

“Gujarat Pipavav Port Limited Q2 FY2017
Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Gujarat Pipavav Port Limited Q2FY2017 Earnings Conference Call, hosted by IDFC Securities 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 for 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. Shirish Rane from IDFC Securities. Thank you and over to you Sir!

Shirish Rane: Good afternoon everybody. Welcome to Q2 FY2017 Earnings Call of Gujarat Pipavav Port Limited. We have with us today Mr. Keld Pedersen, Managing Director of Gujarat Pipavav Port Limited; and Mr. Hariharan Iyer, Chief Financial Officer, Gujarat Pipavav Port Limited. To start of the call Mr. Keld Pedersen will make some opening remarks followed by a detailed discussion on numbers by Hari and then we will open the floor for discussion. Over to you Sir!

Keld Pedersen: Good afternoon, Keld Pedersen here. I would like to jump directly into the key highlights that we have presented. So for the quarter we did 166,000 TEUs, which is a 3% decrease versus Q1 2016. We have had as some of you may know we have had one of our customers going bankrupt from Korea that is the Hanjin Shipping Line so they stopped calling in August and has a slight impact on the result on top of that we have had a bit lower reefers for the quarter.

On the Dry Bulk, we have seen an increase of 17% making up to 705000 metric tonne versus a quarter before Q1 and this is mainly driven by higher fertilizer volume.

On the liquid part, we did 78000 metric tonne that is 39% decrease versus the previous quarter. It is mainly driven by seasonality and volatility in the prices in the liquid market. For the RoRo, we did 21 calls during the quarter we delivered 21,570 cars and that is a 96% increase versus previous quarter. So this is also again it is a new vehicle in the RoRo business with highest volume ever in a quarter since we started up in September 2016.

On the financial results, based on the four businesses then we end up with a 986 million or 98.6 Crores at an EBITDA level, which is nearly flat and a 57% EBITDA margin, which is down 3% and as you may recall from previous calls then the commodity mix is a reason for this as we have had a 17% higher bulk volume on the fertilizer and the bulk volume is lowest margin..

So net result 59.4 Crores is in line with quarter one 2016 and then, I am pleased to announce as of the board meeting today then the board of directors has declared an interim dividend of Rs.2 per share translating into 20% for the current full year.

So if we move on, I think I have taken you through the numbers pretty fairly flat development on the container volumes. You see the bulk volume going up while the rake volume has a marginal increase of the quarter before.

On the infrastructure we are progressing as per process and timeline on the initiatives we are moving so one is the residential building we are expanding for our people there, the other one is our 4th RMGC which is under installation, and testing. Finally we have as of last year initiated a consolidation of our people who are pretty spread in lot of locations along the port so they will be consolidated in an office building likely to finish in March next year. I will hand over to Hari to take you through the P&L.

Hariharan Iyer:

Thank you, Keld and first of all best season's wishes to all of you a very happy healthy and a prosperous year ahead. Let me start with the overview of the financials for the quarter ending September 31, 2016.

The total income for the second quarter at Rs. 1722 Million is marginally up 3% from the immediate previous quarter largely on the back of increase in the bulk volumes up 17% from the previous quarter which was partly offset by a 3% drop in the container volumes in the quarter. Liquid volumes were done 39% while the RoRo volumes continue to show a growing trend and nearly doubled up 96% to over 21500 Cars in this quarter. So overall these mix changes in the volumes have resulted in a marginal increase in the total operating income to Rs. 1722 Million.

Container volumes were marginally lower than the previous quarter. Global environment for the maritime industry continue to remain challenging with shipping lines being impacted by low growth and falling freight rates.

Now our container volumes grew around 7% in the first half of the financial year as compared to the same period last year. In Pipavav the new service INDFEX which we added in the month of March 2016 is ramping up; however, the gains from this service was partly offset by the initial impact of global carrier Hanjin filing for bankruptcy in August affecting one of the services from the port.

During the quarter the bulk volumes as mentioned earlier touched 705,000 tons up 17% mainly driven by higher fertilizer volumes we had roughly about 400,000 tons during the current quarter.

Lower petrochemical and LPG volumes during the quarter resulted in a drop in the liquid volumes overall to 78,000 tons. The RoRo volumes showed a growth from the previous quarter and also the highest in a quarter so far. On the cost front increase in operating expenses is a consequence of change in the mix of the cargo, higher fertilizer being handled during the quarter otherwise the gains from the cost efficiencies continue to accrued and resulting in positive impact to the EBITDA.

EBITDA at Rs. 986 million is marginally down from the previous quarter and the drop in the margin can be attributed to the mix in the volumes with increased revenue coming from lower margin bulk businesses. Other income includes a Rs. 32 million interest on tax refund received during the quarter there are no other significant onetime or exceptional items in the quarter. The net result therefore at Rs. 594 million is nearly at the same level as with the previous quarter.

Comparing the first half of the year then the EBITDA at Rs. 1988 million is up 14% margin at 58.6% is up over 600 basis points and excluding the exceptional item of a favorable write back we had on impairment in the first half of 2015-2016 then the results are up to 85% Rs. 1192 million as a net result from the last year.

As Keld mentioned the board of directors earlier today declared an interim dividend of Rs.2 per share translating to 20% for the current financial year 2016-2017 this is nearly equivalent to the total earnings, net earnings in the first two quarters of the current financial year being the maximum eligible payout.

Thank you at this level and then we are open to take questions.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Venugopal Garre from Bernstein. Please go ahead.

Venugopal Garre: Thanks for the opportunity. Sir my first question is just wanted to understand the impact of the Hanjin bankruptcy with respect to this quarter, if you could quantify that and also if you could give us an idea of what will be the sort of full year impact that we should look at on account of that?

Keld Pedersen: I can give you a rough number on an annualized volume for Hanjin, which would be in the area of 40000 TEUs, and as we were facing out or going bankrupt around the third week of August, I think this is seen like followed so far. Sorry 3300 TEU is the actual number impact.

Venugopal Garre: Sorry 33?

Hariharan Iyer: 3300 TEUs is the impact during the current quarter what Keld mentioned earlier was the overall picture for the full year it is in the range of about 40000 TEUs on an annualized basis.

Venugopal Garre: Sir on the Hyundai TS line where there were some news flow on that also are seeing some reorganization and it is not going to call Pipavav so if you just quantify that impact to on a 12 months sort of a basis?

Keld Pedersen: So this has been out only here around this quarter so that service deliver some 40000 to 50000 annualized, but I would also say that this has happened up with the quarter we are reporting on and I do not want to get into commercial details, but we are still working for a number of things. So we would like to say that around for the next quarter.

Venugopal Garre: Sure sir, if at all my last question will be on liquid you mentioned seasonality as an issue but is it down Y-o-Y too so just wanted to firstly understand what is the key fundamental driver for this decline and secondly for you what is seasonality mean here is it like is only a 4Q driven business, because last year we saw ramp every quarter on a Q-o-Q basis so I just wanted to understand?

Keld Pedersen: We do see the monsoon season having an impact on this but I will also say on the liquid part and liquid being different commodities including LPG I think I dare to say that we are still starting up from relatively small volumes and you will see bumps from quarter-to-quarter. I do not know if recall three quarters ago we have an all time record and the numbers you see now for the medium-term future we do not see that trend as being a firm trend in terms of all these quarters number. It is not what you see off the bumpy road.

Venugopal Garre: Thanks a lot Sir.

Moderator: Thank you. The next question is from Kushan Parekh from Emkay Global. Please go ahead.

Nitin: This is Nitin from Aviva Life. Sir my first question to you when we say the liner is going out just wanted to understand this Hanjin thing was not in August according to me it was something which was already communicated to lot of the other global ports about six to eight months back they already communicated is that the filing of bankruptcy happened in August. So how much visibility generally a liner would not be telling you a one-day back that I am going to go out from the port. So how much visibility you have with respect to a liner if he decides to move out from your port of call with respect to number of months or a quarter. So you generally have that information that liner is moving out from my port of call. So give that your 166,000 TEUs is at the current quarter and you said that 40000 is an annualized impact of Hanjin but definitely he would have been downsizing it from at least three quarters back so going forward we might not see that much impact on an annualized basis is that a correct reading?

Keld Pedersen: I think six to eight months ago. So I just take you out in the industry and the numbers that are coming out, as quarter we saw some shipping lines and all is on a quarterly basis they are showing numbers that are fairly distressed for many carriers. So it is correct that there are some liners that are startling but we can certainly never tell that they will go bankrupt because in one way or the other many of them find ways to restructure their finances and so on. So we did not know and we would not know if any others going bankrupt we would not know this if all they have filed for bankruptcy. Now we can have our concerns sometimes around the quarter we saw from our customers got but we would not know it before they are filed. So that is the situation and we were not predicting this assumption.

Nitin: Let us take another example, let us take an example of I understand that this happened in this quarter you do not want to answer for that but going by the logic let us say PCIX is going out from our port from the October onwards definitely they would have downsize this at least two quarters back in our numbers of giving a particular port of call because there is lot of realignment and readjustment lot of the liners keeps on doing it. So is it something the annualized number which you stated just a few minutes back about 40000 also for the CIX that would be what 400 moves per week should we work with that number or you think that they have already being downsizing it because from the last 15 quarters we are still at a run rate of 160 to 180. So they must be downsizing it so the incremental impact would not be that much?

- Keld Pedersen:** I think you have to be careful because I think on the FIX service we had for Hanjin there were no signs other than of course that Hanjin has been known for a while to be challenged on the finances, but volume wise and so on has been no indication or no significant change in volume or weekly calls or anything like that. So we hear about no more frequently while that the companies are restructuring and finding new liners and so on and I think I would like to take an example like the announcements that has been now in the media in the last two days where the three Japanese carriers MOL, K Line and NYK, they have announced the merger which will come together as least as partners next year and then in 2018 they are expected to merge. So till these kind of news that is out of they need to restructure in the industry it goes in line with the news around and other three, four, five weeks ago about I think K line writing off a significant amount of money. So we see consolidation in the industry we see it happen rapidly but we do not necessarily expect that they will go bankrupt but merger for sure that is what we will see and in that context it is a cost if I build a little bit on that in that context it is extremely for us to be close to the customers and close to the changes that happen in the market place in terms of how the different shipping lines team up together.
- Nitin:** My last question Keld this your AP Møller family announced a restructuring plan recently. I asked this question last quarter also. Now it has been said by your parent that we are going to help out ports globally which are making losses by letting our own shipping line company which is Maersk to give more volumes though that has always been the case but this time the AP Møller family made it official that was the only change which I felt through. How do you see it for our company, our ports because do you think that first the more focus will be the oil marketing geographies where the AP Møller is making lot of losses in the APMT terminals or do you think that the focus would come back to India by the liner where we are actually making profit and does not make a different to an AP Møller family?
- Keld Pedersen:** I think that would be to conclude on that one I think it would be too early because I do not think you should what has been said in Copenhagen and by the parent, I leave for them to comment on but GPPL whether we make profit or not we are working very hard on all lines and that also includes Maersk line for sure.
- Nitin:** Thank you. Kushan you can take it.
- Kushan Parekh:** I just have one bookkeeping question I did not catch you earlier the other income is higher on what account.
- Hariharan Iyer:** We had onetime interest on the tax refunds that we received it included a Rs. 32 million interest on tax refunds.
- Kushan Parekh:** Is there any sort of dividend from PRCL that has come in and the other income this time around?
- Hariharan Iyer:** No.
- Kushan Parekh:** So there is no dividend income from PRCL.

- Hariharan Iyer:** That is correct.
- Moderator:** Thank you. We will take the next question from the line of Adhidev Chattopadhyay from Elara Capital. Please go ahead.
- Adhidev C:** Just to understand now obviously Hanjin getting phased out and this Hyundai Merchant Marine from this quarter so what is the likelihood of the existing exporters or importers who are using this liners what is the chance of them shifting them to other services at your port and from the next six months what is the visibility that you have on the possibility of volumes coming back?
- Keld Pedersen:** I would say what is happening when these things happen and there is one line are phasing out of course therefore there is an increase which of losing all volume in one liner is shifting from one port to the other in the same geographical area so in this case Hyundai will not call in northwest as of this moment they will have chosen to call Karachi in Pakistan and Hanjin do not exist anymore so we are obviously out in the market in the hinterland and trying to do everything we can to hold on to the cargo that we have connectivity through our port, but that being said, when the service leaving or choosing or do not call anymore or going bankrupt there is an increased risk of volume leakage through all other ports that is the fact.
- Adhidev C:** Sir secondly post the capacity expansion obviously now we can offer more berths to the liners so just other than these events which keep on happening on the existing liners having to discontinue operations what is the visibility on other new line additions are you expecting some addition in the second half of this year?
- Keld Pedersen:** I do not want to give answer to the specific commercial details, I cannot but what I can tell you is obviously that we continue to work on our pipeline.
- Adhidev C:** Sir and lastly I just wanted to understand on our port tariffs now given the fight for market share obviously container lines are not doing well globally and given that this fight for market share even with the other ports within the western coast which you are competing so on tariffs do you foresee any chance of you taking a price cut to get volumes back? Sir I am just trying to understand what is the strategy?
- Keld Pedersen:** We have to phase in for being very close to our customers and that is confirmed through the surveys we do on our customers. So we stick very close to them and there is no doubt that in a very competitive market with number of customers showing less figures in the quarterly results there is no doubt there is pressure on price but as of this point in time you will not see us go out and take a price cut across the board, but it is obvious that the customers come and they ask what we can do to reduce and help and then we are looking at always looking at whether there are possibilities to create a win-win situations. I think that is a best answer I can give you without going into details but to see a price cut across the board so there will be a significant impact on the margins. That is not a part of our plan at this point in time.

- Adhidev C:** Sir and just one last it is more of an industrial level question so obviously we have the rail connectivity with the port Sir are you still seeing like exporter, importers, still preferring road over rail it is more of a generic question?
- Keld Pedersen:** Yes, so there is still some imbalance on road and rail and as we have said earlier the rail movements and in terms of price have increased quite significantly over problem we have so the answer is yes there is still a lot of cargo movement.
- Adhidev C:** Thanks for answering my questions. That is all from my side.
- Moderator:** Thank you. We have the next question from the line of Manish Jha from Macquarie Securities. Please go ahead.
- Manish Jha:** You said that the RoRo volumes have increased by 96% Q-on-Q right, which are primarily the record volume during the quarter. So can you just give us some color on the volume growth for the year for RoRo and what would be the driver for this growth?
- Keld Pedersen:** So there are number of things, one is without giving you any full year figures and so on, but I think we can say that we are very happy with the RoRo business and the way it has developed and it is majority borne by our initial customer for who delivers by far the largest part of the volume. It is also a fact that we see as we reported in the last call we start to see portions of Honda going out through our port. It is also official that there are couple of OEMs or plants coming up near Sanand, near in Gujarat, Gujarat it looks like it is developing to become a hub over the next two, three, four, five years and we are clearly all of there to capture our share of that business for the long-term.
- Manish Jha:** The presentation says that there is a small increase in rail volumes so what could be the impact of Khatuwas commissioning on the rail volume for Pipavav, GPPL in this quarter and how long do you expect it to sustain?
- Keld Pedersen:** So Khatuwas is owned by Concor and in a start up phase so I think it is too early to conclude that this in particular Khatuwas having and impact but Khatuwas is obviously very interesting for us in the long-term so what I was saying when I got disconnected is that normally robbing of cargo and chains of the robbing takes sometime so it is too early to say what Khatuwas will have impact to us.
- Manish Jha:** Just if I could slip in one more, can you give us any color on the container volume growth in the near to medium-term and would you have any insight on the volume growth that GPPL compared to other Indian ports in the near-term?
- Keld Pedersen:** I think we have the market number of 6% to 7% globe, in Northwest India and out of that a very, very small part is captured in JNPT, hardly anything. So when you look at our numbers and you ask for future estimates and I have to say that as we normally try to explain it then we are all over in the hinterland trying to build the platform for shipping lines and at the same time we are all

over shipping lines for them to come and pick up the cargo. Our numbers as they are it obviously has an impact that we have lost Hanjin for this particular quarter.

Manish Jha: Just to end up Mr. Hariharan gave a number of 400,000 metric tonne of fertilizer were handled in the bulk sector, bulk segment right so what was the other component in the bulk apart from fertilizer?

Hariharan Iyer: Then apart from fertilizers we have coal and minerals, but mainly it is these three elements.

Manish Jha: So any breakup for coal and minerals?

Hariharan Iyer: Coal we handle roughly about 120000 odd tons, the balance would be minerals?

Manish Jha: Thank you Sir. That would do for me.

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

Paras Jain: Thank you gentlemen. I just have two questions first more on Indian and Japanese Global consolidation and I have recognized that many of the port operators have taken a write down in this quarter, given your exposure to Hanjin was hovering around 4% to 5% of your overall volume, did you have any meaningful receivables that you had written off in this quarter's results and secondly?

Hariharan Iyer: No we do not have any financial impact to us because normally in the container business we have what we call it as a port deposit so we have an amount collected already in advance and we do not have any bad debts as such because of such a change now.

Paras Jain: Also could you help me to just visualize in terms of your overall volume how much volume do you receive from the Japanese carriers, as two of them seems to call Gujarat Pipavav?

Hariharan Iyer: No I do not think we can get into so much details, granular details, it is important for us to give you a very general overview in terms of what the numbers are to the extent that it can be shared with you without compromising on the commercial aspects of it. We cannot get into so many details by each customer.

Paras Jain: Fair enough and just last point on your dividend payout and I am not sure if I heard correctly because it looks like the payout is hovering around 80%, 81%, but does it mean that this is the max you can pay it taken into consideration the dividend withholding tax?

Hariharan Iyer: The total payout actually is almost close to 100% this is relating to the last two quarters of the earnings that we have got Q1 and Q2.

Paras Jain: But EPS seems to be more like 2.47 rather than 2 is not it for the first half?

- Hariharan Iyer:** The total if can, can you give me the numbers in terms of the two quarters of profit it is 598 and 594 and pretty much the total payout would be in that range including the dividend distribution tax.
- Paras Jain:** Okay, the Rs.2 includes the tax as well?
- Hariharan Iyer:** No, the Rs.2 does not include the tax, this is Rs.2 of total amount plus the tax and the total amount that is the payout will then be the total.
- Paras Jain:** That is very helpful. Thank you.
- Hariharan Iyer:** And just prior to that before we go to the next question just a correction earlier somebody asked me about the coal volumes during the quarter I said it is around 120 I am sorry it is about 190,000 during the quarter.
- Moderator:** Thank you very much. We have the next question from Aditya Mongi from Kotak Securities. Please go ahead.
- Aditya Mongi:** Good afternoon everyone. My first question related to this Hyundai Line which went away just wanted to discuss this line more because to me it appears that this line was earlier calling at two ports which is JNPT and Pipavav and now it is only going to be JNPT, so just want to get a sense of the reason why such a shift has happened?
- Hariharan Iyer:** What we understand from the shipping lines are that the freight rates are at such low levels that for them to carry the cargo for this region it becomes a loss-giving proposition, so therefore they have moved their vessel call to Karachi.
- Aditya Mongi:** So if I am not wrong this line would be doing somewhere in the range of 700, 800 TEUs per call?
- Hariharan Iyer:** I think annualized we gave you a number a little while ago it is in the range of about 40000 TEUs.
- Aditya Mongi:** And this is the weekly service so basically 700, 800 TEUs is the, so what I am trying to say is that this is a fairly large number right of a weekly service going away so you are saying essentially this is because of the freight rates being followed that does not make sense to call it two ports?
- Hariharan Iyer:** Some of the cargo that these shipping lines are calling that was the reason why it has moved up, it does not shift the service, does not shifted to another port, but the entire service does not call into the North.
- Keld Pedersen:** But it is also reflected in the quarterly results from the shipping lines while that so when they are loss giving the freight rates do not cover the cost.

- Hariharan Iyer:** But it is a little bit too early to call on what would be the impact because if these cargos definitely would move and they could easily get moved into another service, but it is a little bit early to make that call now.
- Aditya Mongi:** The question which I essentially wanted to ask was that for the shipping services which are coming to the port, which are doing small amounts of business 400, 500 TEUs are they at risk on a similar count where in a shipping line would consider low freight rates and want to call at one port out of two?
- Keld Pedersen:** No I do not think you can, you cannot generalize it. So what we see in market picture is that the media cost of the freight rates Asia Europe is having a spillover in India, so the freight rates right now follow pretty much the Asia Europe rate and this is what is the affix but then, if you want to analyze this further then it will be difficult because different corridors, different service fixation, different ports depending on who covers and so on that will be the answer to they are highly exposed to, so enormous loss only little loss or even by even at this point in time. I mean of course, I think there is a hope from the shipping line industry in general that consolidation is good because that will enable them to become profitable and when they are profitable it is also better for us.
- Aditya Mongi:** My second question was more on the export import gap has it increased for the port and let us say on a quarter-on-quarter basis or is it stabilizing more towards the 50% mark?
- Hariharan Iyer:** It is more or less in the similar kind of a trend I think we are in the 55% to 60% on the imports, more on imports than on exports at this point of time.
- Aditya Mongi:** The last question was related to later recent announcements wherein certain shipping lines let us say CMA, CGM has actually increased its pricing for Mundra and essentially maintained its pricing for Pipavav, it appears now that what is, let us say Rs.6800 rate for Pipavav unchanged versus that Mundra has a much larger rate of Rs.8400 or so, so should we reading anything into this in terms of Pipavav rates actually going up from here on or is it nothing to be read into?
- Hariharan Iyer:** Shipping lines as I think a little while ago Keld mentioned there is so many dynamics in that in terms of how the shipping lines have to continue to keep reprising themselves to find out what is the most because the situation overall remains quite challenging, so this is a constantly moving scenario, so it may not be something that is indicative on a long-term basis, there are short-term measures which are taken constantly to see how you are either able to fill some gap or in terms of impacting certain cargo to a certain port, which is desirable to them so it is a constantly changing thing.
- Aditya Mongi:** Sir lastly on Khatuwas is there a sense of when it should start positively impacting us because of our EXIM imbalance then not being such a big issue?
- Keld Pedersen:** So the answer is to Khatuwas is now we do not have to comment on that I think Concor is appropriate body to approach for the outlook for Khatuwas.

- Aditya Mongi:** Thanks a lot. Those were the questions from my side.
- Moderator:** Thank you very much. The next question is from Chockalingam Narayanan from Deutsche Bank. Please go ahead.
- Chockalingam N:** There has been a slight increase in receivables at about Rs.50 Crores is this more because of the mix of the business or are the credit periods increasing with the containers?
- Hariharan Iyer:** No there are no credit periods on the containers. The mix actually purely drives it in the business. As far as the bulk cargo is concerned then actually the collection starts happening only after the cargo is evacuated from the ports and that happens in a phased manner and there could also be that some payment should have come immediately after the end of the month.
- Chockalingam N:** That is not a worry so on containers there is no issue.
- Hariharan Iyer:** Not at all.
- Chockalingam N:** And second is on concession extension any updates on that?
- Hariharan Iyer:** No significant change from the last quarter that we talked about there are not any specific new developments now.
- Chockalingam N:** Sorry.
- Hariharan Iyer:** No there are some changes in the personnel within the Gujarat Maritime Board that is what Keld mentioned but otherwise there is no specific movement on this particular issue per se.
- Chockalingam N:** The last one sorry to come back on this you mentioned that the volume growth was about 6% to 7% in the northwest market and even if we kind of add back the Hanjin impact our volumes are kind of flattish so how should we read into this in terms of are we losing some lines versus or market share is being lost how should we read into this?
- Keld Pedersen:** I think you should read it the way that Hanjin services makes a tremendous difference while looking hinterland and continuously working on incremental volume mix and gives significantly from quarter-to-quarter so obviously the jumps take place when services are landed while hinterland volume is steady work on incremental volume to report.
- Chockalingam N:** Thank you.
- Moderator:** Thank you very much. The next question is from Manish Jha from Macquarie Securities. Please go ahead.

- Manish Jha:** Thank you for giving the chance again. Just a couple of quick ones, we see that the EBTIDA margins are nearly flattish for the quarter so can we foresee it reaching around 60% for the full year?
- Hariharan Iyer:** On the EBITDA margin I think both Keld and I explained that in this particular quarter it is more or less while it is flattish because the volumes have remained flattish there is some mix in the commodity. So we have a larger increase coming from the fertilizers and/or the bulk, which is generally on a lower margin and therefore had an impact on the overall margins but otherwise we did not have impact on the margins per se.
- Keld Pedersen:** We also there fully now and say that the statement we have made some quarters ago in being in the range of 60 and the EBTIDA margin are even in the range of 60 to 65 that is the rate we have decent cost for the long-term.
- Manish Jha:** That means we are on track to reach those numbers right 60% to 65%?
- Keld Pedersen:** The numbers as we explained 17% increase in bulk has had a negative impact on the EBITDA margin itself but it is also a fact that container RoRo and liquid they are the three business where we could also puts in our effort.
- Manish Jha:** Any number on income from SFIS.
- Hariharan Iyer:** Not in this current quarter.
- Manish Jha:** I think that answers me. Thank you.
- Moderator:** Thank you very much. We have the next question is from Atul Tiwari from Citi Group. Please go ahead.
- Atul Tiwari:** Sir my question is on the dividend so now that in the first half the company has paid 100% of profits as dividend so should we assume that this is the dividend policy and the similar thing will continue in the future also or this is kind of a one half?
- Keld Pedersen:** We have put a dividend policy on website and we have agreed with our board of directors that dividend should be distributed so I think what we are saying by the distribution today is also we are not going to be sitting on a significant and very heavy amount of cash that will go out as and when it is possible without saying what will be sustainable or not sustainable. I think we have just stated that up we have looked at the cash for this quarter and we have shown approval for interim payout from the board of directors today because we thought cash amount was too high and we could justify interim dividend.
- Atul Tiwari:** Sir just one more question, I am sorry I did not get a chance to look at the exact dividend policy so what does the policy say that the dividend payout ratio will remain at 100% or it says that the

company will not have too much cash and as a result the payout ratio will remain fairly high but it may not remain at 100%?

Hariharan Iyer: There is no percentage specified in the dividend policy. You can also have a look at it this also posted in our website so you should be able to go through that. There are many factors that need to be taken into account while considering a dividend and all these aspects have been also outlined in the dividend policy. Without giving any specific percentage because it is in a market like this where there are so many moving elements it may not be practical or possible to put the fixed cost percentage as our board.

Atul Tiwari: Thank you.

Moderator: Thank you. The next question is from Salil Desai from Premji Invest. Please go ahead.

Salil Desai: Sir I have a question on this fertilizer volume can you clarify how does this work in the sense that we go and actively seek volume is there a bid to this happen and who decides the pricing for this?

Hariharan Iyer: It is a bid that happens. The Fertilizer Ministry nominates ports where these fertilizers would come in and we are also one amongst the nominated ports then the importers then import through these ports where it has been nominated. The increase that you see during the current quarter is also to some extent seasonal because as soon after the monsoon then again the fertilizer imports start increasing.

Salil Desai: So once you are nominated then between the ports there is kind of a price competition on the basis of the selection happened is that right?

Hariharan Iyer: That is right.

Salil Desai: And the volumes that also decided based on this the bids that you make or volumes are again nominated then only the prices to get it?

Hariharan Iyer: No it is a mixture of both and it depends on what the tender is at that point of time.

Salil Desai: Given the seasonality is it really lucrative given that volumes are may be seasonal as well as the pricing is competitive and how do you has a business opportunity?

Hariharan Iyer: Salil for us this is also an important business because it continues to give us a positive returns that we do; however, when we compare it with the margins between each of the other business activities then it of course say that it has a lower margin than the others .

Salil Desai: If you were to compare not this margin point of view but from say an asset utilization or an asset return on an asset point of view then does it compare well with the rest of the cargo volumes or there again there will be some sort of?

- Hariharan Iyer:** See there are specific assets that we currently have. We have a bulk cargo . We have a certain set of equipments around it to handle these bulk cargo and as long as there is a positive return for us from that then we will continue to handle the bulk cargo.
- Salil Desai:** Thank you very much and wish you all to the best for the festive season.
- Moderator:** Thank you. The next question is from Manish Jha from Macquarie Securities. Please go ahead.
- Manish Jha:** On the liquid volume we see a 39% decrease on Q-on-Q so I think probably this question would have been asked earlier also what could be the driver for it what was the reason how do we affected what would be the reason for the decrease?
- Hariharan Iyer:** I think there are quite a few mixed reasons. Keld already addressed this earlier. As far as the liquid is concerned then we are still not in very high basis there are months we started the year in a very promising note, handling almost 250000 I think we already addressed earlier the same question before in the call today but the key factors are quite a bit mixed both it is on the seasonality to some extent and also on the volatility of the prices. Our volumes at this point of time have not reached a stage whereby we can see it is kind of stabilized so therefore there are months, there are changes on a quarter-on-quarter basis, there are months where we have there are quarters that we have a good volumes and the following quarter it turns around so there are changes which are continuing to happen. We do expect that this will continue for some more time so in terms of there could be a month where we will have low quarter then it would be a low volumes and then the other quarter it could go up the other direction and it is a mix of multiple reasons for it.
- Manish Jha:** I asked a question on the EBITDA margins the company attaining around the target of 60%, 65% for the years now given the fertilizer volume which are again seasonal so with the decrease in fertilizer volumes will it impact our margins over the full year term?
- Hariharan Iyer:** See actually when you look at it on an overall basis all these businesses is equally important for us and they continue give us positive returns. What happens in terms of margins because of the big change in the margin these are high margin businesses as far as container, liquid and RoRo concerned but as compared to that then bulk do not give the same level of margins so should there be a quarter in which we have a larger volume of bulk or the bulk contributes to the increase then you will have a negative impact on the margins per se and there will be other way round also holds good.
- Manish Jha:** Thank you.
- Moderator:** Thank you. We will take the last question from Jignesh Makwana from Asian Markets. Please go ahead.
- Jignesh Makwana:** Most of my questions have been answered. Just a bookkeeping question, what was the fertilizer volume in the corresponding quarter of the previous year?

- Hariharan Iyer:** Could you just give me a minute while we repeat that number?
- Jignesh Makwana:** Sir if you can throw some light on the railway connectivity of the liquid cargo which I think Aegis was applying for fire department and everything so they got the final approval or not?
- Hariharan Iyer:** That process is on.
- Jignesh Makwana:** Can you give us some timeline when it can be complete and because of that we will see some incremental liquid volume because of that?
- Hariharan Iyer:** See we hope that it would get done sooner than later. I do not have very clear time liens per se and to answer to your earlier question, I think we handled about 360000 more or less the similar 360000 tons of fertilizer last year the same quarter again the 418000 that we handle this quarter.
- Jignesh Makwana:** And what about how much we handled in the second half of the last year, fertilizer volume in the second half last year?
- Hariharan Iyer:** Second half of the last year was about close to 600,000.
- Jignesh Makwana:** Thank you very much sir that is all from my side.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. Shirish Rane for closing comments.
- Shirish Rane:** Thank you everybody for joining on this conference call and a special thank you to Hari and Keld for giving us this opportunity to host the call. Thank you everybody once again.
- Keld Pedersen:** Thank you and have a good weekend thank you very much.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of IDFC Securities, that concludes this conference call for today. Thank you all for joining us. You may now disconnect your lines.