, good question. First of all, we just had those two new services signed up in April and they got slightly delayed due to the cyclones and they have now been active after the cyclone. So, we are starting to see the first volume coming in on those two new services here in July and August. In terms of volume, the rest of the calendar year I would expect that to be adding another 50,000 to move. And as I said we are working for more on that so give us another two, three months to show what volume impact that has, as I said unfortunately under container volumes it's a little bit difficult to predict because of the skipped calls and other things but this one, both the Middle East service and also the COSCO service. And, we are definitely seeing bookings coming in and big interest from the customers on these two new services. So, we expect the coming year quarters to be showing a good uptake on that account.

Ashish Shah: Sure. Secondly, because of the cyclone impact and the costs and insurance claims, do we expect that our insurance costs are going to rise materially, so are insurance cost today, material part of, what would be the cost today and are we expected to rise?

Jakob Sorensen: Yes, that's a good question and actually what we are doing right now is discussing, but we are mostly discussing internally with our parent company, because we are under the global insurance umbrella. And we will not be hit in Pipavav with a big premium increase because of that, because we are under the global umbrella. But what we are also discussing is here, how much is actually justifiable to be covered and how much is outside of the global cover. And that's what I've hinted before, when we said that we have a total expense of what would you say 70 crores of cyclone related damages. I expect a good chunk of that will be recovered under insurance, but we will take that in as Santosh has explained as extraordinary income and expenses. And, I don't think that actually we will have, what hopefully what we will find is that the learning's from this event will help our people who are sitting in the head office with the global insurance coverage. It'll help us to get a better policy coverage going forward and that is in fact some of the things we're

discussing at the moment. But to answer your question no, we will not be hit by a major premium going forward on our insurance coverage.

Ashish Shah: Sure, and just one last part on the DFC side. So, two things there one, so as of now there are no separate rates for the DFC do we expect this pattern to continue or you expect a higher rate to come in or you expect lower rate to come in, any expectations left, and second in terms of our PRCL line up gradation are we ready for the 25 tonne axial load at a higher speed or our current up gradation does not cover the 25 tonne axial load?

Jakob Sorensen: So, first of all on the tariff, I do expect that the cost which is charged by the rail operators to the shippers will be adjusted downwards of course, this has to be cheaper, this has to be giving a benefit to the market. And they have in the DFCC and Delhi they have talked about up to 50% cost reductions in the tariff that remains to be seen. But we do expect that the tariffs will be adjusted downwards to a quite significant extent. And that will make that attraction or cargo going from road to rail. And on the readiness, operational we are absolutely ready also for the heavier axle loads and for double stack trains and the trains can actually go much longer as well. And the speed can be up to 100 kilometers per hour by electrical engines. So, technically, we are ready to run with this. So, that I expect just will, that's not a limiting factor that will be ramping up gradually and continuously as we get more and more people aware of this potential upside. So, it's the usual thing about, changing habitual thinking and in this case, I just want to be clear to everybody that there are really no losers on the DFC. Even the trucking companies maybe think that oh no, now I lose long haul trip. But let's not forget on a long haul trip, they are going to burn a lot of diesel oil, they need two or three drivers to make sure continue the driving from the North through Rajasthan and Gujarat and back again. But now with the DFC, they have a chance to make five local trips or more between the last mile and the ICD in the North and potentially we can reach out to further potential customers now with trucking services that they had difficulty in procuring before, so it's a transformation that has to happen in the industry. And, all parties, all elements of the supply chain will benefit from this. But that readjustment or rearrangement of value chain will need to take some time and we will try to take a leading role in that transformation, because who will benefit also is across the Indian import exporters and not least which I will continue to talk about. And the major beneficial party is also the environment that we will not have that burning of diesel, but we will have electric energy to drive the cargo going forward.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Deepak Krishnan from Goldman Sachs. Please go ahead.

Deepak Krishnan: I just wanted a clarity on the two new coastal shipping routes or the shipping lines that we've added anything that you could add in terms of incremental volume so that could bring it?

Jakob Sorensen: Yes, so again we have added a Jebel Ali connectivity with a common carrier, feeder service they are, which basically is a service available for all shipping lines, as well as freight forwarders. . And that actually seems to be followed up now we're working for a second link down the name

of that service is called PIC and that branding wise, they would probably try to rename that at least the second one, and the big COSCO that is their CI-1 service that is China, India one. So, that's really the direct Far East connectivity that we have added in with COSCO, which is one of the biggest shipping lines in the world. So, I'm very pleased to have this expansion of our waterfront coverage. And as I said, it's not the only thing we are working on a second, Middle East connectivity. And, I can also say we are working and in current talks with another of the lines to add service which is actually ongoing so therefore, I don't want to talk about it in specific terms. But that is just inching us and our target internally, I can say is clearly that we want to hit the 1 million TEU mark as soon as we can, because that's the trigger point for me to start working on yard expansion and waterfront expansions on the operational capabilities. So, that's what we are aiming at.

Deepak Krishnan:

Sure, and just probably one follow up, given that for the DFC coming in, our rail coefficient is anyway higher at about 65% to 70% levels. And largely a large part of that is container driven. So, do you expect the DFC should also help in like by transportation, because bulk is essentially maybe just the area surrounding the port or it would just assume that container share in our overall volumes still increase further?

Jakob Sorensen:

So, we continue also to work on our connectivity on the land side. So, we just covered the waterfront where we have more shipping lines coming in, on the land side rail evacuation and this means both to and from the port is obviously going to be almost unlimited with the DFC being commissioned. And, I expect also bulk cargo to be a possibility here, we have just earlier this year we commissioned a rail siding for LPG, and we are expecting more LPG coming in, and that will also be evacuated by rail. And the sweet thing here is again that it's not cannibalizing on autos. Instead, the symbiosis between the rail, the road we keep on pushing the Delhi Ministry of roads to continue the coastal highway up gradation because that would be wonderful if the roads around Pipavav would be better, it will be an economic stimulus for the whole area when the roads are better than businesses driving better. And then maybe to finalize this call the last thing we are working on still is the Sagarmala where we fully support the Ministry of Shipping's efforts to start a service between Pipavav and Hazira for ferry, and this would be a ferry that predominantly would cater for cargo. So, that means again, trucks and it will be possible to go from Pipavav up to Hazira with LPG tankers and with containers and with ordinary freight trucks. And the impact would be like adding another highway into Pipavav and we are pushing for that to be developed as soon as you can and we have good feedback from the Sagarmala team in Delhi that they want to support this. So, the only thing is seems everything takes time. And while we have seen these disruptions with COVID, and with cyclones, unfortunately, as optimistic and energetic as I hope you can hear from my voice that I am, it all takes a little bit longer time, then we would like to see, but I guess that's just the way it has to be. We're working very hard and diligently the entire team to make things happen. And, I'm quite optimistic that we are on the right track here. And we will deal with those obstacles that come in our way. Obviously, there's all sorts of things that needs to be cleared to get things moving, but we're moving in the right direction. Thank you very much.

- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Ashish Shah for closing comments.
- Ashish Shah:** Yes. On behalf of Centrum Broking, I would like to thank everybody for participating in the call. Thank you to the management of Gujarat Pipavav Port Limited for giving us the opportunity to host the call. Any closing comments from your side Jakob?
- Jakob Sorensen:** I just want to thank everybody on this call for your continued interest and support to GPPL and Pipavav Port Gujarat green gateway as we call ourselves and as I said maybe just to add to all the things we're working on. I will continue to focus also on the environment and our green footprint and in cooperation with our suppliers and our customers, we will continue to work on a better environment for the betterment of, the cyclone.
- Ashish Shah:** Okay, Santosh shall we end the call or we shall?
- Santosh Breed:** Yes, we can end the call, so thanks for the participation. Thank you.
- Ashish Shah:** Thank you everyone.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of Centrum Broking Limited, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.