

Gujarat Pipavav Port Limited
Q1FY 2025 Earnings Conference Call
8th August 2024

Manish Agnihotri:

Good morning, everyone. This is Manish Agnihotri along with me, we have Girish Aggarwal Managing Director and Santosh Breed CFO. The way we have planned today's call is Girish will have his opening remarks and then we'll open the floor for Q&A. Over to you Girish.

Girish Aggarwal:

Thank you, Manish. Good morning everyone. The company delivered a strong quarter. Again, our revenue year on year was increased by 14%. EBITDA was higher by 41% EBIT year on year was higher by 56%. Our margins were at 61 percent EBITDA margins. The increase in revenue is largely due to higher liquid and RoRo volumes. Our liquid volumes were higher year on year by 32% with much higher LPG volumes and our RoRo volumes increased substantially by 175% with a very strong export volume of passenger vehicles. Container volumes continue to be a tough market and our volumes year on year dropped by 17%, it was mainly transshipment volume that declined the cargo mix hence has improved. On the Dry Bulk side the fertilizer volume increased by 38%. However, overall Dry Bulk volumes declined by 18%. I will pause here and open for questions.

Manish Agnihotri:

Before we start the questions, I would request everyone to keep themselves on mute and unmute yourself only when you're speaking so that you know we don't have any disturbance. Thank you, Deepak. Over to you.

Deepak MAURYA:

Yeah. Hi, good morning. Are you able to hear me?

Manish Agnihotri:

Yes, yes.

Deepak MAURYA:

Yeah. Great. Thank you so much. I just wanted to understand what is the outlook for the transshipment. It's been declining and in the last call we discussed, it was related to the Red

Sea, the congestions and also the fact that many shipping lines have been skipping some port calls to the region. So are you seeing any improvement on that regard and secondly, have liquid and RoRo grown substantially enough to offset the decline in transshipment volumes because the revenue growth was kind of surprising. Thank you.

Girish Aggarwal:

So just on the container piece and let me first talk a little bit in general about the containers because of the Red Sea crisis, as you rightly said, there is constrained in the market in terms of capacity also with the freight rates which have experienced a significant hike between Asia and Europe, a lot of equipment flow also moves into Asia, primarily China. And that's led to a, you know, relative lower capacities and hence the skip calls. So in general, you know for us, the container market, has seen a decline.

The transshipment specifically we spoke about last time, you're right, but the transshipment reduction is essentially due to a network change that Maersk effected towards the end of last year, which is, they pulled out their Jade service, which was a primarily a transshipment product and hence the transshipment reduction is also a little bit more structural for us where because of the Jade service no longer available, that transshipment volume reduction has happened. So I mean it's a mix of two. The transshipment volume reduction will continue to be there because there's no jade service. On the container outlook while there is a reduction. Now what we are seeing is that it is now stabilizing. So we expect, I mean while this quarter continues to be I think tough, I have you know we think that things will stabilize and things will start to improve as we move to Q3 and Q4.

Deepak MAURYA:

OK. And if you could provide some outlook on the EXIM part. How's that been faring? And probably if you could also touch upon the realizations during the quarter for the different cargoes which you typically provide.

Santosh Breed:

I will start with the realization. So the container realization continue to be in a range of 8000 to ₹8600 per TEU. Dry bulk, it is in the range of 450 to 700 and it's the same for liquid as well.

Deepak MAURYA:

OK. And the Exim outlook.

Girish Aggarwal:

So Exim, outlook you know fundamentally as I said, because of the whole Red Sea issues and the tonnages being moved out of, I mean clearly a reduced capacity and hence the tonnage is being reduced and skip calls, we believe this quarter to be continuing to be a difficult quarter. But things are stabilizing as we see in the market. So I do believe Q3 and Q4 will be better on the Exim front.

Deepak MAURYA:

OK. And the typical question on the concession renewal progress.

Girish Aggarwal:

I think progress is good again, I mean. I'll say the same thing is essentially. There's no red flags, so we meeting the relevant authorities. The discussions are ongoing with them, we are not seeing any red flags. We understand the policy framework will be laid out by the government of Gujarat, so we await that policy framework. But again, as I say, I mean there are no red flags.

Deepak MAURYA:

OK. And then this was the 3rd consecutive quarter when coal was not handled. So I have asked this in the last couple of quarters as well. When will we have any visibility if GPPV will resume handling coal?

Girish Aggarwal:

OK. See again. I mean, as I spoke, we have some operational challenges and specially in the monsoons, those operational challenges actually exacerbate So my sense is we'll not handle coal, at least for this quarter and then we will review the situation post the monsoons.

Deepak MAURYA:

OK. Thank you. That's it from my side. I'll jump back in the queue. Thank you, Girish and Manish and Santosh.

Manish Agnihotri:

Thank you. Nidhi Shah

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

Am I audible.

Manish Agnihotri:

Yes

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

Thank you so much for taking my question. So again, just happened on some of the previous questions you spoke about the realization, but just looking at the realization figures, it's a little I don't know it, it feels that maybe this 14% growth that we are seeing in revenues, just looking at the realization looks to be a little too good. Is there any some kind of one-off that we have taken this quarter in terms of revenue, something that you know we could probably not see in the future models?

Santosh Breed:

So the so basically yes, there is a one-off because we do have a rebate scheme with most of our customers which are volume related. So whenever we see if the certain volumes are not are likely to meet, then those reversals are taken into account in a particular quarter. So from that perspective, yes, those are the one off because not necessarily the entire amount is pertaining to the same quarter.

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

Alright. And also just a little update on the liquid terminal that is being developed. So could you just tell us how is that progressing?

Girish Aggarwal:

So we are still working on the various permits and clearances. We've got a initial NOC from GMB. Now we're working on the environment clearance. Once the environment clearance comes, then you know we'll go back to the GMB for final approvals.

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

Alright. And my absolute last question would be is that would it be fair to assume that at this point RoRo makes up a about closer to 10 to 15% of your revenues this quarter or would that be a false?

Santosh Breed:

Yes that is fair to assume.

Girish Aggarwal:

Bottom line is clearly more so RoRo makes more on the bottom line than on the revenue.

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

OK, so if I assume then because you know the revenue, could I safely say 25 to 30 of the bottom line?

Santosh Breed:

So we'll not really comment on the bottom line of this business right now but what you mentioned about the revenue is a fair assumption.

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

OK. And on this RoRo. What do you see the outlook for this year? And in general, we see that RoRo volumes, the way that GPPL is being able to do, no other port is seeing this much growth in RoRo, at least as far as I'm aware. So could you give some color on that?

Girish Aggarwal:

I think it is structurally India's manufacturing capability is significantly improving on the automobile side, you're seeing a lot more of manufacturing capacities coming up. Maruti announced a significant expansion of their capacities from 2 million to 4 million over the next six to seven years. It's at the back of one of the key reasons is also export volume. We're seeing export volume in general growing out of India and we believe that this is, you know, from our perspective we are really well positioned to take a significant growth on the RoRo side this year. I mean, we've done this quarter about 38/39 thousand cars. I expect a similar number ongoing quarter on quarter, at least for this financial year.

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

Alright. And how much percentage of your RoRo volumes would approximately be exports and how much would be costal?

Girish Aggarwal:

How much will be exports and?

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

How much would be say you know shipping to another state?

Girish Aggarwal:

And no, no, there's no coastal. This is all exports.

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

All is export alright. Alright, thank you so much.

Manish Agnihotri:

Thank you. Nemish Shah please go ahead.

Nemish Shah:

Yeah. Thanks for the opportunity. So again, I had one question on the Exim front or so if you could just highlight how we are doing vis-à-vis the West Coast volumes and how are we trending in terms of our market share? So you mentioned that we are witnessing some skip calls, but is this skip call for true for the entire Indian West Coast line or they are just calling one port and probably dumping all the containers t one port or so some highlight on that that front end?

Girish Aggarwal:

So I mean, from a transshipment perspective, it is very specific to us because as I talked about the fact that the Jade service was calling us and it was a transshipment product of Maersk which has been withdrawn and hence the loss of transshipment volume is ours rather than the West Coast. So to say we've seen increase in transshipment volumes in some other ports on the western side. So from that effect they have seen higher volumes in general. Because of our loss of the transshipment volume our market share has declined.

Nemish Shah:

Got it. But the thing on the EXIM front? Exim market share would be stable. Is that a fair assumption?

Girish Aggarwal:

Yeah, it should be stable, but again, you know, we look at an overall market share perspective. So overall, as I said, because of our transshipment volume reduction market share is reduced.

Nemish Shah:

yeah, that's it from my side. Thank you.

Manish Agnihotri:

Achal please go ahead with your question.

Achalkumar Lohade - Nuvama Institutional Equities:

Yeah. Good morning, team. Thank you for the opportunity. Can you hear me?

Manish Agnihotri:

Yes.

Achalkumar Lohade - Nuvama Institutional Equities:

OK, great. Sir. you know, if you could quantify the rebate reversal for the quarter?

Santosh Breed:

It is in the range of 100 million INR

Achalkumar Lohade - Nuvama Institutional Equities:

100 million. OK, understood. The second question I had, you know with respect to Exim. OK can you give us some sense in terms of because if you look at the other ports, other volumes are growing, while for us there is a decline. So have we also seen a decline in the EXIM cargo or the, you know, there is still some growth in EXIM for the quarter?

Girish Aggarwal:

It there is, there is. I thought I was talking about, you know, the entire Red Sea issues specifically to, you know, certain specific shipping line. The skip calls have increased and hence our Exim volume for the quarter has also declined a slightly year on year overall. I mean it's declined for a specific shipping line, a large portion of that is covered up by the other shipping lines. So I mean I would not really like to worry about it much simply because I think the things are stabilizing and we are already seeing those skip calls reducing in this quarter. So as we move forward, I think that thing should stabilize.

Achalkumar Lohade - Nuvama Institutional Equities:

Would you be able to quantify, Sir? You know, in terms of the skipped calls in terms of number of calls or number of containers which got skipped.

Girish Aggarwal:

No, no, we would not like to specifically call that out at this point in time. Overall, as I said for the quarter, we are at 17% decline.

Achalkumar Lohade - Nuvama Institutional Equities:

Right. The second question I had was with respect to lines addition. If there is anything which is likely over next few quarters in terms of line addition where you are at the in the advanced stage of discussion and you expect certain conversion or the growth has to be driven by the existing lines itself.

Girish Aggarwal:

I mean, it has to happen on both ways, but at this stage its not appropriate for me to call out anything in terms of what we are doing from a commercial perspective.

Achalkumar Lohade - Nuvama Institutional Equities:

Understood. And just one more question, if I may serve with respect to a macro, is it possible to get give us some sense in terms of the total volumes in India, how much would be transshipment and of the Exim how much transshipment that is being done in the in the ports of Sri Lanka or Singapore, which could be at risk given the another large player setting up transshipment terminal.

Girish Aggarwal:

I don't have that numbers handy, honestly, about the volume in transshipment in Tanjung Palapas or Singapore or Colombo. I don't have that information, but that information is readily available.

Achalkumar Lohade - Nuvama Institutional Equities:

Understood. OK, Sir, I think that's about it from me. Thank you.

Manish Agnihotri:

Thank you, Bharanidhar please go ahead.

Bharanidhar Vijaykumar:

Yeah. Good morning team. So I believe in one of the earlier responses you alluded to one off due to revenues being booked early to earlier quarter in this quarter, is that right? And if so, can you tell me the quantum?

Santosh Breed:

Yeah. So what I mentioned was that we certainly have a contract with the customer which are volume based rebates and whenever there are variation in terms of the committed volume versus actuals, then we do have the adjustments to the revenue on that front. So these adjustments are related to those adjustments. The amount which I mentioned was in the range of around 100 million INR.

Bharanidhar Vijaykumar:

OK, 10 Crore. Got it. And second question is on the quarter performance. So overall the volumes have come down by about 14%, while the revenue is up by about 17%. So looks like. Of course, the realization on an average has gone up by close to 30-35%, and if I were to look at the numbers you gave on realization on containers and others, looks like containers did not grow so much. So like was it the case that the realization on RoRo and liquid grew to such an extent that you know it, it has contributed to this high amount of revenue growth despite a 15% fall in volumes? And if so, or because of the loss in transshipment volumes has that also contributed to better mix on containers like just trying to understand this at 30% realization growth. If container volume has not grown too much.

Santosh Breed:

Yeah. So your observation is right, it is mainly driven by the cargo mix. So if you look at the container, as Girish mentioned last year, we had the Jade service which was doing transshipment for us and transshipment of course comes with a much lower realization than an Exim box. So yes, this is a bit of cargo mix benefit in the container business. Likewise, even the other business. Like if I look at bulk then we have handled higher volume of fertilizers during the quarter and that certainly helps in improving the realizations. So it's basically the cargo mix which drives this revenue upside.

Bharanidhar Vijaykumar:

OK, understood. So if I were to look at the container volumes, if I were to strip out the transshipment volumes in the base of 1 QFY24 and also for this year. So Exim volume you are telling would be flattish to a slight marginal decline. Is that understanding right?

Santosh Breed:

Yeah. Yeah, you're right.

Bharanidhar Vijaykumar:

OK. OK.

Girish Aggarwal:

For the quarter, you mean for the quarter?

Bharanidhar Vijaykumar:

And yeah, for the quarter, yeah. Understood.

Girish Aggarwal:

Yes, yes.

Bharanidhar Vijaykumar:

OK. And then. How much was this Jade service contributing on a yearly basis container?

Santosh Breed:

No, we don't actually split by the service. We don't give really numbers by each service so we're not able to provide a number to that.

Bharanidhar Vijaykumar:

Alright, alright, OK. And one more question. So we are hearing last few weeks to a month where lot of concerns on global, recessionary fears surfacing be it in US and increased geo-political tensions in the Middle East etcetera. So how do you view this development on the general container trade, at global level and for India, and finally for Pipavav, even if you say eliminate the Red Sea. If it were to get reversed other than that, if this macro concerns are going to get, severe. Is it going to have impact on Indian trade and hence what's your view on that?

Girish Aggarwal:

So I mean it really depends on how things pan out. The geopolitical situations are a little bit red to our mind, I mean specially now the Iran Israel tension that is brewing up could potentially harm the India trade as we see it, if it actually happens. So I mean, I think we have to just keep a close watch. There are many things that we do not know at this point in time. I think the Red Sea crises is not behind us. That will continue, at least our assessment is at least for this year, I mean calendar year. We do not expect the Red Sea to improve over the next 5-6 months is our sense. So this is the new normal and we have to kind of work in the new normal. What is also of course happened is there are some what we understand is that at least the US there's recession as you rightly said, but they're also building up inventories. So from that perspective, the trade may not be impacted that much because of the recession. So what we are seeing is that the inventory buildup is increasing because of actually this geopolitical environment. So from our perspective, I think pipavav, as I said, while this quarter continues to be potentially tough, but we are already seeing tonnages getting back into our services that call us and hence the back end of the year seems to be better than the first half of the year.

Bharanidhar Vijaykumar:

OK, understood. So just one question. So when this red sea kind of surfaces, shipping line, they of course the only other alternative for them is to go around the Cape of Good Hope. So how does that happen? Do they do that or do they like, you know, cancel the service itself or port calls itself?

Girish Aggarwal:

No, no, they of course do that. But what that means really is that it adds number of days to the voyage, which really means that that much capacity is sucked out. So the global assessment is about 15% of vessel capacity has been sucked out. It also means that the equipment which could return back to China, for example in X number of days now take X + 20 days and hence the equipment capacity gets sucked out with the freight rates increasing between China, Europe with where they are, the preferences that the equipment are pushed back more to China than to other countries and hence you know that further deteriorates the capacity of equipment and vessels in markets like India and hence in general the skips start to happen. But again, you know then the shipping lines start to put in more equipment over a period of time and vessels in this whole trade and things start to stabilize and that's what we have started to see that things are started to stabilize.

Bharanidhar Vijaykumar:

OK. Understood. Great. That's clear. All the best thing.

Manish Agnihotri:

Thank you. Deepak, I can see your hand raised. If you have a question, please go ahead.

Deepak MAURYA:

Yeah. Yes, please. I have a follow up. So when you mentioned these realizations for the container segment, is it for the overall mix of containers or is it specifically to the Exim containers?

Santosh Breed:

Well, this is on the overall mix.

Deepak MAURYA:

OK, understood. And then so this would typically range on the top end of the range or closer to the upper end of the range, given that transshipments have declined, isn't it?

Santosh Breed:

That's right.

Deepak MAURYA:

OK, understood. And is there possibility for you to share what would be the realizations for the RoRo segment, because that is something which has bottomed out and is now clearly in a growth trajectory and will likely be a great driver for earning. So if you could share some color on the realizations for RoRo?

Santosh Breed:

Well, so it's bit early right now because we are just building a customer base. So as of now, we will not be able to share but maybe in the future.

Girish Aggarwal:

Yeah. Also, I mean we have at least at this point in time roughly large, two large customers. So it also gives away our commercial information which we would like to protect.

Deepak MAURYA:

OK, OK. Truly understand that. Thank you very much.

Manish Agnihotri:

Okay. Any other questions from anyone? Doesn't seem to be the case.

Girish Aggarwal:

So thank you. Thank you again. Just wanted to say that the overall performance is been very positive against all the headwinds that we have. We look forward to continuing the performance and speak to you again after the next quarter results. Thank you.

Manish Agnihotri:

Thank you and have a good day.

Santosh Breed:

Thank you.