"Gujarat Pipavav Port Limited Q3 FY2021 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good day and welcome to Gujarat Pipavav Port Limited Q3 FY2021 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. Please note that this conference is being recorded. 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 everyone to the Q3 FY2021 Results Earnings Call of Gujarat Pipavav Port Limited. We have from the management Mr. Jakob Sorensen – Managing Director; Mr. Santosh Breed – Chief Financial Officer of the company. I will hand over the call to Santosh first and then he will take on from there. Thank you Santosh over to you!

Santosh Breed: Thanks Ashish and good morning to everyone on the call, thanks for joining. We will just quickly take you through a brief presentation and then of course we are there to answer all your questions.

So I will start with the first slide, which is key update. As you can see there is a recovery in the container volumes, so we will see the volumes coming back there is a 19% increase in our volume mainly because of EXIM and coastal volume going up. On dry bulk there is a decrease and this comes after a very strong quarter, which we had last time mainly because of the fertilizer volume and of course we hope to see that support in fertilizer continues in the coming quarter as well. On liquid we have seen some recovery now with 13% increase as compared to the previous quarter and RoRo continues to be muted, of course Jakob will cover more details in the next slide and he will give some background on the volume's movement as well.

Moving on to the financial results, the revenue is up by 9% as we mentioned last time, we have taken a tariff increase from October 1, 2020 so that of course has helped to push the revenue up apart from the increase in the container volumes. Expenses have gone up by 11%, we will touch base more on this when we come to the financial details and overall the absolute EBITDA has gone up by 7% and net profit by 5%, and we speak more about the margin as well in the financial slide. So with that I hand over to Jakob to take you through the volume development.

Jakob Sorensen: Yes, thank you very much Santosh and what you can see here speaks a little bit for itself that we saw some good take up in the container volumes in Q3, I would like to have passed the 200000 TEUs, but nevertheless it was a good take up because a little bit unexpected Q2 was a bit weaker and that we had hope for, but we did see that end of year rush also manifested itself in the container volumes. Liquid also came back a little bit, we do have some limitations on the LPG front, which we are working on making our Liquid berth able to handle the VLGC carriers as well we are working on that, but for sure the dry bulk continue to be strong, not as strongest in Q2, but fertilizer and other commodities are still moving strong and will be delighted to see that that also continues into the last quarter of the financial year. I do not want to talk too much about RoRo, I think sometimes it lacks a little bit because it is a very small part of our overall business, but obviously the automotive industry is struggling a little bit and we have not seen a lot of volume, but it came back a little bit and also again here we see that in Q4 it is coming back, but overall I think a better quarter and it is always important for me is to look forward and I am quite encouraged to see this trend continue. Thank you. Back to you Santosh on the financials!

Santosh Breed: Thanks Jakob. Let me take you through the financial for the quarter ended December 31, 2020. The total operating income at Rs.1984 million is higher by 9% as compared to the previous quarter due to higher container volume and tariff increase. The total expenses at Rs.884 million are higher by 11% as compared to the previous quarter; this includes the operating expenses at Rs.385 million lower by 6% due to the fertilizer volume being lower. Employee benefits at Rs.187 million are higher by 22%, now this has a special bonus which was paid to all the employees across the globe as announced by our Group CEO for uninterrupted operation during COVID-19. Other expenses at Rs.311 million are higher by 32% due to maintenance dredging and one-off provision reversal, which was there in the previous quarter. EBITDA at Rs.1100 million is higher by 7% and margin at 55% is lower by 100 basis points as compared to the previous quarter. The reported net profit at Rs.543 million is higher by 5% as compared to the previous quarter.

I would also like to give a quick input excluding these expenses, which were accounted for in this quarter mainly the special bonus and the maintenance dredging. So if you exclude the impact of these two big expenses then the EBITDA is higher by 15% and the margin is at 60% and the net profit is higher by 15%, so this was an overview for the quarter, I will also take you through nine months ended December 2020. The total operating income at Rs.5400 million is lower by 6% as compared to the previous period mainly due to the lower container volume. Total expenses at Rs.2316 million are higher by 2% as compared to the previous period. EBITDA at Rs.3084 million is lower by 11% and the margin is at 57% lower by 300 basis points mainly on account of the maintenance dredging and the special bonus to all the employees. Excluding this impact of the maintenance dredging and special bonus then the EBITDA will be lower by 3% and the margin will be at 59%. The reported net profit at Rs.1.527 billion is lower by 37% as compared to the previous period. Now this is mainly on account of the deferred tax reversal, which was there in the previous year. So this was a quick overview for all of you and we can open up for the questions now.

Jakob Sorensen: Santosh I just feel like before we open up for questions can I just comment on the special bonus.

Santosh Breed: Sure Jakob.

Jakob Sorensen: Just to clarify for our listeners here, this was a global idea and this was from the head office in Copenhagen that we wanted to appreciate everybody's extraordinary efforts in a very difficult time, so the bonus was $1000 to every employee no matter which rank or which location or which position or which salary package so obviously and I am very happy to say that, but obviously in a place like

Pipavav this was a really, really welcome gift for our frontline colleagues who have been doing an outstanding job and make sure that we have been operating uninterrupted, so I am very glad that we could do that and it was as I said a global initiative that we have incorporated in ours and Santosh I know that you have also prepared for some slides that shows if you check that out what would the results have been, but I think you just keep the background for that bonus and I am very happy that we have done so in these extraordinary times, but let us open up for questions now.

Moderator: Sure thank you. Ladies and gentlemen we will now begin the question-and-answer session. The first question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir I have two questions, my first question is we saw Mundra Port deliver very strong container volumes in this quarter, now I am just trying to structurally understand that this was an unusual quarter in the sense that lot of shipping lines were avoiding coming to India and were going straight from China into Europe and US is it fair to believe that given that we do lower volumes but we are not one of the preferred ports and that is why we saw such a big difference in terms of volumes between a larger port like Mundra and our self what would be your take on that question?

Jakob Sorensen: Excellent question, thank you very much because I think this is some of the things that we sometimes need to explain a little bit and also in the macroeconomic and global perspective and not just India perspective because what we see is that there is a big congestion going on in the global hub ports including in Colombo and in Colombo it is creating quite a lot of difficulties for all the shipping lines and this is something that Mundra was able to take advantage of, but the growth is in effect actually transshipment and whereas we can see our transshipment volume is reduced Mundra is taking a lot more transshipment volume that means it comes in and it goes out again and frankly speaking the margin for that sort of volume is very minimal and if you study our numbers and when we have reported that our transshipment volume has diminished you will see that it has a good effect on the margins so while it is always nice to show growth in volumes I believe that most investors like yourself is looking at what does this give me in my bank account and transshipment volume is not again that we are planning to do in Pipavav so frankly I am not that worried, I want to have real volume, I want to have full containers and I am looking very much forward for the go live of the dedicated freight corridor I think that is much more structurally substantial volume that we want to go for. Then once they will sort it out in Colombo, they will sort it out in Tanjung Pelepas and once these things are evening out there is of course a lot of imbalance right now I can explain that as well the rebounds from China was quite unexpected and unlike when an airline has to mobilize more capacity they can probably put in a flight within a couple of days as shipping line will need a couple of months to mobilize a ship they will need to get crew, they will need to get the ship back to service and then of course it has to sail to where it is really needed, this is what we are seeing right now that this mobilization from the lines to add capacity to balance the demands from shippers that is evening out here after Chinese New Year and they will take a few months and then I think you would frankly see volumes go down in Mundra because these transshipment volumes will go back to their regional hub ports.

Pulkit Patni: Fair point that is very helpful. My second question is related when you look at these unusual circumstances where such a big trade imbalance that has happened and if we look at 2009-2010 this also happened but it took quite a long time for it to correct between 6 to 8 months so you are right that after Chinese New Year maybe some of it starts correcting but probably will take a lot longer. As a port operator does anything change for us our economics because the shipping lines are charging three times of what they use to charge for handling a container just to understand does anything change for us as a port operator in those circumstances which we need to be aware of say for the next few months?

Jakob Sorensen: It is a good question again because obviously as a port we are quite stationary right, we sit there and there is not a lot we can do, the shipping lines are a little bit more agile, they can move around the capacity and their ships and that is exactly what they are doing now, they are trying to make the best part for the capacities that they can put in and that means unfortunately for India that some of their ocean rates are high or say on the Asia to Europe trade or on the Transpacific. What do we do in Pipavav first of all Santosh would be able to give you a better input in terms of what we have done on our cost because that is something that we control we have been very good I am turning every stone and looking at our cost picture and secondly we are blessed with the fact that when these volumes are down in the container business we see a surge in the non-container segment and we have seen quite good bulk volumes, fertilizer, other commodities that is really giving us it is a little bit like when you are running an amusement park you have the carousels and the swings and something is making money and then thirdly what I am still very encouraged by is that we are getting ready when things start to normalize and they always will and you are correct it maybe takes a little bit time but the DFC I have to bring back again we are using this time to really get our operations and I am getting ready for the DFC, there are some civil works going on, we are electrifying the railway tracks and getting ready. We did commission one rail head enabling us to be able to evacuate LPG by rail so I think we actually just using the time to be much more prepared for the future and I guess the future is well we see the hope.

Pulkit Patni: Both the questions answered very well thank you so much for your answers.

Jakob Sorensen: I am trying to put this a little bit into a global context because our business is in all fairness it will be a part of this global network and I feel sometimes when I was just interviewed by CNBC and analysts and reporters are looking at this very much in a local Indian context and I think sometimes that becomes a bit difficult to explain the entire story so bare with me when I am trying to educate a little bit on the global outlook.

Moderator: Thank you. The first question is from the line of Priyankar Biswas from Nomura. Please go ahead.

Priyankar Biswas: My first question to you is regarding LPG that you were speaking of, so first of all I guess the rail gantry would have been commissioned and could you provide some light on how much incremental volumes could it possibly add and let us say once the port is VLGC ready let us say maybe you can provide a timeline as well later on, so how much we see the potential going up from here of the overall volumes?

Jakob Sorensen: It is an avenue that we are looking at and we have to take a step wise approach here. The first thing is that the ability to evacuate by rail is complementary to the road and that is quite interesting. There is third way of course you know in Kandla they have a pipeline as well and that enables them to evacuate on a much more ongoing way, I think we want to try to get into that as well by upgrading our capabilities to the VLGC that time horizon we are doing the final internal approvals right now and there will be some civil works as well, upgrades of the dredging the ports channel because obviously we have talked about accommodating bigger ships that is a very large gas carriers, but that also enables our customers to get into a larger segment of the available vessels for transport of LPG so I do think that we can expect in the time horizon of the next six to nine months to see a good growth in the LPG market. I would not like to say definitive days or months and I would also try to abstain from putting specific volume figures on it at this point in time, but we are looking at this the next step for the VLGC to be able to take a partly loaded then a fully loaded and frankly we are starting to have on the drawing board the clients to do a brand-new LPG jetty that is further into the future.

Priyankar Biswas: That is quite comprehensive on LPG. Sir secondly again coming back to the western DFC point that you are highlighting so how far are we on the status regarding connecting to the DFC from Pipavav, so like I understand the electrification work and this are going on and I guess the government has put a timeline of March end for the commissioning of DFC so are we already ready or there are still a lot of works in that sense?

Jakob Sorensen: We are already around the port, in the port, but there has been a few disputes with local farmers on some land and so on, but that is really in the small civil work business so I think April 1, 2021 is a good target and that is to say as you also point out, it is just within the deadline of the government expectations it is not us that is holding in fact there are couple of things, it is not big structural works it is more like finishing and testing and getting things ready. So April 1, 2021 is a good target to have to go live.

Priyankar Biswas: So anything can you say like what can be let us say based on your interaction with shipping lines and let us say potential customers so how much can be really the volume uptick in terms of containers let us say even moving away from JNPT or otherwise?

Jakob Sorensen: Let us just say that this will be a long-term and asset wise approach as well in terms of doing the transfer of cargo from truck to rail, but just to make a few things clear ahead of JNPT we would probably as I said let us say we go live April 1, 2021 JNPT is two, three maybe longer two, three years away from the DFC being completed in the Maharashtra area including also from Hazira, maybe Hazira is two to three years away from being linked to the railway network and all. So I think we will have a head start and we are talking to customers, we have made marketing materials on the features and benefits and as I have said it will enable a more predictable supply chain and what have we just seen we have just seen the perfect storm in terms of unpredictability and customers being out of stock and desperate shippers that cannot get travel on the network I think we will be very much welcomed in the ability of having scheduled trains in the future and much more clear schedules of arrival and departure, but it will take time to convert the market to get cargo from road to rail, obviously it is a much better proposition in terms of the environment because the rail is electrified whereas the trucks is using diesel oil, but it will also mean that the people will have to adjust and change to this. I hope as well that we will have a cost advantage which is not a good persuasive factor and this is a little bit up to CONCOR and the train operators, now that they get tenfold capacity, how much are they going to keep in order to induce the customers to do that shift that remains to be seen, but I am quoting some of the statements from DFC up in Delhi last year when it said that up to a 50% reduction of the tariff could be at the table, they have not followed upon that yet so a number of things remains to be seen, but I would think that it would initially not to take full advantage of this and we will be pushing all we can from the port talking to our shipping line customers, talking to the ultimate customers, the manufacturers, the importers, the exporters, we will be talking to the entire market on all these advantages and benefits.

Priyankar Biswas: Last question if I may squeeze in so any update regarding this concession renewal talks or something happening from the GMB end?

Jakob Sorensen: Yes, let me just add to the previous question that I am quite open about the fact that Mundra will also be going live on the DFC, but also I have been saying that Mundra is much more used to having cargo arriving by truck so I think in Mundra itself they need to reorganize their operations, we are on the other hand almost engine champions in handling trains and so we have a really good head start. In terms of the concession extensions there is no formal new update to say that again I think we are few months away from having that formal statement that we will get the concession extensions to talk is productive and ongoing the GMB and I do not see any major roadblocks to stop that. I think you have seen the reforms that are coming in the shipping bill for major ports that is opening up for reforms and a more level playing field with the ports that are currently under the TAMP and I think in line with all that GMB it will be natural for them to follow through and to extend our concession so I am quite hopeful I have not seen anything to the contrary that should make us very worried about that.

Priyankar Biswas: Thanks Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citi Group. Please go ahead.

Atul Tiwari: Sir just some more clarification on the connection to DFC so Pipavav to Surendranagar on that part I am just trying to confirm whether the electrification work and the upgradation work is complete or near completion that is one and then from Surendranagar to DFC which point do we connect on and what is it because of that part, so these are the two parts of the question?

Jakob Sorensen: So the railway track from the ports connecting to Surendranagar that is handled by PRCL Pipavav Rail Corporation Limited which is joint venture between us and the western railways and all the electrification is nearly complete, the same goes for the connectivity points there are actually several ways and that of course will give us more flexibility, there are several junctions where we can connect to the DFC around Ahmedabad and Surendranagar and they are also near competed all of it, so that is what I said Pipavav April 1, 2021 is not unrealistic, of course we are not going to go live with a big bang, there are now electrical engines that has been mobilized, there are testing of various stations and circles and stuff, but by and large this is once it is up and running it is a tenfold capacity increase on the railway network in the corridor from the western side and likewise the DFC is going live on the eastern corridor, which again goes from the eastern coast line to Haldia so all of that is coming live now I do not see that it should not be possible to go live April 1, 2021.

Atul Tiwari: Great Sir. It is quite good to know that the PRCL has done its job well, but from Surendranagar which part of the DFC is the nearest is it Palanpur or is it some other junction?

Santosh Breed: So we will be connecting at two points one of course is Palanpur that one connection we have to the mainline and the other is Mehsana.

Jakob Sorensen: There is something called new Palanpur as well so to be quite honest I am not entirely up to date with the whole geography but there is a lot of new tracks that has been done there in DFC sections and all of that is on track we are not missing nature structure like if you compare and if you wish to go there if you see Hazira is not linked at all, if you see JNPT a big chunk is missing there in fact the whole Saurashtra part is not finished yet. When you go to Gujarat and when you go further north through Rajasthan it is all ready.

Atul Tiwari: I am not sure whether you guys are the right person to ask this question, but the DFC till Palanpur what is your sense will it be ready by April or will it be ready by later days?

Jakob Sorensen: You mean further than Palanpur or…

Atul Tiwari: Yes, further than Palanpur of course.

Jakob Sorensen: Yes, because we are talking to CONCOR about making a specific selected corridors up to ICDs in the north and get these trains to run so absolutely they are ready April 1, 2021 as I have been saying a couple of times now it is not unrealistic whatsoever so there is no sort of missing link in those tracks I think it is more to mobilize the stock, the equipment, the locomotives and the emission tests, do not misunderstand, this is rather new and it is new stock, new pathway, new equipment, so there will be a little bit of a pilots going on, but with the ICDs CONCOR is very keen on selecting some for trials and then we will have sync within this year of 2021 we will start introducing scheduled regular trains for arrivals and departures.

Atul Tiwari: Great Sir quite good to know thanks a lot Sir we have been waiting for this for a long time.

Jakob Sorensen: Yes, exactly Atul and I think the point is here that it is not this futuristic stock this is real, I happens to be a part of a very exciting program on national geographic I do not know if you have been able to see it, but that is actually a very good documentary on the DFC itself and obviously it is just a TV program and you can see the tracks, you can see the connectivity, you can see these things here and there is a quite good feature on Pipavav port as well.

Atul Tiwari: Great Sir will make sure that I will be pulled off it and see. Thank you Sir.

Jakob Sorensen: I think we can facilitate; it is on YouTube otherwise it is on the channel itself, but I think it is an amazing program, we have a little bit of restrictions on what we can share until April 1, 2021 I think because the national geographic channel wants to have exclusivity on this and that is obvious, but a little bit later I think you will find it all over and it is quite exciting.

Atul Tiwari: Okay Sir sure. Thanks a lot for pointing this.

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

Mohit: First question on a global level what is your outlook on the container shipping volume for the calendar year 2021 and how much recovery do you expect from compared to CY2020 and second is how has been the scheduling of shipping to our port last quarter you commented that many of the ships are skipping our port are you seeing any improvement and does it mean that Q4 is going to be better for us and lastly on the container shortages does the container shortages impact us and when do you expect it to normalize and does the normalization may mean a higher volume for us?

Jakob Sorensen: So I will be a little bit short because I think we have covered this in the previous so the outlook is that during 2021 I think we will potentially be on par or better than 2019. Last year 2020 was obviously a year when we saw a lot of skip calls and we saw a very irregular service we are hoping that this will normalize after Chinese new year, also we see that the number of skip calls has definitely decreased a lot I think we have only one in this month here and frankly because of Chinese new year normally we would have more skip calls, but I think because of that backlog that you indicate we will have less skip calls only one is announced in February and for the outlook I too believe that the situation will normalize we will see a strong volume share in the first half of 2021, when we come to the second half of the calendar year 2021 it is a little bit more difficult to see how normal the world will be, what will happen with vaccines, what will happen with all these disturbances in supply and demand, I think we are heading into a better period personally I am an optimist I think the vaccine program will take route and that countries will accelerate that and that the supply and demand on the container side will equalize out, but we are looking at generally a very strong first half of 2021.

Mohit: What is your view on container shortages when do you expect the rates to normalize?

Jakob Sorensen: First of all structurally we have seen that a lot of equipment is stuck in Europe in US because it is full and they need to empty all these containers from the cargo and then after that the empty containers will need to be repositioned back to Asia including to India, but again it is going to take a couple of months.

In the meantime, you can get an empty container if you are willing to pay so it is really a supply demand situation, which at the moment is in the favor of the shipping lines. As you may have seen in Pipavav we have tried to induce shipping lines to discharge empty containers by giving rebate for that, but really it is a bigger game where it is completely in the supply and demand and when you get higher rates out of Asia the shipping lines will try to prioritize the empty containers to go to Asia, but I think India here it is such a large market that it will equalize out, it is a very dynamic supply and demand mechanism, but it will equalize and especially I am hopeful of the Chinese New Year.

Mohit: Understood Sir. Thank you Sir and best of luck.

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

Vijay Kumar: I just wanted to understand in your opinion how much would be the growth rate in the western port volumes in the coming year so Mundra, Hazira, JNPT, Pipavav, all put together so because we are looking at about 10%, 11% growth in GDP in India so how much of the western port volumes likely to grow?

Jakob Sorensen: I think we should see a similar growth but there is one caveat to this Vijay remember that I mentioned earlier that there has been some big congestion in Colombo and lot of transshipment ports and Mundra has actually been used for transshipment in order to alleviate that I think that will over the year it will even out and potentially volumes will go back to Colombo so Mundra will maybe not see this spike in volume and whereas the lost percentage is this transshipment volume, but with the GDP outlook as you say into the double digits I believe that we should be able to reach volumes in absolute numbers on the level of 2019.

Vijay Kumar: So have we seen any difference between last year and now in our import exports mix we are literally heavy on imports especially from Fareast?

Jakob Sorensen: Yes, and I think that will continue, but what we are working on is to diversify our shipping line covers even more because we are of course aware of that and I think we will see some changes going forward in the coverage and where we will also be catering for more export corridors, but it is really on the backbone of what we just talked about the extra volume that we are quite hopeful to be able to generate thanks to the DFC and that is of course something that we will work on it will go live April 1, 2021 then the rest of the year will be very much focus on capitalizing on the DFC and this will benefit import as well as export so obviously we want to achieve a balance and I think we will get close to do that by the end of the year.

Vijay Kumar: What we are seeing is your parent company Maersk has reported very good quarter and has up the estimates for the next year and of course congratulations on getting the bonus so it is reflective of Maersk's performance also so is this possible performance by the parent going to have any major change in strategy towards terminal business in India in a positive way for us?

Jakob Sorensen: Actually I was so lucky to see our CEO of the Whole Group on CNN yesterday and he is very clear that the company will double dial in on the current strategy this is to become end to end container based logistic supply chain provider and I think that is a really good news for port like Pipavav because we are obviously part of that supply chain so it is good to see when one parent did that all the shipping lines that are doing quite well so it is not only our parent it is also other customers that are doing quite well. I think as I said the first half of 2021 for sure looks to be good and the volumes would be strong, the question mark is of course what happens after that, after the summer holidays will this close taper off a little bit or will it become continuously sustained throughout 2021, but I think it is fair to say we should be optimistic about this calendar 2021 year.

Vijay Kumar: Few bookkeeping questions, can I get the quantum of this bonus paid out in rupees, Crores and also the maintenance breaking cost that was incurred this quarter?

Jakob Sorensen: The bonus was $1000 and this was a global thing and I will just repeat because I am quite happy about it no matter where you are in the organization every colleague, every employees would receive equivalent to $1000 plus obviously then you have to net tax, but for the blue collar workers and from our colleagues all over the world but also in India in Pipavav who has really been at the forefront of the COVID crisis and who have kept things running this is a very nice bonus unexpected and it has been extremely positively received. I will just switch over to Santosh because he is the master of numbers, I do not want to guess what it made of tax in Indian rupee Santosh can you complement that and then I think there was a pass through on this question was about the dredging cost.

Santosh Breed: So I will answer both this question Jakob so first on the special bonus the overall cost what we have taken in the books is Rs.35 million in this quarter and on the dredging it is Rs.48 million.

Jakob Sorensen: Just a comment on the dredging because it is of course something that comes it is a reoccurring thing and it depends a little bit about the weather, it depends about the silting, it depends about current, when we deem that this is an exercise that is necessary there is something that we call capital dredging and then there is maintenance dredging and in short it is just a regular maintenance and reoccurring expense, but unfortunately we cannot tell exactly when it is needed, I think it would also be not prudent to just take an average and put a fixed amount in every months we wanted to take the real expense as and when they come.

Moderator: We take the next question from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: My first question is can you tell the realizations now like post the increase what are the realizations segment wise?

Santosh Breed: Yes I will take that, so on the container business we are in the range of around 6200 to 6600 now post the tariff increase, for bulk we continue to be in the range of 550 to 600 it depends on the cargo mix as you know and on liquid we are in the range of Rs.475 to Rs.500 per metric tonne.

Pratik Kumar: Okay Sir so this 6% hike which you took like across the board during the quarter?

Santosh Breed: That is right this includes the direct increase yes.

Pratik Kumar: Just the split of dry bulk which you gave or coal and fertilizer are there?

Santosh Breed: Yes. So in the current quarter we have done 117000 metric tonne of coal, 566000 metric tonne of fertilizer and others include mainly the minerals is around 94000 metric tonnes.

Pratik Kumar: If we see 14% year-on-year decline volumes in container Q-on-Q it is like higher by 18% can you mention that transshipment volumes have had a significant impact on this growth so is it possible to quantify that?

Santosh Breed: We do not generally give this further breakup of the container business, but you are right it was mainly the transshipment volumes, which has reduced.

Pratik Kumar: But on a year-on-year basis our own, are we on a growth for EXIM?

Santosh Breed: So on EXIM of course we are marginally down and we have grown on the coastal volumes.

Pratik Kumar: This is on year-on-year right?

Santosh Breed: Yes.

Pratik Kumar: Okay Sir. That is it from my side. Thank you.

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

Rakesh Vyas: Three quick questions. So Jakob you are highlighting that you expect the volumes to be equal to CY2019 or 2019 in coming year just a clarification around that I think 2019 also had reasonable proportion of transshipment volumes, but you are now highlighting that you do not believe that we will get back to the higher transshipment volume so all the volumes that you are talking of is essentially the EXIM volumes primarily which has much better margin profile and second part of this is you are also highlighting first half to be much better while the second half to be slightly more uncertain so your expectation is built on this hypothesis that if second half actually turns out to be better then volume numbers could actually be higher can you just clarify on these two points?

Jakob Sorensen: Yes, Rakesh you are right. So first of all we are not that keen on this transshipment volume because it is very marginal so you are right when I talk about 2019 as a benchmark then we are looking at full boxes we are looking at the EXIM, and we are also looking at a growing volume on our coastal services, but transshipment isn't really part of what we want to be, we are a gateway port we are not at transshipment port in that sense. I comment on the 2021 and the outlook that is because obviously it is easier to see what is in the near-term and the first half does look to continue strong recovery and the reason why I say second half is just a little bit more difficult is because it is spread out in the future what I do hope is that second half of this year will also continue to be strong, but it remains to be seen if these new buying patterns that are described as well, people are spending much less money in the service industries that goes from holidays to restaurants to cinemas to all the stuff that people used to spend on services, which we have not any sort of connection to directly in the port business whereas that goes when a percentage of that funds goes into ordering goods online or we are back in business here in the port business because that is stuff that has physical cargo that has to be moved and all they suddenly start to fall into our area of business and for that if that continues and I am not sure if that is going to be a trend that continues throughout the year I think that is the background of why I am predicting the way but the good news is the next couple of quarters will for sure see a volume recovery as we can see now.

Rakesh Vyas: That is very helpful. Thanks Jakob. The second question is around export import like essentially we still are heavy on imports as DFC gets commissioned we are hopeful of April 1, 2021 ports should ideally have a much fair balance between export import to that extent how should we look at Pipavav working on getting new lines or new route essentially to balance out the EXIM part because DFC full benefit even for the container train operators to pass on the benefit to you and the consumers ideally should have a much better balance between export import?

Jakob Sorensen: You are absolutely right and as I have also said we are allocating all our efforts and resources our commercial team is very much into the details of the benefits and with DFC we are going out to the market with that information so this is all part of what we are going to put our efforts into. I think we will be successful because it is so compelling there will be a good result out of that, but that is exactly our top priority going forward and I think I have mentioned a couple of time on this call we had April 1, 2021 is the target date when we go live then there will be of course a gradual ramp up of the DFC that will I think in all fairness it will take several years to get to the full potential of that but we are working on that.

Rakesh Vyas: My last very quick question is around pricing so of course we took price hike in October but if you look at the competing ports they took a much higher price increase and costs are continuing to rise so any thought process around anymore price increase that you can look at in the next six months or so?

Jakob Sorensen: Yes, Rakesh I think you are absolutely right and we are always a nice people to take double digit increase is in one go is never nice for the customers and on the other hand I think we were potentially able to have taken more last year we would probably make up for that this in the coming months.

Rakesh Vyas: Thank you so much and best of luck Jakob and team. Thank you.

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

Ashish Shah: Just a quick question on the LPG part what is the exact commissioning timeline for the rail has that already been commissioned and is operating or we expecting that to happen now?

Jakob Sorensen: We had the first rack of LPG evacuation by rail has happened.

Ashish Shah: Okay so it is commissioned?

Jakob Sorensen: Yes.

Ashish Shah: Just quickly also on the large gas carrier here you see so by when do we expect to have augmented infrastructure to be able to handle whether they are fully loaded or partly loaded gas carriers but what is the timeframe that you might be looking at?

Jakob Sorensen: To be clear I am definitely pushing for this to happen as soon as possible. There are safety that is we would not compromise we need to have safety in order and that means again we have put some dredging and structures that has to be installed but I am pushing for this work there is several work to be done as fast as possible. I am hopeful and I would be really happy if we do the first vessel for a partly loaded VLGC before the monsoon starts. So again as I said I am trying to balance this between pushing hard on the guys to get this done and then at the same time quite obviously we do not compromise on safety so if we have to wait for safety reasons then you have to wait, but it is not something we are saying whether we are doing and are not we will do it and we will get up and have the VLGC capabilities within this year.

Ashish Shah: Got it. Thank you.

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

Mohit: When do you expect the DFCC volume to ramp up in terms of timeline, in terms of enlisted DFC starts and how does it impact your expectation the rail coefficient and what is the rail coefficient right now?

Jakob Sorensen: This is a long-term plan and as I have also said the capacity on the DFC is a tenfold increase so we are not going to jump from now and then go tenfold, but the effort it is this long-term, this is going to be a game changer, this is going to be good for Indian competitiveness and I think for company supply chains we would have a little bit more reliability, we will introduce schedule trains and so on. It starts around April 1, 2021 and then we will have a gradual ramp up and we will work with the stakeholders, the customers, the shipping lines, CONCOR and all the rail operators, so it is a big change in operation and it is therefore to take away travel from road to rail I think we will be ready to compete with some of the ports that are not on the first phase of the DFC that means JNPT and Hazira and then it will be to gain market share and to get more cargo for India and I am saying again you can hear this is a long-term process, but I think it is going to be a steady growth that this will give us. On the rail coefficient that is a little bit of a tricky one because it is a mathematic calculation versus trucks it does not mean that we do not want to grow in the near market where we obviously will have cargo coming and going to the port by truck, so the rail coefficient I feel is not really a correct and sometimes it is also get loaded because we move coal, we move cars, we have now LPG by rail and frankly we are doing cement, so you cannot really compare that when you are starting to analyze the container flow and it will be wrong indicative of the growths obviously when you are in the rail business you are looking at the rail coefficient that I do not feel it is a exact number it is not a good measurement for what we are really doing. As I said again we are providing it up because are so diversified now and what we are moving by rail and that is good news so I will just repeat again here LPG, coal, cements, even build up cars we received cars export we receives that by rail, so it is really a diversifying also the use of the rail modes and obviously with tenfold increase capacity we are using it much more. I am sorry this is my fault because I am answering in quite a lengthy way but I am trying to be a little bit explanatory and perhaps forgive me if I am a bit educative but I am trying to put things into the bigger context.

Moderator: Thank you. We take the next question from the line of Nemish Shah from Emkay Investment Managers. Please go ahead.

Nemish Shah: Excuse me if I am repeating this question but just wanted to understand if with respect to our capex program of $97 million, which we have announced on Q1 so just wanted some updates on that and where are we placed right now and obviously we are going ahead with it in the coming financial year that is the first one?

Santosh Breed: As we have mentioned in our announcement the investment of 97 million which we have planned will certainly happen. We are of course working now with GMB on the concession extension and as well as we have clarity on that then we will initiate this investment, but meanwhile of course we are doing all the necessary background work related to that in terms of the technical studies and the procurement for the cranes so that is already on so we do not waste much time and as soon as we have the concession extension then we just put the project on.

Nemish Shah: But is there any timeline, is there any hints from GMB when the approvals will come?

Santosh Breed: As mentioned by Jakob we are having a regular dialog and there is lot of positive response coming in from GMB but it is very difficult to put a timeline because GMB has their own internal approval process which has to go through so it will be very difficult to put a timeline for this right now, but as I said we are getting ready and we will ensure that once s we have that permission in place then we can start the project immediately.

Nemish Shah: Sure thank you.

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

Achal Lohade: My first question is in terms of the EXIM growth on the west coast is it possible to give some color what is the industry growth for the quarter for 3Q FY2021 on a YoY basis?

Santosh Breed: So Achal as I think it is also one of the questions earlier so when we look at, at the industry growth on west coast specifically it has been historically growing in line with GDP.

Jakob Sorensen: I am back again go-ahead Santosh.

Santosh Breed: It has been growing in line with GDP and then that is what we expect also that we will grow in that line specifically on the west coast, but one of the key game changer can be DFC and that can of course result into some more volumes to Pipavav because of the conversion from road to rail and that is why we expect I think there should be a very good volumes in the first half of 2021 at least so that is what indication at this point of time.

Jakob Sorensen: The question was about the breakdown of which changes to east that we are moving and to that extent I think we have a very broad range of customers we have seasonality and agriculture products, we have refrigerated containers with sea food and that is coming from the near market of Saurashtra and then we have the long hauls that is coming in from ICDs and in-house where it is more manufacturing and consumer goods that is moving but it is actually a quite nicely hedged with a broad range of the commodities and customers that we are serving.

Achal Lohade: My question is more to do with 3Q FY2021 December quarter what has been the growth or decline in the west coast region in terms of the port container volumes, what I am trying to assess is that given the significant jump in Mundra volumes partly driven by transshipment I would imagine that you would have a better handle about what is the underlying EXIM growth except transshipment and coastal at the west coast and have we maintained our market share or kind of lost some market share for the quarter gone by?

Jakob Sorensen: I think we have lost a little market share to be honest because one of our big shipping lines to our parent company Maersk has deliberately lost out in the Indian market and some of the shipping lines in Mundra has doubled that up in that period I think it is short-term it will change again, but on a like-to-like and as you rightfully say Sir when you exclude the transshipment we have probably lost out a little bit against Mundra in third quarter.

Achal Lohade: But would you have the number what is the growth or was its flat YoY in 3Q for west coast port in terms of EXIM cargo?

Jakob Sorensen: Do you have that details Santosh?

Santosh Breed: No there is no detail available by split right so we do not get any split on how much is the EXIM, how much is transshipment so that is not easily available in public domain so we do not have the comparison.

Jakob Sorensen: That is fair enough. I have also said before that Mundra has had a little bit of windfall on the transshipment this is because if you start it there are some major problems in Colombo in Sri Lanka and that of course is affecting India, but Mundra has been able to step in to compensate for that with transshipments I just do not think they are going to keep it I think it will fall back again to Colombo once they straight themselves out down there. There has been a lot of writing about it in the press and I think there is also some political aspects of what is going on which I will refrain from commenting on, but I think as I said we have probably lost out a little bit in the real business in that quarter we will get that back and again I say looking forward our main benefits will be that we have the DFC that we are focusing on and other ports like Hazira and JNPT terminals they will not have that benefit in the several years to come, but that is why I think the exciting playing field is Mundra being so large and again it is not really something that it is not a port that we really want to compete with because the Saurashtra cargo ports naturally to us and Mundra has a hinterland that naturally falls to them and we all linked with the DFC I think it is the northern market which is large and diversified that is where we all have a chance to grow and especially when we move cargo from road to rail.

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

Aditya Mongia: I have one question over here, the question relates to DFC. Did you talk about the fact that once DFC gets commissioned Pipavav ports can get benefit, I just thought I was kind of get some more color from you over here because what we are basically suggesting is that what moves from road to rail will not go to Mundra port, but actually come to Pipavav is my understanding right could you give us a sense of why that shift would happen because obviously Mundra also has a rail offering and some more color on this aspect?

Jakob Sorensen: Santosh could you hear that question because I have to admit there was a bit of disturbance on the line for me.

Santosh Breed: Sure Jakob so let me take that. So Aditya I think what we have been saying about DFC is two things one on the long-term when a infrastructure like this is developed changing the entire logistic landscape in India it is surely going to develop lot of additional industries and exports from India so that is one but of course that is long-term, in short-term what we are looking at is to access newer markets because we had challenges on our road infrastructure and transportation happening through road there were some limitation earlier to handle that cargo now when DFC comes in we will be reaching newer markets and that will help us to attract more cargo both on the import and export side at Pipavav and that is where we are really focusing on. So from our sales side we already started on that we have issued some fliers, we are reaching out to end customers to see how we can give them solution.

Jakob Sorensen: We have a level playing field with Mundra but Mundra is to date receiving quite a lot of cargo from the north by truck if that goes to rail in fact it might go to Pipavav it might go still to Mundra but where I see the big shift is that we will be on Mundra will be on the DFC what is not going to be on is Hazira, what is not going to be on is JNPT terminals and that is where I think that the major shift will come so that the northern cargo that should take over via JNPT is much more likely to go via Pipavav and Mundra for that matter.

Aditya Mongia: That helps and thanks a lot that was my question.

Jakob Sorensen: Yes we have the two, three-year head start when I say we that means Mundra and Pipavav versus Hazira and JNPT.

Moderator: Thank you. The next question is from the line of Priyankar Biswas from Nomura. Please go ahead.

Priyankar Biswas: One quick question. So this is regarding the road evacuation infrastructure at Pipavav so I recall that it was in quite a need of repair it was in quite a bad state so what is the status right now regarding the widening and getting the roads up to shape?

Jakob Sorensen: Yes the road is not progressing that much not in the speeds that we would like to see, but if you are looking at the highway the worst place is still between us and Bhavnagar whereas if we go west from Pipavav that road is almost completed and it is actually saw that you now have a toll road and you will be charged going through there, but as Santosh said our dependence on the road network is less important for us as we go live with the DFC I think we will have a lot more drive to convert cargo from road to rail but the near market just around Pipavav will of course always come by truck.

Priyankar Biswas: Okay Sir thank you very much that is all from my side.

Moderator: Thank you. Ladies and gentlemen, we will take the last question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Just a clarification I completely agree with the medium term benefits that we have, but eventually when JNPT gets connected in terms of the number of hours or the speed will it be superior to us for let us say Rewari junction would it, what I am trying to ask is basically the advantage what we have in the medium-term will it remain as a structural advantage or it could go back to the earlier scenario once JNPT gets connected?

Jakob Sorensen: I do not think we go back first of all because will have a head start of several years so we will have a fair chance of cementing the shift, but secondly if you are looking at what happens in JNPT now they are talking about privatization and even there is a new talk about port, there is going to be a lot of more infrastructure developments that is going on so in the long run I am just happy that India is evolving and developing and more infrastructures going to come I do not think we will go back once and all and we will certainly do everything we can hold on to the head start that we have and I think in the time period if we have six months head start that would be insignificant but we have actually several years of advantage, which we will take full year advantage of.

Achal Lohade: Just a clarification what is the volume which is currently being handled at JNPT for the hinterland in north would you have the number Sir?

Jakob Sorensen: Not here on top of my head but of course JNPT terminals are linked to the north they have cargo trains coming in and out of ICDs of the north that we share today that is what we want to gravitate towards us, when you did not talk about central India Maharashtra itself and also central India that is still JNPT core hinterland and I do not think we will touch on that. Santosh do you have that breakdown.

Santosh Breed: So we have a broader range Jakob so roughly around 10% to 15% of their volumes are from the northern hinterland.

Achal Lohade: Just a clarification how much of the vessel cost are the double dip actually I think we are in the second port of call for the line?

Santosh Breed: So I think most of them because if you see when we look at the northern hinterland connection of the Gujarat ports then the rest of the cargo as I mentioned going from Gujarat port so I think most of the services which are there at JNPT has a double dip either at Mundra terminals that is DP world or Mundra's terminal or at Pipavav. So I think almost most of the services have that.

Achal Lohade: This is very helpful Sir thank you so much wish you all the best.

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, so a very big thank you to all the participants for attending the call and also a special thank you to the management for giving us the opportunity. Sir would you like to make any closing remarks Jakob or Santosh anybody?

Jakob Sorensen: I would just thank all the callers and all the questions here and apologies if I have had a little bit of a more elaborate and longer response to you, but I am trying to put the macro context into this because I think we are quite excited about the future and about the DFC and the change that is going to happen so that is just because I want to give a little bit more global and wider context of where we are operating in, but we remain optimistic and also all of us are looking forward for a vaccine and the situation around COVID to get into an out of phase and eventually get impact to a more normalized situation and that is what we are starting to look at right now, but thank you very much for your continued interest and thank you for a lot of good questions.

Ashish Shah: Yes, Jakob and appreciate to your responses actually Jakob it helps us understand the things much more clearly. So I will just appreciate the responses. Thank you.

Jakob Sorensen: Thank you. I wish everybody a safe day ahead and a great weekend. Thank you very much.

Moderator: Thank you very much Sir. 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.