

GPPV Ltd. Q2FY22 results conference call

12th November 2021

Jakob Friis Sorensen: So it sounds like it's okay we are here. Viral we can start.

Viral Mehta : OK, so thank you. Good evening to everyone and welcome to 2QFY22, earnings call of Gujarat Pipavav Port Ltd. We have with us from the management Mr. Jakob Sorenson, the Managing Director and Mr. Santosh Breed, the Chief Financial Officer. I will now hand over the call to Mr. Sorenson for his initial remarks post which will open the floor for Q&A over to you sir.

Jakob Friis Sorensen: Yes, good afternoon, everybody. And thank you for joining this call. Am I audible now?

Viral Mehta : Yes, sir.

Jakob Friis Sorensen : OK, so I just want to say in general that the quarter before this, we had the cyclone Tauktae. And then in the quarter that we are discussing here, we obviously coming out of that and then it's back in operation, but there might be some repetition in when we explain the numbers because of the comparisons that are between the two quarters. But we also have of course, some interesting commercial updates on what we have done both on the waterfront and on the inland evacuation, etc. So we'll get back to that. But I think I'll hand over to Santosh Breed our Chief Financial Officer on the numbers over to you Santosh.

Santosh Breed: Thanks Jakob, and good evening, everyone. So presentation is there on the side, I'll just quickly take you through the key numbers. So the key updates are in comparison with the same quarter last year, and in that comparison, the container volumes were lower by 7%, mainly due to lower coastal volumes. Dry Bulk volumes were higher by 53% on account of higher coal imports, and mineral volumes. Liquid volumes were higher by 31% due to higher LPG volumes.

This in fact has— as you know we updated you, that we have started the rail evacuation of LPG cargo. So this has actually helped us, as well as the importers for faster access to the internal markets, as well as reduction in their distribution cost. And with that, we are seeing some incremental volumes of LPG coming back at Pipavav.

As of October 21, the company has already handled 120 LPG rakes since commissioning in January 2021. RORO volume has seen improvement over the low base of the previous year. Revenues higher by 7% due to higher bulk and liquid volumes, EBITDA was higher by 6% and the margin is in line at 56%.

Net Profit includes exceptional cost of INR 88 million, for the cyclone related repair expenses, and therefore lower by 13%. Excluding the exceptional costs, the net profit would have been higher by 4%. Then moving on to the volume development, the container volume for the current quarter is at 1,57,000 TEUs, which includes ICD volumes of 1,10,000 TEUs.

Dry Bulk volumes are at 1.39 million metric tons, which includes 0.39 million metric ton of fertilizer. Liquid volume are at 0.19 million metric ton and RORO volume at 7800 cars. Now, we move on to the financial overview here the comparison is with the immediate preceding quarter, ended June 2021.

The total operating income at INR 1,947 million is higher by 22% as compared to the previous quarter, due to higher bulk and liquid volumes. Total expenses at INR 857 million are lower by 20% as compared to the previous quarter. Operating expenses at INR 415 million are higher by 43% due to higher bulk handling expenses, employee benefit expenses at INR 172 million are lower by 5%. Other expenses at INR 271 million are higher by 15%, due to CSR expense and increase in the fuel rate.

EBITDA at INR 1,090 million is higher by 24% and margin of 56% is higher by 100 basis point as compared to the previous quarter. The reported net profit of INR 453 million is higher by 41% due to the exceptional expenses for cyclone related repaired works. Excluding the impact of cyclone, the profit would have been at INR 540 million, higher by 68%.

We also like to mention about one note which has been there in our published result, which states about the liquidated damages imposed by the Gujarat Maritime Board. So this is pertaining to the old matter which was brought to the notice earlier of encashment of bank guarantee by the Gujarat Maritime Board in year 2019. So, this is a similar matter, so this is not a new matter. The company has already taken legal opinion on this, when the bank guarantee was encashed and we were advised to file a commercial suit which we have already done. So we will take the necessary legal course to resolve this matter with GMB.

The board of directors of the company has approved an interim dividend of rupees 1.60 per share for financial year 21-22. So these are the quick updates on the financial numbers, I will hand it over back now to Jakob for some commercial updates.

Jakob Friis Sorensen: Yeah, do we have slides for this? No, no, no. Okay. So as I said before, numbers are the way they are, and I think relatively to what we are talking about in terms of the circumstances. We're coming out of the cyclone, we've done well, we were recovering, and we've talked about that but I'm happy to entertain questions. But specifically I'd like to add that in the same period we have commenced the rail evacuation of LPG. And we have now as of today, we've done more than 100 trains, rail rakes with LPG evacuation and that is for sure very well received by Aegis, our customer and their customers the major Indian oil companies who are buying this LPG.

Also on the waterfront, we have been adding an additional service to the Middle East, and we also before the cyclone we had signed up with Cosco, and they had hardly had any chance to come to get started before the cyclone hit us, but they have come back in after June. And we are now seeing slowly but surely that the container volumes are going in the right direction up months by months. And I know October is not included, but we just got the numbers from October we are doing quite a lot better than September on the container volumes.

So I think with that, we are quite encouraged about how the business is coming back to us. And we know we are in a catch up game, but we have a good October we know also that November and December are going to be better. And so with that I hand back again and get ready for questions.

Santosh Breed: So maybe I can add some few comments Jakob. So two key development also, which happened in the month of September for Pipavav. One was we completed our entire infrastructure inside the port for electrification. And now Pipavav has been connected to DFC and we are the first port to operate the DFC electrified rails. Yeah, so that was one and the second associate company, Pipavav Rail Corporation Limited has started their container train operations, which also started in September, and they are also now increasing their number of rakes to be operated. And we'll see good collaboration which we can have with

them, to provide an end to end solution to our customers, and also a customized product on the rail evacuation.

Jakob Friis Sorensen: Yeah, so yeah, it's just because I live this every day to everybody on the call. But the dedicated freight corridor is very much becoming alive and thanks for reminding me of that, and of course, apart from the LPG, liquid tank rakes that we have been doing also container trains are coming in and out of the port, and we're doing this in cooperation with PICL. And we've done the first train to Jodhpur among others but double stack, train to Jodhpur fully electrified. So that is of course also important to mention. And that is just beginning it's going to continue, we got to have that as a focus for the landside evacuation for months and months to come this is what we are commercially now checking out to our customers. And both the shipping lines, the ICDs in the north, and the rail operators and NVOCCs in the market, that we have this start. And indeed we think ahead of other ports in Gujarat, we probably have a 12 months head start and needless to repeat that, but compare that to JNPT and to Maharashtra, then we have year's head start before they are going live on the electrified DFC.

Santosh Breed: Good, so with that we are ready to take the questions now.

Viral Mehta: Thank you so much sir. We'll now open the session for Q&A. So the question we've already assembled. So first question is from line of Mr. Bole, you can un-mute and go ahead with your question.

Mr. Bole: Hi am I audible?

Santosh Breed: Yes you are.

Mr. Bole: Yes, congratulations on good set of numbers. On the cyclone, can I say that all the cyclone related things are over in terms of physical and financial performance, and we are completely back to normal? And the related question is that how much was the coastal volume. Yeah, so unrelated question is that, second question is how much the coastal volumes as a proportion of our volume which has got impacted. And what makes you so confident about the second quarter, on the h2 as far as container volume is concerned?

Jakob Friis Sorensen: Yes, I would say if you're asking operationally, we very well recovered back from the cyclone. And I was just recently in the port here a couple of weeks back and it's actually it's a wonderful time of year, the rainy season is over. Brand new roof tops wherever you see, new signboards, even the greenery has been trimmed by nature. And so in short, what I'm trying to describe is that the port looks brand new and shining, and it was a real pleasure to be back here last week and see the operations going full speed.

What we're still doing is, that there are certain structure repairs, the bund, the stone bund and the fencing and other things that are taking longer time, and that's still ongoing, but it's not interfering with our day to day operations. And then Santosh, would probably also add that dealing with insurance and other formalities they are still ongoing. But, but by and large we certainly hope we can put that cyclone behind us soon and move full speed ahead.

The other question was about domestic coastal volumes right, and there I just think again here I need some help — because we need to come. Last quarter, or the same quarter last year, due to COVID, and due to the fact that we closed we saw a dip in the container volume, last quarter we had actually a very big spike in the coastal volume. So therefore, comparing the coastal volume with this quarter, it's actually not really a like for like. So, I don't know if this makes sense but what I'm trying to say because we are happy the coastal

volumes are going well, but if you are comparing with the same quarter last year, we had an unusual spike last year.

Santosh Breed: So more just to add to what Jakob said. Two things one, normally this quarter is always a slack quarter on the coastal volume, it will start picking up now as the cotton season comes in. Last year of course as Jakob explained was unique, because of lockdown everywhere and disruption in the road movement, and despite the diversion of cargo from road to sea and we are seeing the spike there. But then again, as far as the cyclone is concerned, or the restoration work is concerned is no impact of that on the coastal volume. So everything is back to normal operations now. And I think the last...yes?

Mr. Bole: My question was what makes you so confident about the h2 recovery? Do you think we'll be able to have a similar amount of volume, which we did in last year h2?

Santosh Breed: Yes, so that was your third question and to answer that, we are quite confident about that, because normally, October to December of course, is our strongest quarter, and we do expect improvement in the volumes. Likewise, we also are hoping that Jan to March that that quarter also will be better, and we keep on improving quarter on quarter. Having said this, the global disruption is still on. As you know, as you must be hearing there a lot of supply disruptions, a lot of congestion in the port in Europe, US that continues. So, there's a lot of dependency on normalization of that situation basis which we should see volume coming back to our port.

Jakob Friis Sorensen: Yeah, and there's a lot of speculations about what's going to happen, how long time is this going to take. The ocean freight rates globally seems to have stabilized, so they're not going any further. But you have other spillover effects, you must also be looking at inflation, how that is affecting or sorry how that is taking place, we can see that also in our cost of spare parts and procurement, fuel prices are going up. So, it's really would have been nice to have that crystal ball to look into the future without any sort of guesstimate. But as Santosh said, it does look like our container volumes are going up months or months, and so that is something we are definitely looking forward to. Because, we have added contracts with additional shipping lines. So we are, we are definitely ready to see more volumes coming in and out.

Mr. Bole: Understood, so thank you and all the best. Thank you.

Jakob Friis Sorensen: Thank you.

Viral Mehta: Next question is from line of Ashish Shah. Ashish you can unmute your line and ask your question.

Ashish Shah: Yeah, yeah, thank you. So my first question is on the cargo profile during the quarter. So we saw a very big jump in the bulk cargo volumes, but our realizations seem to have gone on the on the downside, on if I compare on a quarter on quarter basis, or YOY basis. So, if you can just explain where this incremental push came, on the bulk cargo side, and whether it has come by way of any lower realizations then what we normally do in our business?

Jakob Friis Sorensen: So, always when you do bulk, if you're comparing container with bulk, than containers are quite more higher yield and then bulk businesses. And what also happened was that our neighbor UltraTech Cement Factory was severely impacted by the cyclone on their waterfront on their jetty. So they used this jetty to both take the import of coal, as well as raw materials for the cement manufacturing, and then they exported finished cement. All that business is now moving in and out via GPPL, because UltraTech is undertaking their repairs after the cyclone, and that that's sort of the one side of the story for the spike in

the bulk business. And additionally as I mentioned our start when we have started to evacuate LPG by rail, that has definitely been helping us to grow the LPG volumes as well, but all of this comes at a lower margin compared to the container business. So that's why the overall numbers are skewed that way that you correctly have noticed, and I hope that my explanation is telling you why.

Ashish Shah: Sure, no, that is helpful Jakob, If you can just quantify, I mean out of let's say 1.4 million tones of bulk cargo. How much could be an account of the volume you got from the UltraTech related cargo, so it just gives a sense of how much incremental has come.

Jakob Friis Sorensen: I think UltraTech is also a stock listed company, so I don't want to be customer specific there. But you know what, we are very good neighbors, and we are working together here of course...we are doing, helping favor for them at the moment. But actually what I think is coming out of this is that going forward, we will collaborate even better and more together in growing their business and our business. So it's a kind of a blessing in disguise from this miserable cyclone. But it's not only UltraTech, so the volumes are quite good on our fertilizer business. You may also have seen the export of fully build up cars our RORO performance is up. And as I said again not least the LPG where we are now, very competitive in the evacuation of LPG by rail, which is by far cheaper than doing it by the road tankers. So it's really a combination of everything, and I'd like not to go into specific on a on a named account here.

Ashish Shah: Sure, no, I understand sir. Just if you can confirm if this is a temporary volume that you're going to get till the jetty is under repairs, or this is a permanent arrangement and one could expect this sort of volume to be repeating?

Jakob Friis Sorensen: So we are expecting this to last well into 2022 because it's a major repairs that they have to do. But as I said, we are actually evolving and finding out, new innovative ways of doing import and export also with UltraTech and their Cement. At the moment they're exporting the cement from our jetty and this is something I think we could see continue with good volumes also going forward. So I think it's a very positive and a win-win relationship that we have.

Ashish Shah: Got it. Just a quick second question, is on the impact on the container volumes because of the addition of new shipping lines. We had previously indicated an annualized potential of about 50,000 odd TEUs, and we also added one more shipping line, as you said, from the Middle East, for the connectivity to the Middle East. So if you can just indicate what is the kind of incremental volume attraction when should expect, in the next 12 months or so from the new additions.

Jakob Friis Sorensen: Yeah, but one thing is, that that's the capacity that we're getting in, and we're even now in talks with Shipping Corporation of India to add. You may have seen in the press that they also started an international service, and we are hopeful that they would add Pipavav to that as well. But, at the same time the really good million dollar question is when does the international import export really stabilizes, and then when will we see that normal assets like. I would really not like to tell you that it's so and so much present in 12 months, it's really a difficult forecast to make. Yeah, I it's simply because I don't think that I can give you the right answer, it wouldn't be right of me to guess. But as I said, what we're seeing is a stabilization is going to take time, I think we're talking about maybe not years, but we're talking a few months, many months before we are back to a pre-COVID type of situation on the action business.

Ashish Shah: Okay sure, thank you, thank you Jakob.

Jakob Friis Sorensen: Yeah.

Viral Mehta: Thank you Ashish, next question is from line of Mr. Deepak, Deepak you can unmute your line and ask your question.

Deepak: Yeah, thank you for the opportunity. So Jakob and Santosh, maybe if you could help us understand, how or when we could see GPP catch up with the rest of the country in terms of the container volumes? What I understand is that your listed peer, that is Adani, and even the overall countrywide container volumes grew double digits during the quarter, but at your terminal we still see a negative growth although the pace of decline has slowed, but still a negative growth. So implying that rest of the market is growing faster than you. I do appreciate that previously you had elaborated that for Adani, their trans-shipment volumes are the key driver. But nevertheless for the rest of India, you're still lagging there, so if you could help us understand where we are, and how soon we could catch up with them?

Jakob Friis Sorensen: Very soon, I know it's not about the quarter, but if you're really looking at for example from September to October, we grew double digits. And I think also we outgrew the people who just mentioned. So it may be it's a little bit of the market taking a yo-yo approach sometimes, but a real disturbance in the numbers as you rightfully point out, it is still mainly the trans-shipment and when we analyze the numbers. And you can actually the reason why is that we don't have Colombo into this equation. But if you look outside of India, and you go in and you will find that the volume that that Indian ports might be up equivalently Colombo is down. So that coalition is there. But of course when you're talking about market shares and so on, then Colombo is not added in. But it is, the Joker here is the transshipment that's to our best analysis, that's the best explanation to that.

Deepak: And maybe like previously you used to give some color on the export import volumes. Not customer specific, but just in general your export import container volumes, how much have they grown during the quarter, or compared to the 7% overall decline? How has the export trade fared, if you could probably help us with that, that will be really appreciable.

Jakob Friis Sorensen: Yeah, so if I'm not mistaken, it's a 1% growth.

Deepak: Yeah Year over year.

Jakob Friis Sorensen: Because we have that in the numbers, that disturbance I tried to describe earlier, that is that is really coming from the comparable coastal volume. So the export import volumes is up 1% in this quarter.

Deepak : Year on year right.

Santosh Breed: Yeah year on year that's right.

Deepak : Wonderful, wonderful. And then maybe if I can follow up any progress on the renewal of the concession, and does your what they say the bank guarantees and the other legal issues, create any hindrance to that?

Jakob Friis Sorensen: Yeah, actually, what we have was a summit where I believe the Danish Prime Minister was the first foreign visitor to visit the Prime Minister Modi early in Delhi in September. And in the shadow of that summit, we signed a principal MOU with GMB on the extension, and now of course we are still rolling up our sleeves, and there's a lot of detailed work to be done. And one of the things we're working on at the moment is to resolve that Bank Guarantee and the dispute that, it's going we're having a good dialogue with

GMB. We are heading towards a vibrant Gujarat in January 2022. And as I said, at several occasions, I think we're on the right track to get the concession extended with the right terms and conditions. And it's going in the right direction, both parties I know in a constructive dialogue about that.

Deepak : So this MOU was particularly focused on the extension of the concession agreement.

Jakob Friis Sorensen : Correct, I mean, an MOU is of course not binding. But...

Deepak : Of course.

Jakob Friis Sorensen : I think it's significant to sign that. Being witnessed by the prime ministers of our two countries, and in principle agreeing that we should extend.

Deepak : That's really good news to us, thank you very much, and I will fall back in the queue if have any questions about that, thank you.

Jakob Friis Sorensen : Thank you.

Viral Mehta: Thank you Deepak. Next question is from the line of Mr. Deepak Krishnan, Mr. Krishnan un-mute your line and ask your question.

Deepak Krishnan: Sure sir, thanks for the opportunity. Just wanted to kind of understand on the container volumes, specifically as to you know, how are we looking at in terms of say the outer years. Obviously, our capacity utilization is, you know, still there, we can still add a lot of volumes. So you see that once we know go back to pre-COVID levels, we can still further expand from that. How was your visibility on that?

Jakob Friis Sorensen : Yeah, that's, that's a great question. Thank you very much. Mr. Krishnan for that. So we have some good plans, we have already talked about we want to upgrade our crane capability, so that we can reach, across 23 numbers of containers across, on the width of the vessels, and that also means at full length of 367 meter. So that's one step. We also look at the yard utilization, and our sort of milestone here is that when we pass the 1 million TEUs per annum that's a trigger point for us to start looking at expanding the capacity on that front. And I don't think that's going to happen 2022, but then, we have definitely coming into a period where it could happen in 2023. And for that expansion then of capabilities we also have good plans being worked out, and indeed that is some of the things we're discussing with GMB, because they would like to see of course also in the longer years, what type of investments we plan to do further in Pipavav.

Deepak Krishnan: Sure sir, any update on skipped calls, are we still facing skipped calls or the issue is largely behind us?

Jakob Friis Sorensen : I wish I could say that it's behind us. But we are seeing the update is that they are getting fewer and fewer. Just to clarify on so the skip call is a quite complicated thing to explain. But let me just try. So if you're a shipping line and you have a service that is going between India and the US West Coast. Then the bottleneck is not in Pipavav, the bottleneck is in Los Angeles, and you can wait 10 to 14 days before you get alongside, and you have a queue system.

So the decision which is made probably by a global operation office from a shipping line, to skip Pipavav is when they try to calculate, can we reach our window in Los Angeles without getting further delayed? So it's really a complicated thing. So I will say again, we are a little bit without influence, It's not like we can give a

discount and say oh, please come anyway. It's really because they are planning the global rotation of their ships, and they unfortunately requiring to plan very well for some of the bottlenecks, which is like Los Angeles, but not to just mention one port but several ports are heavily congested. Felixstowe in the UK for example. And that is then something that the lines are trying to work into their shipping schedules. So I hope that was not too technical, but you really have to go up in the helicopter and see some of the reasons for these disruptions which unfortunately are hitting us.

Deepak Krishnan: Sure, thanks Jakob for that. we'd indicated US dollar 11 million, last at the beginning of the total impact at that particular point of time. Any change in that?

Santosh Breed: No I assume it remained the same, so it will be in the same range. Are we audible?

Viral Mehta: Okay, next question from Pratik Kumar

Pratik Kumar: Hello yes good afternoon. My first question is, can you elaborate a bit more on the plans of this container train operations at PRCL. Over I mean, is this something which we are planning to do in a very big manner or is it very small time of service which you're operating from Jodhpur to Pipavav?

Santosh Breed: So of course, what you mentioned about Pipavav to Jodhpur that was the first train which was run from Pipavav for PRCL but that of course was the beginning. We already have an increasing number of trains as well as a number of ICDs, and the plan of course, is to make it bigger and give connection of Pipavav to multiple ICDs series and then work with PRCL to provide some customized services to the end customers.

Jakob Friis Sorensen: So again here, I try not to sound like a broken record here, but I think Pratik here, also the DFC is going to be a real game changer for India, not only for Pipavav. But for you know, the government is talking about reducing logistics costs. We have now the Gati Shakti initiative of coordinating infrastructure investments insured by the government. Well, the DFC is a massive infrastructure investment that is now finally coming to fruition and implementation, and we know that we're going to work for many months now to take full advantage of it to transfer business and cargo from road to rail. And to really build up the reliabilities in the supply chain that this tool is going to give us and our customers and so on, so we are experimenting a little bit.

The other side of this is that on the rail operation side, you know, that there are plans to privatize CONCOR. And what we're doing now is just showing the market that despite any sort of change of ownership or privatization, there are capabilities in terms of operating trains outside of CONCOR. And I think it's got to be a very competitive playing ground for everybody, I mean, you have 10 to 12 rail operators in the market at the moment, and PRCL turns out to be one of them.

Pratik Kumar: Okay, so PRCL has this container train license for I think since 2007, and only now like, we are taking, we are moving ahead with this operations. So is this something which we can expect either now or new diversification for port operations into hinterland logistics, and this could maybe three years down the line may start contributing uniformly for our business?

Jakob Friis Sorensen : Yeah, I think you're absolutely right. And yeah, we had the license lying there, but it's kind of like the changes that are described before, which has triggered for that license to be activated now, and other things could happen as well. As I said, this is a massive opportunity for India to become more competitive in the whole supply chain, and we will do what we can. And I'm sure other people will also do what they can to go in and take full advantage of this massive, massive infrastructure investment. So I would

say we would be sleeping if we didn't started to take advantage of having that license, but other new players could come in as well. And therefore when I'm talking about shipping lines, not only Maersk line, but certainly other of our customers are very, very keen on looking further into this. So I think we're just seeing the beginning.

Pratik Kumar: But it is also said that if you don't own the terminals in the hinterland, just running the transport service of rail doesn't give you a lot of money. So we may also look to invest in ICDs in hinterland?

Jakob Friis Sorensen : Yeah, that's a possibility. But we certainly want to start collaborating much more than we've done in the past. I can remember two years ago, I was in Delhi and participated in the conference with the all the ICD operators, and they were all screaming for cargo, and I think we have more than 50 ICDs up in the northwestern part of India. And all of these guys would be very, very keen to work together with us, and to drive.

As I said the drive is really, let me take another step backwards, the great thing about this is that I don't see any real losers out of this, everybody's going to win. So the ICD operators would be very keen to attracting the cargo that comes in, and get from road to rail. The road transporters to trucking companies should be very, very keen on being able to run five trips every day in the first mile, last Mile market and expand that markets instead of running one truck over 5,6,7 days from Ludhiana to Mundra. And then driving back again with two or three drivers COVID restrictions giving and so on, so you see it's a massive change, but everybody wins. And I think this will make India more competitive.

We just need to as you are fully aware of, it takes a long time to implement changes, and therefore we do a lot of efforts now to communicate all these benefits to the customers, to the operators to all the players that are today in some way or form they have to transform into this new way of doing things. So it'll also take some time.

Pratik Kumar: Thanks sir, I'll get back to the queue. Thank you.

Viral Mehta: Thank you next question is from Inderjeet Singh

Inderjeet Singh: Hi, good afternoon. Hi, Jakob, hi, Santosh, hope you guys are doing well. So a couple of broader questions, one is at a global Maersk level. So we have been— so when I used to cover this stock two to three years back, we used to talk about this lot of integration happening globally between your 'port operations and your ship operations. And it was expectation that the Maersk will start take much a shipping line will start to take much more interest kind of trying to bring the cargo into their own ports.

What kind of progress that has made, is Pipavav starting to see any benefit of that? That is one. And secondly, at a global board level is there a change in thought process, because earlier Pipavav limited as a company was seen to be a single asset company, which will continue to operate one single concession. Is there any change in thought process there that you're starting to kind of assess at the global board level that will start to do much many other things into India, other than just running one single port?

Jakob Friis Sorensen : Let me start to answer the first question, and if you are following Maersk even today, you saw maybe the other week that they went more aggressively into air freight, and they were talking about acquiring a German air freight company called Senator. Maersk has already cargo air freight under their brand of Star Air. And I think it was this week that Maersk had signed a major logistics contract with a Danish manufacturer of wind turbines.

So it's quite clear at the moment, and I don't think I'm breaking any news now that I'm saying that Maersk is working on a fully integrated end to end container based supply chain management strategy. That sounded pretty good actually. So Maersk is working on a fully integrated end to end supply chain management but container based strategy. And Maersk is definitely looking at what is the customer's needs, this is the driver, it's not an Indian strategy, it's not a United States strategy or anything like that. It's what is the customer's demand, and these customers are mostly global or regional, so they're large customers, they're looking at how can Maersk service them from end to end point of view? And if somebody asked why, I think the answer is so compelling blowing in the air.

Everybody had their supply chains disturbed during COVID and Maersk is now having that end to end capability. And what is in between the ports, the terminals, the transshipment points, the gateways, and Pipavav is a fantastic example of a gateway port from the coastline of Gujarat to the whole hinterland market of Northwest India. So we are accessing you know how big that market is, that's fantastic.

So, to draw a long sort of introduction to my answer, that is that yes, we are working very close in integrating all that, and Pipavav is a cornerstone in that integration strategy, that's for sure. And we've talked about it before, we've added more shipping lines to the waterfront, also including feeder services for the Middle East. And we are definitely full speed ahead on the DFC, which is exactly enablers for what I just described.

And whether GPPL then as a standalone entity, what we are doing – we are having some great discussions with GMB. And as a company to get our concession extended, there's no doubt that we will have to present a very compelling growth strategy to persuade GMB that we're the right party to continue to manage Pipavav port and all the developments that's planned there, and that could include a lot of things. I can't be specific on that, but it's clear that we definitely need to look beyond the gate of Pipavav, we are in talks with Dholera which is upcoming and so on. So, we are also making ourselves attractive in this integrator strategy. So Inderjeet I hope that was

Inderjeet Singh: Yeah

Santosh Breed: PRCL exactly fits well into this right. So Maersk also is working with us for these services.

Jakob Friis Sorensen: Yes, as you know, we have a we have a percentage stake in PRCL together with the Western railways as well. So we have some of these assets, do we have all the assets we need? No. There are many ways to then get access to assets. And as I already alluded to, the first step is definitely collaboration with a lot of those ICD operators in the north. And they are they're hungry for business and we are ready to collaborate.

Inderjeet Singh: Great just a couple of follow ups, on the answer that you gave. One is, so would there be kind of also discussions whereby we want to increase taking PRCL, or we are kind of happy with a large minority stake there, that is one. Second is that you, you talked about this MoU signed between Pipavav and GMB board in the presence of both the prime ministers. What are the broad contours of this MOU? Are there any, it's just a kind of in principle, kind of an agreement to extend or willingness to extend this concession, or some kind of terms and conditions around it, is also been kind of, was part of that MOU?

Jakob Friis Sorensen: Yeah, so PRCL as we've said, it fits wonderful into this whole integrated strategy. And we are just now starting to scratch the surface of what more we can do. We've added the rail evacuation for the LPG, that seems to be smoking success. And we may try to see how we can double that capacity. We've

got the whole stretch now electrified, and I will say at the moment there's no sort of specific discussions about changing on the shareholding. But the collaboration in the partnership can definitely go to much, much more extent. The second question about the MOU, it is a non binding, but I think the intent is clear that is talking about an extension of the concession agreement between GMB and GPPL.

So to me note all the details are still to be discussed, but the interesting thing is that it's talking about an extension. So it's not talking about that this is going to go out for a bidding contest or anything like that, we are having that option, GMB is having that option to extend with us, and that's what they intend to do.

Inderjeet Singh: Thanks a lot, guys. Wish you all the best.

Jakob Friis Sorensen: Thank you. Thanks for your questions.

Viral Mehta: Thank Inderjeet next question is follow up from Deepak Maurya. Deepak you can un-mute your line and ask the question.

Deepak Maurya: Yeah, hi. sorry, I missed this question previously. Is there any further costs to be incurred, with respect to the repairs of the cyclone, which hit us?

Santosh Breed: Yes, we'll see some additional costs coming in the next few quarters. The restoration work is still on, as we are given an indication in the earlier calls, roughly around USD 11 million is what is our estimate. And we need to stick to that so that's what is likely to be incurred in the coming quarters.

Deepak Maurya: So it's US dollar 11 million is this total, and you've already incurred in the first and second quarters part of it.

Santosh Breed: That's right, that's right.

Deepak Maurya: And this is to be completed within this year, or is some of it spilling over to the next financial year?

Santosh Breed: It is not next financial year, so our aim is to try to complete everything within this financial year. But it of course, sometimes when you actually start the work, there may be some additional requirements, and it may require some additional time. But at this point of time, we believe we'll be able to complete it within this financial year.

Deepak Maurya: And have these repairs in any way impacted your volumes or ability to handle whatever volumes come your way?

Santosh Breed: No, not really because as we mentioned earlier, with our business continuity plan we have ensured that is no serious damage to any of the critical assets, except of course we had a dependency, external dependency on the power which was not operational for almost more than a month. So that's when we actually deployed power packs, and we actually started operation within 10 days of the cyclone hitting us. So from that perspective, there was no impact on the volumes in this quarter because of cyclone.

Deepak Maurya: Okay, and then maybe if you could help us understand the coal import volumes within the Dry Bulk segment. And how do you expect it to trend in the coming quarters, given the shortages of power

which we have witnessed and the lower levels of inventories of coal which we witnessed at power plants within the country?

Santosh Breed: So you're looking for the Dry Bulk breakup, right? So we had almost around 303,000 metric ton of coal, this quarter. Fertilizer was around 395,000 metric tons, and then others minerals mainly was 699,000 metric ton. And as you mentioned, of course, we also do expect to continue to handle coal in the coming quarters, one as Jakob explained, because of neighboring company, right, UTCL. So we do expect to handle their coal going forward also at least the next few quarters. And then, as you rightly said their demand is increasing, so the imports are also likely to increase, so we do expect this increasing trend of coal volume to continue for next few quarters.

Deepak Maurya: Okay, thank you appreciate it.

Viral Mehta: Thank you Deepak next question is from line of Ashish Shah, Ashish go ahead with your question. Ashish you can unmute your line and ask.

Ashish Shah: I can't hear you. Sorry, can you hear me know. So, in terms of the you know, the augmentation that we're doing for the liquid jetty, where are we on that? You know, have we given out the contracts, what is the timeframe we expect for the augmentation?

Santosh Breed: So, Ashish of course, we already started with this project, the contract has been awarded, and the asset mobilization has also happened now. We do expect early next year to complete this project, and then the liquid jetty will be compatible to handle a very large gas carriers.

Ashish Shah: Right, and is there any outlook that our customers have shared in terms of what is the kind of volume they are expecting to handle over the next few years? I mean, we know that potentially we can do 2 million tonnes from this business, but do we see that happening in the next, let's say two to three years?

Jakob Friis Sorensen: Yeah, you're talking coal or LPG?

Ashish Shah: No I'm talking LPG yeah I'm talking liquid.

Jakob Friis Sorensen: Okay, okay, yeah we are definitely looking at how we can expand there, and I would say again, that there's actually a lot of exciting stuff going on. We know the demand is quite steadily increasing in India over the years, and it's got a role to play even though LPG is a sort of an intermediate fuel commodity. Before you go over to true renewable sources, but that's a probably a long time period for that, before that's becoming reality. And LPG is a major transformation energy source in many of the rural areas. Talking about our own capabilities then, so at the moment, we have already started the work to upgrade our existing liquid Jetty, so that it can accommodate V LGC carriers.

And so that's very large gas carriers, the difference is actually quite significant here, because it's not so much the volume, but it's more like at the current market. A handymax charter and a VLGC charter is almost the same market level rate wise, so that means if you can charter a larger ship for the same type of money, of course you get lower landing costs. And that's what we are now entering into being able to accommodate with the upgrade that we are doing, we should be up and running with that early next year.

I keep pushing for early next year, but let's be realistic here on the call, I think that's going to take another six months to come into operation. But then the other side of the equation is the evacuation on land. There is

this rail evacuation now which is very, very successful. So as I said, to the formal questions, maybe we are able to put in another rail track so that we can double the capacity there, then of course, we can already evacuate LPG by tankers. And we are working together with SagarMala to add a ferry connection between Pipavav and Hazira, and that would further enable the evacuation by tankers, because then we could reach South Gujarat through the ferry, although that's maybe minor volumes. And then finally, in fact, there are some plans for linking Pipavav as well to the LPG gas pipeline network, and that you can research yourself with the big Indian energy majors, but those plans are firm. So that is of course making us speculate that we need to do even further steps on the liquid side.

Ashish Shah: Sure got it, Santosh if you can give me the realizations by the commodities.

Santosh Breed : Certainly, Ashish so for container we continue to maintain our realization between 6500 to 6800, for bulk it is in the range of 450 to 550, and for liquid it continues to be in 675 to 700.

Ashish Shah: Sure, and have you seen this container realizations moving up because of the price hikes that we have taken earlier on this.

Santosh Breed : Yeah, so certainly there are improvement in the realizations. The price hike was taken last quarter, if you remember we have taken in May. So in line with that we have seen some improvements in our realizations.

Ashish Shah: Alright, okay.

Viral Mehta: So next question is from the line of Mr.... you so you can un-mute.

Santosh Breed : We're not able to hear you, no it's not clear.

Viral Mehta: We are not able to hear you.

Jakob Friis Sorensen: Sorry, but there are so many questions about, has canceled the call.

Viral Mehta: Yes Vijaykumar, Mr. Vijaykumar?

Baranidhar Vijaykumar: Is this audible now ?

Viral Mehta: Yes we can hear you now, Yes please go ahead

Baranidhar Vijaykumar: Hello yes we can hear you go ahead

Viral Mehta: Sir I think there is a disturbance from the other line. Try one more time else we'll end the...I think we're not able to hear him, so sorry that was the last question of the day [inaudible].

Santosh Breed: Nishant. Sorry you're also breaking in between so that was the last question right so you're looking for a closing comment? That's Yes, that's okay.

Jakob Friis Sorensen: All right, but I think it's been good questions, and again, I'm very happy to have this interest from our investor callers in. I do also think that we have struck a positive tone, with the cyclone behind us. With also a little bit light in the tunnel in terms of the container market recovery, and with that I

mean a stabilization of the Exim services that we have seen suffering a little bit from lower volume and skipped calls.

So we are moving into traditionally our strongest quarter, and also I'm hopeful that 2022 is going to be good for us. And as I've said a couple of times, we will continue for a long time to focus on the DFC. And for the end to end logistics, opportunities that this gave us for Indian companies and the supply chain and the logistics costs. So I think that is a very good spot to be in, and we have a lot of work ahead of us. Thank you for that. I think that was my closing comment.

Santosh Breed: Yeah, thank you very much.

Viral Mehta: Thank you, everyone we can disconnect the line.