

# “Gujarat Pipavav Port Limited Q3FY2017 Results Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Gujarat Pipavav Port Ltd Q3FY2017 Results Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Utsav Mehta from Ambit Capital. Thank you and over to you Sir!

**Utsav Mehta:** Thank you. We at Ambit are happy to host the management of GPPV for their third quarter results. On the line we have Mr. Keld Pedersen - MD and Mr. Hariharan Iyer - CFO. The management will have a brief address, after which we will have a Q&A session. Thank you.

**Keld Pedersen:** Good afternoon, good morning and good evening wherever you are. This is Keld Pedersen, MD of GPPV. I would like to jump directly into the key highlights. The number we have announced for the quarter on the container business is 167,000 TEU. We had CIX service discontinued in October, so based on the circumstances I am quite encouraged we can announce that the volumes remained flat in the container business. On dry bulk, we had a 29% decrease, but as we had earlier stated it remained tough and for this quarter tenders for fertiliser got pushed forward to the next quarter and on the coal side, the coal business still remains a challenge. For liquids, we are up 196% with 230,000 metric tonnes. We had questions in the previous quarters about the development in our liquid business as we had to go three quarters back where we announced a record. We have stated that we believe in the liquid business and I think for this quarter we are very proud to announce the number you see here. Also, on the RORO again the highest volumes in a quarter with 25% increase.

If I move to the financial results then it is Rs1,043 million at an EBITDA level, this is 6% increase versus previous quarter, but maybe even more importantly we managed to close at 62% at an EBITDA margin level, which is among the best of our quarters ever. This is driven by a commodity mix and obviously higher RORO and liquid business. On top of that, we continued our cost optimisation and have a very strong focus on cost leadership. Net result, at Rs645 million, which is a 9% increase over previous quarter.

If we move straight to the projects, I do not think I have a lot of comments, there are some highlights, but the picture you see on the right side, electrification of the yard for ERTG, this is a project that is ongoing, expected to complete by the end of 2017, and this is again in line with being environmental friendly and at the same time it adds to our continuous focus on cost leadership. With those words then I will hand over to Hari for the details on the financials and be back for the Q&A. Thank you.

**Hariharan Iyer:** Thank you Keld. Good afternoon to you all. If I may just take you through the financials for the quarter ending 31st of December 2016, the total income for the Q3 at Rs1,692 million is marginally down 2% from the immediate previous quarter mainly on account of lower bulk volumes, which is down 29% from the previous quarter. All the other activities and container

volumes remain more or less similar at the previous levels, which is up marginally by 1% from the previous quarter. As Keld mentioned, liquids closed at around 230,000 metric tonnes, up nearly 200% from the previous quarter, and also similar to our best volumes that we had at the start of the year between January and March quarter, which is the 4Q of the previous financial year. The RORO volumes continue to show a growing trend with close to about 27,000 cars in this quarter, up 25% from the previous quarter. Getting more into details, on the container front as Keld mentioned we had a loss of service, CIX service earlier during the quarter in the month of October; however, it is encouraging to see that the container volumes remained flat despite this loss. The global environment for the maritime industry continues to be weak while consolidation between shipping lines is expected to push the freight rates. The Northwest container volumes grew around 7% during the nine-month period of this financial year as compared to the same period previous year. During the quarter, the bulk volumes at 502,000 metric tonnes were down 29%. Both coal and fertilisers were lower than the previous quarter. On the back of good LPG volumes during the quarter, the liquid volumes reached 230,000 metric tonnes. On the cost front, gains in cost efficiencies continue to accrue, resulting in positive impact to the EBITDA. You can see that the EBITDA at Rs1,043 million is up 6% and the margin is up 440 basis points as compared to the previous quarter. There are no significant one-time or exceptional items in the quarter. The net result at Rs645 million is up 9% from the previous quarter. The other income includes Rs38 million as interim dividend received from pre-RCL. Comparing the year-to-date, nine months Y-o-Y EBITDA at Rs3,032 million is up 10%, margin at 59.6% is up 450 basis points from the previous nine months year-to-date. Net result for the quarter at Rs645 million is up 9% from the previous quarter and 18% up from the same quarter previous year. With that I end the overview on financials. Now, we are open to take questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Mr. Vinugopal Garre from Bernstein. Please go ahead.

**Vinugopal Garre:** Thanks for the opportunity. Sir, firstly on the container side I just wanted to understand visibility in terms of new line additions. Is there anything that you could share, which you probably would have finalised in this quarter or visibility for the near future?

**Keld Pedersen:** No. There is nothing we can share. What we say and we have said in the previous call also, it is a very strong focus area and I think I would like to elaborate a little bit on this one when I look at the company. In the company, we have a growing LPG business that is relatively new. We have a growing RORO business that is relatively new. We have finished our expansion project. We continue to focus on cost leadership and trimming the company. We are also within health safety security environment. We have a statistic today of more than 900 days without any kind of injury and our electrification of RTGs is also in line with our ambitions to continue to be environmentally friendly. If I look at the business overall, when you ask this question, then I think it is fair to say that growth is our priority and our focus number one that we have in front of us and we focus very hard on it, but I cannot go further into details.

- Vinugopal Garre:** Sure Sir. Secondly, I just wanted to understand the sequential margin increase is more led by any change in mix or is it got to do with anything else?
- Hariharan Iyer :** As I explained to you, the RORO and liquid business, as we have already explained earlier as well, are high-margin businesses for us in this quarter. We then have commodity mix whereby we have higher RORO and liquid business, and therefore the margins have also gone up. That is one aspect of it. The second is of course our continuous efforts in try to bring cost optimisation. So both these aspects helped us in increasing the margin.
- Vinugopal Garre:** Sure Sir, thanks a lot.
- Moderator:** Thank you. The next question is from the line of Kushan Parekh from Emkay Global. Please go ahead.
- Kushan Parekh:** Thanks for the opportunity. I just wanted to understand from you that we have seen a sharp increase on a sequential basis in other operating income from Rs82 million to Rs144 million. I just wanted to understand how that comes about?
- Hariharan Iyer** Yes, because this is also the time where we have the reefer season beginning, so there will be the reefer-related charges which come into the other operating income.
- Kushan Parekh:** Okay, that is the only reason for the sequential jump in other operating income?
- Hariharan Iyer:** That is correct.
- Kushan Parekh:** Okay. Additionally, if you could give us some elaborate guidance in terms of liquid volume and how should we see it on an annual basis basically because on a quarterly basis we see a lot of fluctuation between first half and second half volume numbers, so if you could give some guidance on how we should see it going ahead?
- Hariharan Iyer :** If it is on a Q-o-Q basis then it is very difficult to really put a number behind it, but as Keld mentioned earlier, I think there were questions asked in the previous quarter as well, but we continued to have a lot of promise from this business and we continue to push to move the volumes in the right directions. We are seeing those results happening and we hope that it continues in the same direction.
- Kushan Parekh:** Okay Sir. Just one last question if I could squeeze in one, have we done any price hike over the previous quarter or the current quarter, or is there any price hike that we are going to do going ahead in the near future?
- Hariharan Iyer :** There are no changes in the tariff at this point of time, as we have explained the global environment in the maritime industry continues to remain pretty challenging and weak, and therefore we do not anticipate any rate changes or rate increases at this point of time.

**Nitin:** Hari, just one question. You mentioned about the freight rates, this consolidation relating to some freight rate hikes and we have seen in certain routes that are happening. How do you see it, because the way we are looking at it is when we see the consolidation of the shipping line as they are happening, they are also consolidating their volumes at a particular port in a country. What I mean to say is your competitors and even JNPT we see a lot of consolidation is happening by a lot of shipping liners at a particular port because they are seeing a lot of feeder cargos generating. That is very important for the liners at this point. Is it something too much to worry for us? If it is not a worry still it does not bring back growth for us? Is it something if you can highlight on that? That is my first question. I will come back for the second one.

**Hariharan Iyer :** I can take both these questions. The first one of it is what you mentioned about the volumes with respect to the freight rates which are going up. These are good signs because then our customers are in a better position then. If the freight rates improve the customers who are our key customers, they are going to be in a positive position and that certainly helps. Coming to the second part of it, yes, these consolidations, we see it as also potential opportunity for us.

**Nitin:** My question was more towards these consolidations and opportunities definitely for a port in any country, but depending on the cargo generation from a particular port versus the size of the port, which your competitor and JNPT has, do you see a risk to your growth in that aspect? Because definitely, if a liner is coming, he will consolidate it more where he gets the higher capacities and more feeder cargo.

**Keld Pedersen:** I am not sure that is what you can conclude out of this. I think right now we have a number of clients who are having consortiums or VSA, vessel slot agreement, so everybody is exchanging slots and space from each other's vessels with everybody. The alliances are tying up that we see in the industry, virtuous acquisitions and changes of alliances, but I do not think, you in anyway can see it as a downside more than you should see it as a potential upside, and consolidating in one port surely the discussions on which port you use and so on, but I do not think it takes away our position or removes any opportunities for us going forward.

**Nitin:** Okay. Just last one from my side, any take, any thought process you can give, because a lot of your contracts are based on calendar years with respect to negotiation of the shipping liners that must have been gone through, so any take how the liners are thinking with respect to the volumes for the next year, because your competitor seems to be negotiating and getting good volumes there with respect to negotiation, just a take on the liners part.

**Keld Pedersen:** I think we are in the same game and contracts and overall statement we are always working on contracts whether they are short term or whether they are long term, it is a mix of it, and we continue to work on that and have those discussions that are required in order to close or extend contracts. So, no difference here as I see it.

**Nitin:** Okay, thanks Hari and thanks Keld for this.

**Moderator:** Thank you. The next question is from the line of Paras Jain from HSBC. Please go ahead.

**Paras Jain:** Thanks Hari and Keld. I have two questions, part of that has been answered. My first question is when we look at the sequential volume despite the loss of one of the services, the volumes on the margin on the higher side Q-o-Q basis. What would you attribute it to given the context of demonetisation? Do your existing shipping lines continue to import more or export more out of GPPV or it is something to do with the market-share gain? My second question is just in the context of your parent's capital market. They are putting a freeze on any potential future capex by APMT. Does it mean that any incremental business that your shipping line does, GPPV probably will be incrementally beneficiary of that trend given your parent's terminal in Mumbai is running at pretty much full capacity? Those are probably two of my questions.

**Keld Pedersen:** I think, the first question you have, as I opened up saying under the key highlights, when you look at the fact that it was one service left and discontinued in Pipavav and GPPV, and we still announce a flat quarter on the volume without having added new services, then I think I am very encouraged by that, and that was actually the point I tried to make in the beginning that it should rightfully have gone down but it did not. So, the volume remains flat under the circumstances is very encouraging. We have managed to retain the end customers and the volumes in Pipavav. So, that was the one question and then you had another question on capex and so on. We are a listed company and we have added and expanded on the container business, and we have prepared for RORO business and we are prepared for liquid business and there are still some things going on. I think we are good to go in terms of going to business as we get the opportunity for it without really thinking too much about capex at this point in time. So, we are well set for the coming time to have solid business as we get the opportunity to do so.

**Paras Jain:** Keld, maybe if I can follow up on this. What I was trying to allude is given the fact of change, of course, by your parent, they think that current the utilisation rate where GPPV is tracking that, there is a more likelihood that your parents will drive the business to GPPV which is in line with their drive to increase the utilisation at the terminal business rather than focussing on investing more or from GPPV's perspective it is a business either before 13 December or after 13 December which is the capital market day?

**Keld Pedersen:** Yes, but I see the overall picture is very encouraging and in terms of whether that will provide volumes to GPPV, I think most line is in line with other customers, always having a long focus for us, and I absolutely do not see that as a downside, but to say that I think if we deliver volume, we have to see how we work on this going forward for GPPV.

**Paras Jain:** That is well understood. Thanks Keld and thanks Hari.

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

**Achal Lohade:** Good evening. Thank you for the opportunity. What I wanted to check is in terms of the import/export if you could talk a little bit how has been this quarter and how are you looking at in the coming year?

- Hariharan Iyer :** Achal, there has not been any significant change or shift in terms of what we have seen over the last few quarters. It has pretty much remained as we also explained. The overall market grew in single digit and then it pretty much had similar trend as what we have seen in the earlier quarter.
- Keld Pedersen:** That being said, I can also make a statement that we had previously announced that we have higher imports and exports. If you ask us what we will reach for and what we continue to work on also, then it is obviously to equalize the import versus export because it saves some empty movement of the boxes.
- Achal Lohade:** Right. What is the mix for the quarter and nine months?
- Hariharan Iyer :** I think it will be in the range of 60:40, 60% import, 40% exports.
- Achal Lohade:** Okay. Any colour you could provide on the extension of the concession agreement?
- Hariharan Iyer :** That situation remains status quo. The dialogue with the GMB continues. We have not had anything firmed up at this point of time that we can announce.
- Achal Lohade:** Okay. The other question I had was if you could provide a break-up in terms of bulk cargo how much for coal, fertilisers or other cargo?
- Hariharan Iyer :** I think of the 500,000 tonne that was done, roughly about 100,000 plus is coal, the fertiliser is about 300,000 tonne, the balance would be other minerals.
- Achal Lohade:** Understood. Just on tariff, a broader range in terms of container and the bulk realizations?
- Hariharan Iyer :** It would be in the range of about Rs6,500 for the containers and the bulk about Rs550 a tonne.
- Achal Lohade:** Okay. Any colour you could provide on the DFC front where we can get connected and what is the kind of capex we are supposed to invest or the railways has to invest?
- Hariharan Iyer :** Those evaluations are currently ongoing now. A large last part of the investment will actually be done by PRCL which is our associate company. As far as GPPV is concerned, it is more about alignment at our end which is being evaluated such that it gets synchronized along with the total investment to be done in the PRCL rail line. As we have more information on that, we will share it with you.
- Achal Lohade:** Got it. One more question, in terms of the RORO, would you be able to give any colour in terms of what is the revenue contribution of RORO in the quarter's revenue?
- Hariharan Iyer :** It is a commercially sensitive information, we cannot share it with you at this point of time. We have one large customer, so we cannot put a lot of numbers on that.
- Achal Lohade:** Fair point. It is fair to say that basically the revenue stream would be the lease as well as the marine revenue, would that be fair or is there any handling changes also included?

- Hariharan Iyer :** It is largely marine revenue and the lease of the land.
- Achal Lohade:** Understood, great Sir. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Ankit Panchmatiya from ICICI Securities. Please go ahead.
- Ankit Panchmatiya:** Good evening and thanks for taking my question. Regarding the other income, I missed your comment, what would be the quantum of dividend we have received in the current quarter?
- Hariharan Iyer :** Rs38 million.
- Ankit Panchmatiya:** Okay. Regarding the revenue bifurcation in terms of activities, I would be very thankful if you can provide me, out of the total revenues what quantum would be lease, marine or handling?
- Hariharan Iyer :** We cannot share that as it is commercially sensitive. It has to be a total income.
- Ankit Panchmatiya:** Okay. Just to get a fair idea, what would be our market share if I want to understand or if I want to take the total quantum of containers which are getting imported and exported on the western belt of India, if I just want to make an assumption what would be our market share?
- Hariharan Iyer :** I think the total market in the Northwest region is roughly 9.5 million TEUs or something per annum. You can do your math on that.
- Ankit Panchmatiya:** I will do that. That is all from my side. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Pawan Kumar from Unifi Capital. Please go ahead.
- Pawan Kumar:** Sir, my question is primarily on the liquid segment. From last quarter, we have been talking about PRCL to get licence to carry explosives. Is there any kind of progress on that?
- Hariharan Iyer :** It is not PRCL. It is about having the rail compliant for carrying all classes of cargo. I think that is what you are talking about. There are some activities ongoing, that is what we are working along with our other operators. While do we have a rail facility already there, where we can handle liquids, but what we are trying to work on is to get all classes of liquids, and that is work in progress.
- Pawan Kumar:** But from what I understand presently we are not carrying any kind of explosives as of now, in the sense any kind of explosives or hazardous chemicals we are presently not able to carry on rail, am I right?
- Hariharan Iyer :** That is correct and that is also what I said. That is work in progress in order for you to get the capability and licences to handle all classes of cargo.



- Keld Pedersen:** Let me put it in a different way to clarify. Explosive is a very strong word. I think the way I would like to explain it is that when you look at hazardous goods and hazardous handling, then it is split up in different categories. What we are trying to achieve in close cooperation with our operators is that to expand our capabilities in terms of taking more categories than we presently can today. So, that is what it is about.
- Pawan Kumar:** Okay. Do we expect any kind of meaningful jump once that particular process is completed or it is not going to be that much?
- Keld Pedersen:** I think that is a little too early to say. First and foremost, it requires a review which is done, it requires maybe some minor capex, first we need to get it in place, hopefully then we will see what it can generate.
- Pawan Kumar:** Okay, so the timeline is still far away?
- Keld Pedersen:** No. I do not think you should consider it too far away. I mean, we are not talking 10 years into the future. We have done a pilot. We have set up liquid handling on the rails since last year, so we have already some liquid going out on rail. Now we just need to take the next step. I mean it is not a complete construction of our infrastructure.
- Pawan Kumar:** Is the delay more due to any kind of governmental clearances or some kind of capex?
- Keld Pedersen:** No. It has got anything to do with that.
- Pawan Kumar:** So, it is more about the tank operators?
- Keld Pedersen:** Yes, it is about our business and it has nothing to do with bureaucracy or any show stoppers as such.
- Pawan Kumar:** Okay. One last question. Is there any particular target we are looking forward where we can achieve full utilization in liquids maybe in two or three years?
- Keld Pedersen:** The earlier the better, but I think you still have to see it in the light of where we came from and in each and every call here, we announce that we have faith in this. So, I think you have to look at the figures we have. We cannot predict the future. We do not want to say anything wrong in terms of dealing. We will definitely tell you that we have faith in the product and we will do anything we can to continue to grow this area in our business.
- Pawan Kumar:** Okay. Thanks, I will get back in the line.
- Moderator:** Thank you. We have the next question from the line of Bhavin Gandhi from B&K Securities. Please go ahead.
- Bhavin Gandhi:** Sir, most of the questions had been answered. I just wanted a clarification. Anything that is happening on the direct port delivery at our port, at our end that we are encouraging?

**Keld Pedersen:** Yes. We were actually the first port I think to start this up and there is a certain small portion of that taking place in our port. Also, a number of visible changes in the way documentation with this, so digitisation and electronic documents and so on to clear the import as well as clearing export boxes. There are also some initiatives that are taking place for the last 12 months in terms of clearance of vessels with field and flag. So, all in all, a lot of progress seen on the ground and we are very happy for that.

**Bhavin Gandhi:** And just one more question if I may. Can you highlight what is happening with the KhatUwas terminal coming in, how has been the progress in terms of double-packing from there?

**Keld Pedersen:** I think again that is a bit too early, but it is also outside our business, but I think we welcome any in and out where we have good connection and so on, but otherwise I would prefer to go to CONCOR on that.

**Bhavin Gandhi:** Sure, thanks.

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

**Aditya Mongia:** Good afternoon all. The first question which I had is just a clarification. You had suggested that the volumes on Northwestern route within the country are growing better. What was the number that you had quoted?

**Hariharan Iyer:** I said about 7%.

**Aditya Mongia:** Sure. The second part of the question is that should we assume that whatever impact was to happen because of the CIX service being discontinued has already happened or would it happen over the next two quarters as well in a phased manner?

**Keld Pedersen:** I think we are looking only at this present quarter, then I think under the circumstances we are satisfied. We cannot predict the coming quarters, but I will tell you that we do anything we can do to retain what we have, not only shipping lines but also in the inner line market, while we also do anything we can to continue to grow the company. That is the best I can give you right now.

**Hariharan Iyer:** And to just add to what Keld already said, this discontinuation happened already in the month of October, so pretty much the whole quarter did not have the CIX service anyway.

**Aditya Mongia:** Sure. Is it fair to then interpret that with this event having already happened, does the market for us continues to grow at 5% to 7%, then there is nothing stopping us from achieving those kinds of numbers?

**Hariharan Iyer:** That is exactly what I think Keld tried to explain by saying that it is encouraging to see that we continue to have probably retained the market. It is difficult to say in a very short period of time because over a period of time you will be able to see the trend, but here now we did not have the service but we continued to still have the same level of volumes.

**Aditya Mongia:** How much was the loss of volume because of the discontinuation of the service?

**Hariharan Iyer:** I think close to about 15,000 TEUs.

**Aditya Mongia:** This is a quarterly number you are saying right?

**Keld Pedersen:** This was the loss for that service and not the loss of volume.

**Aditya Mongia:** I understand.

**Keld Pedersen:** I just wanted to make it clear for everybody. It is not a loss of 15,000 TEUs, it is a loss of the service that carried 15,000 TEU, and we do anything we can to retain the volume without that service.

**Aditya Mongia:** The way I understood is that this line went away because it was coming to two ports, it is now coming to only JNPT and it shifted ways to Karachi. Is there any talks of this client again coming back to the original way of doing things which means it leaving Karachi and coming back to another Indian port?

**Hariharan Iyer:** Our commercial team continues to keep engaging with the customers to see how we can bring value to their whole process and coordinate with them to see how we can get it back, so that efforts will continue to happen.

**Aditya Mongia:** Okay. So just let us come to the margin part of it. It is heartening to see the margin numbers this quarter and I understand that there is a commodity mix element over here, but would you want to attribute some part of the decrease on a Y-o-Y to cost reduction initiatives and if so, is there more things left over there to go beyond this?

**Keld Pedersen:** No. I think maybe you were not when we opened up the call, but cost optimization is clearly a part of this. It is in line with continued focus on cost leadership. So, it is not only the revenue mix or commodity mix, it is certainly also very strong efforts I would say by our organization to save cost.

**Aditya Mongia:** Why I asked you this question is that when I see the individual item above EBITDA, your employee cost continues to decline. I just wanted to understand that thing slightly better, as I would have assumed that if volumes are not going for a company then margins would come under pressure, but as of the case with the port, margins continue to remain steady and other cost items continue to decline along with this?

**Hariharan Iyer:** I think as far as the employee cost is concerned, when you look at it on a full-year basis or a nine-month basis, then there is no big change as such. There may be some one-time in certain quarters, which could have shown the difference. The main cost drivers and the cost initiatives have been on the operating front and on the other expenses, and you can see both of them showing the right trends.

- Aditya Mongia:** Sure. The next question I had was on rail volumes. On a Q-o-Q basis, the rail volumes have corrected quite sharply. Any specific reason behind that? 127,000 TEUs which were the numbers in the previous quarter, it is becoming more like 113,000 TEUs.
- Hariharan Iyer:** We cannot get into this on a Q-o-Q basis. There are sometimes maybe some of the trains would follow into the next quarter or something like that, but nothing significant. I would not put a lot of things into that. If you see the same quarter of the previous year, then we are already in that same level, so there could be some seasonality. There could be quite a few reasons on that, nothing specific as such.
- Aditya Mongia:** Sure. Just lastly Sir, on the RORO side, is there potential of any development happening out of Sanand in the near term or is it sometime away?
- Hariharan Iyer:** Those are activities in progress.
- Keld Pedersen:** I think on Sanand and OEMs coming up, I think I would refer back to what was in the news at this point in time until it is firmed and new things have started up, then we can talk a little bit more about it, but right now I think what we do see is there will be new players and new OEMs coming up and I think we will have a good facility for the RORO business, which is also confirmed through many regions by the OEMs. That being said, this business has evolved and they are in place, and then we can talk about how it affects our company.
- Aditya Mongia:** Great Sir. Thanks for the answers. That is all from my side.
- Moderator:** Thank you. Before we take the next question, we would like to inform the participants that in order to ensure that the management is able to address questions from all participants in the conference, please limit your questions to two per participant. We have the next question from the line of Abhijeet Vora from Sundaram Mutual Funds. Please go ahead.
- Abhijeet Vora:** Thanks for taking my question. What will be your effective tax rate Sir?
- Hariharan Iyer:** As I mentioned, at this point of time we still continue to pay only the minimum alternate tax that is MAT, which is 21%. We are still on a tax holiday until 31st of March 2017. From 1st of April 2017 onwards we will be under full tax. What you see here of course is the deferred tax.
- Abhijeet Vora:** Okay, sure. My second question is I wanted to understand the margin profile in a little bit different manner. If I look at the total operating expenditure, it has been constantly within a range irrespective of the top line. Let us say next year once the growth returns in addition to inflationary growth rate, how would this expenditure behave? Will it continue to remain flattish at the current levels or will there be some increase.
- Hariharan Iyer:** Large part of our costs is fixed costs. Therefore, I do not see a very large increase. There will of course be some element of variable cost in each of these activities, that will be driven more by the volumes. To great extent, the business is basically a fixed cost business.

- Abhijeet Vora:** Will it be something like 75% of these operating costs will be fixed?
- Keld Pedersen:** 70% to 75% of the cost is fixed. You can take that as a straight number.
- Abhijeet Vora:** Sure. One question if I may squeeze in. You broadly gave an idea on the liquid cargo, but would it look like things have normalized whatever hit the company's volumes in Q1 and Q2, has that been addressed and have things normalized now?
- Keld Pedersen:** I think you should be careful to conclude that. I do not have to promise you at least that there will be no further fluctuation, but I think if you added over a little bit longer period of time, then you will see that we continue to grow. That is the way I would look at it, a little bit longer because there are some seasonal and a number of things influencing it and therefore it is too early to conclude that it will be a steady quarter on quarter. I do not think you can do that and I am not even sure you can do that in the commodity itself.
- Abhijeet Vora:** Sure Sir, all the best, thank you.
- Moderator:** Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs Asset Management. Please go ahead.
- Dheeresh Pathak:** Thank you. For nine months when I look at the numbers, the volume is down by single digit and realizations are up by 7%, so total revenues are up by 2%. This 7% increase in realization that we work out is that because of the mix, because RORO volumes are higher or on a like-to-like cargo basis you have taken some price increase. Can you just walk us through that?
- Hariharan Iyer :** As I mentioned, I think earlier also to one of the questions, there has been no change in the tariffs. The last tariff change was in the month of January 2015 and thereafter we have not had any change; however, you would know that all our container business is US Dollar denominated. So there is some element of the advantage that we get in terms of exchange. That part of it was in the element. Then of course the mix of the various businesses.
- Dheeresh Pathak:** So, can you give a sense on the RORO realization?
- Hariharan Iyer :** As I mentioned I think the similar question was asked by another participant. We have one large customer and this is still a growing business now. It is commercially sensitive for us to share that information.
- Dheeresh Pathak:** Okay. My second question is what percentage of port volumes for us are DPD now?
- Keld Pedersen:** That is very low.
- Dheeresh Pathak:** How has that changed versus last year?
- Keld Pedersen:** I mean it is still something we need to see happening. So, give us a couple of quarters more and we will update you on this.

- Dheeresh Pathak:** Okay, all right Sir, thank you.
- Moderator:** Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs Asset Management. Please go ahead.
- Pulkit Patni:** Thanks a lot for taking my questions. Firstly, I wanted to check any commentary or coastal shipping? Any sort of movement that you have seen in that direction?
- Keld Pedersen:** Not really anything I think we would announce here. We are still very hopeful that parts of the cargo in India will go to the sea. We have not had time to follow the Union Budget today and whether there is any specific news on this. So, that is too early to say. We have not seen any remarkable difference that is a fair statement.
- Pulkit Patni:** Understood Sir. Secondly, over the next couple of quarters any major Capex that one could expect for you to undertake?
- Hariharan Iyer:** We do not have any large Capex plans at this point of time.
- Pulkit Patni:** Nothing on the dredging front as well.
- Hariharan Iyer:** No.
- Pulkit Patni:** Okay. Thank you so much. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Rajeshri Maiytra from Axis Capital. Please go ahead.
- Rajeshri Maiytra:** Most of the questions have been answered. Just one query, this liner that we are talking about, in the last conference call also post the Q2 result, you spoke about one liner that is Hyundai which had stopped using our port. Is this the same line that we are talking about or is it over and above that one?
- Hariharan Iyer :** It is the same one. It happened in the month of October, so we already told you about that.
- Rajeshri Maiytra:** Okay. We understand that doing about 15,000 TEUs per quarter, so what has been the loss, on a quarterly run rate what kind of dent will it have?
- Hariharan Iyer :** I think we explained this during this call. From the last quarter to this quarter, the numbers remain the same. It is difficult to really attribute how much of it is from this vessel or that vessel or how the things are, this is a little too difficult to determine that. But what is encouraging is on an overall basis we continue to remain at similar or marginally higher.
- Rajeshri Maiytra:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Nitin Bhasin from Ambit Capital. Please go ahead.

**Nitin Bhasin:** Good afternoon Sir. I have one small question about the number of lines that are calling on a daily basis, average calls, if you look at that and how many slots are available to add lines right now?

**Hariharan Iyer :** That depends on the number of hours of stay and several other things. I do not know whether there is really a way that I can answer that.

**Keld Pedersen:** Maybe I could comment on it also. We had a capacity of 850,000 TEU and we announced a number by 1st of April if we finish this project expansion, and our new capacity is 1.35 million. In order to achieve that number we do not need to do anything more in terms of capacity as such. There are some minor things coming on, but what you are really asking is about our berth capacity and how many more vessels we can have. So, the answer is we do not need to do anything major in order to fill that capacity.

**Nitin Bhasin:** Okay Sir. I joined in late, but one question in terms of the double-stacking of the trains right now. How much is the potential in terms of let us say from hereon one year out, what is the sort of double-stacking capacity that is possible out there, if you could just help us understand the double-stacking capacity for volumes coming into your port or getting out. How much of the trains that you handle can be handled on a double-stacking or what is the limitation that the number cannot increase?

**Keld Pedersen:** You have far from seen the limit in terms of how many more double-stack trains we can do. We have a very large potential to continue to increase double-stack trains as we get the opportunity to do so. It is may be in a rough number it is one-third volume in double-stack, so there will always be a focus on doing more of this business because it is obviously much more efficient.

**Nitin Bhasin:** Sure, thanks Sir.

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

**Achal Lohade:** Thank you once again. Just a followup question I had. Could you be able to comment what would be the market share of Concor, Gateway, and probably third or fourth container trainer operator? Would we have that number by chance Sir?

**Hariharan Iyer :** We do not see it that way. For us, it does not matter through whom or who the operator is. Therefore, that is not really changing anything.

**Achal Lohade:** Or probably ICD wise which are the top three or four ICDs for us?

**Hariharan Iyer :** I do not have those details now with me.

- Achal Lohade:** Okay. Thank you so much Sir.
- Moderator:** Thank you. Next we have a followup question from the line of Pawan Kumar from Unifi Capital. Please go ahead.
- Pawan Kumar:** I just wanted to check up if there are any numbers available for the PRCL?
- Hariharan Iyer:** I do not have it here. It will get published along with our next quarter numbers, because that is the time that we would be able to put it for the year.
- Pawan Kumar:** Okay. The numbers have not yet been received. Fine, thank you.
- Moderator:** Thank you very much. We have the next question from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Sir I just wanted to check, you said that the other operating income increase is largely led by reefer cargo. So can you just highlight as to what was the proportion of reefer cargo in the overall container in this quarter as against what it has been historically in the similar quarter earlier?
- Keld Pedersen:** Normally the reefer cargo business starts soon after the monsoon. So, typically this is the quarter in which we will have reefer cargo also to some extent until maybe February or so. Therefore, when you talk about the other operating income, some income which accrues by way of plugging of reefers and all that happen during the months in which we have larger amount of reefer. That is the difference that I talked to you about or explained, which is the other operating income.
- Rakesh Vyas:** I understand what you are saying, but we have seen one of the highest income in similar quarter historically compared to last year same quarter where we had some other adjustments, so if I take into account all those it seems that the percentage of reefer cargo in the overall mix was significantly higher in this quarter. Is that the correct understanding?
- Hariharan Iyer :** I think it was similar to the earlier similar quarters. The reefer volumes have not significantly changed. There may be movements and then yes.
- Rakesh Vyas:** Okay, fair enough Sir. Thank you so much.
- Moderator:** Thank you very much. That was the last question ladies and gentlemen. As there are no further questions, I would like to hand the conference back to the management for any closing comments.
- Keld Pedersen:** I think we would like to say thank you very much for all the questions and I am sure many of you are looking into all the news today in connection with the budget announcements. So, have a very good rest of the day and thank you very much for all the questions you have put up in the interest of our company. Have a good day.



**Moderator:** Thank you very much. On behalf of Ambit Capital that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.