Gujarat Pipavav Port Limited

Q2 FY 2025 Earnings Conference Call

7th November 2024

Manish Agnihotri:

Good morning, everyone, and thank you for joining Q2FY25 earnings call of Gujarat Pipavav Port limited. My name is Manish Agnihotri and with me, I have Girish Agarwal, Managing Director and CFO, Santosh Breed. The way we'll take this call forward 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. I hope I'm audible. Good morning everyone.

Let me quickly give my opening remarks. The Revenue for the Quarter was lower by 10%, largely due to lower container and bulk volume. Our EBITDA consequently was lower by 12% and EBIT was lower by 15%. GPPL Board has approved an Interim Dividend of Rupees 4 per share. The quarterly financial performance largely was lower due to impact on the Container volumes due to the Red Sea crisis as well as lower imports of Fertilisers because of the delayed tenders by the Government.

At a half year level, the First Half of the financial year Revenue was higher overall by 1%. EBITDA was higher by 10% and EBIT was higher by 13 percent.
In terms of Outlook, we now have started to see Green shoots in our Container volumes with reduction in skip calls and deployment of additional vessels by the shipping lines. This is also seen in our quarterly volume trend which has improved almost by 9% from 165,000 TEUs in the previous quarter to 180,000 TEUs in this quarter and we expect the trend to continue. The Imports of Fertilisers post the opening of Government tenders has also started in this Quarter as well as the liquid volume which will continue to show a run rate of 300,000 metric tonnes plus. Our annual volume expectations are maintained between 1.3 million metric tonnes to 1.4 million metric tonnes. RoRo volumes continue to be strong and expect a annual volume in the range of 150,000 to 175,000 cars. I'll pause here and request for your questions.

Manish Agnihotri:

Right, thanks. So can I request everyone to keep yourself on mute and only when you have questions you can unmute yourself. We'll start with Mohit Kumar. Go ahead please.

Mohit Kumar /EQTY RES/ISEC/MUMBAI:

Hi. Hi. Good morning, Sir. Thanks for the opportunity. The one question on my side, there's this huge difference between Standalone and Consolidated Profit numbers. I think it's something to do with tax. Can you please explain that line item?

Santosh Breed:

Sure, Mohit. So the impact what you see is on the Deferred Tax and this is in line with the new regulation which has come in where the indexation on the investment has been taken off. So earlier the Deferred Tax calculation was based on the original investment and was indexed to calculate the value as per the current value and then of course the Capital Gain was calculated. However, with the indexation benefit going away now, the calculation is based on the original investment vis-à-vis the value of the current investment and that's why there's increase in the overall capital gain tax, which has been recorded now as Deferred Tax in the books. Having said this, this is more of a book entry. There's no cash flow impact on this and accordingly it has been disclosed in the published result with the appropriate note.

Mohit Kumar /EQTY RES/ISEC/MUMBAI:

Understood Sir. My second question is on the proposed liquid berth as I was reading the annual report, it looks like there's some statutory and regulatory approvals are still pending. Can you please update on the same?

Girish Aggarwal:

Yes, so we await our overall regulatory approvals. Currently we are in the process of receiving the Environment clearance and once the Environment clearance is granted is when we will get started.

Mohit Kumar /EQTY RES/ISEC/MUMBAI:

When that is expected sir? Any timelines?

Girish Aggarwal:

Oh, so, I mean, there's no point at this point in time to give any timelines, you know, on the Environment clearance, the process is ongoing by both the local government authority as well as the Ministry of Environment and Forest.

Mohit Kumar /EQTY RES/ISEC/MUMBAI:

Is it fair to assume that by December 25 this would be up and running?

Girish Aggarwal:

I would argue at this point in time it will be anywhere between December 2025 and March 2026.

Mohit Kumar /EQTY RES/ISEC/MUMBAI:

My last question is on the concession renewal. Have you heard anything from the government?

Girish Aggarwal:

No, no, we haven't heard any. We haven't heard anything from the government. But again, I mean we would like to just maintain what we said last time we don't, we have not seen any red flags. We continue to engage with the relevant stakeholders and at an appropriate time I'm sure the government will come back with its decision.

Mohit Kumar /EQTY RES/ISEC/MUMBAI:

Thank you, Sir. Best of luck. Thank you.

Manish Agnihotri:

Thank you and Deepak, please go ahead with your question, Deepak Maurya.

Deepak MAURYA:

Yeah, Hi. Good morning, everyone. Thank you for your initial comments and then sharing the presentation.

Deepak MAURYA:

Today. So my questions.

Girish Aggarwal:

But sorry, can I please request the others To go on mute. Please go ahead Deepak.

Deepak MAURYA:

Yeah, sorry for that. OK, so my question first question was about the continuous shipping outlook. We did see that sequentially the volumes have improved, but then part of this is likely to do with seasonality, where in second quarter typically tends to be a little stronger. Could you help us understand what kind of improvement are you seeing with respect to the shipping lines calls at your port. How has this improved versus the previous quarter? You did allude to it in your initial remarks, but if you could provide some more colour in terms of what kind of strength you're seeing with respect to these services coming back and at the same time, the amount of volumes which these services or these port calls are bringing back.

Girish Aggarwal:

We've spoken about the reduction of our volumes in relation to the transhipment volume because of the withdrawal of one of the service by Maersk and that continues however quarter on quarter we have, we're clearly seeing the same services doing better but not because of seasonality because of the fact that there's skip calls have reduced. Both Maersk, OOCL- COSCO Group services showing an uptick. If you look at the overall numbers, just to give Quarter on Quarter comparison, the overall import laden which had declined which shows a decline year on year but on Quarter on Quarter basis, the import laden volume has improved which really tells us you know from our perspective is the number of vessel calls have improved. The skip calls have reduced and hence you know it's not merely seasonality, it's specific to the fact that we've seen more ship vessel calls on our port.

Deepak MAURYA:

OK, that helps. And if I may also ask about the EBITDA margin or indirectly about the operating costs in a way, right, we see that the margins declined 2.4 percentage points quarter on quarter and this is despite the fact that seasonally Container volumes were up as I mean sequentially container volumes were up, but overall revenues are down 8%, but operating costs have declined only marginally or lagging behind the revenue decline, which is in Quarter on Quarter and any colour on what has driven this slower decline in operating costs versus revenues.

Santosh Breed:

So Deepak we have of course some on-offs in our cost. For some maintenance work which has been carried out on our operating cranes and that has resulted into some incremental cost during the quarter. As I said these are one-offs and these are not something which will happen every quarter and that's why we will see a decline in the margins.

Deepak MAURYA:

Is it possible to quantify excluding these one offs what would have been the uplift to the margin?

Santosh Breed:

It should have been a 200 basis point up.

Deepak MAURYA:

OK, this is fine. 200 basis points up other than the maintenance cost. OK that is understood and if you could also as you normally do right and give some colour or some ranges about the realisation for the different cargo categories that helps us understand the trajectory of tariffs.

Santosh Breed:

So on the realisation the container realisation is in the range of around 8000 to 8700 per TEU Bulk and Liquid continues to be in the same range, 450 to 700 for both the business streams.

Deepak MAURYA:

OK. And within this bulk and liquid category, you said 450 to 700 is quite a wide range, which one is on the higher side liquid?

Santosh Breed:

Fertiliser is on the higher side actually.

Deepak MAURYA:

I see Fertiliser is on the higher side, OK? And my typical question on Coal volumes, what is the, any decision has been made?

Girish Aggarwal:
Now we're still working on, you know, on that. We're just out of the monsoon season. So we'll take some more time to come back to you in terms of what we will do from a operational perspective on Coal.

Deepak MAURYA:
OK. Those were my questions. I'll probably fall back in queue and join back. Thank you.

Manish Agnihotri:
Thank you, Deepak. Mr Bhavesh Patel, please go ahead.

Bhavesh Patel:
Thank you for the opportunity and I wanted to understand about our capacity expansion plan and if at all any movement on the MOUs that we signed almost for close to Rs. 3000 crore along with the Government of Gujarat for the port development.

Girish Aggarwal:
Yes, Bhavesh. So essentially on the MoUs, you know there's clearly movement on one part of it which is the Liquid berth which you are aware of. As I said earlier, we are awaiting regulatory approvals which includes environment clearance. Once that is granted we would see work to get started. We expect again the closure between December and March, December 25 and March 26th of the liquid jetty. In terms of the other MoUs specifically to the you know, capacity expansion is of course subject to, you know, the policy document/ you know, concession extension. So once that is granted, we will move fully forward on that. The other MoUs in terms of skill development, et cetera is already moved forward. We've had workshops with Gujarat Maritime University and we're doing significant work through Maersk Training in terms of improving and building scale in Gujarat Maritime University on the Maritime leadership capabilities.

Bhavesh Patel:
That's helpful and good to know. Thank you. The second part is typically our second-half is better than first half, right? I mean that's fair to assume considering the monsoon months and all.

Girish Aggarwal:

Yea that's a fair assumption Bhavesh.

Bhavesh Patel:

OK, OK, good to know. And once again, thanks for the dividend declaration as well as continuity on the strategic part looking forward and wishing all of us the best wishes for the upcoming growth. Thank you.

Girish Aggarwal:

Thank you Bhavesh.

Manish Agnihotri:

Thank you, Mohit Kumar please go ahead.

Mohit Kumar /EQTY RES/ISEC/MUMBAI:

Hi, thanks for the opportunity once again. The only question I have is that the offshore wind development does helps us in any way. I believe that the people are looking at Pipavav port closely to cater to the offshore wind.

Girish Aggarwal:

Yes, I mean while it is sometime away, but it could potentially be a positive impact to Pipavav Port. For sure, we could be the port of choice for the offshore base, as an offshore base.

Mohit Kumar /EQTY RES/ISEC/MUMBAI:

Understand this is too early to talk about any potential, is it?

Girish Aggarwal:

Absolutely.

Mohit Kumar /EQTY RES/ISEC/MUMBAI:

Understood sir. Thank you.

Manish Agnihotri:

Thank you. Aditya please go ahead, Aditya Mongia.

Aditya Mongia (Research, KIE):
Yeah. Thank you for the opportunity. Just firstly a bookkeeping question. Could you give us a sense why in the one Q and two Q implied realisation numbers are very different and there seems to be a 10% Q&Q decline. So could you give us more colour on why this has happened.

Santosh Breed:
Aditya, actually you're referring to container realisation and this is driven by the mix the cargo mix. If you see the last year we had a transshipment volumes and these were again with very low realisation as we have mentioned in the earlier call as well. Apart from that, we also mentioned about the coastal volumes, which also comes with much lower realisation than the EXIM. So whenever we see these changes in the mix then you see that changes in the realisation as well.

Aditya Mongia (Research, KIE):
So anything to call on the Q on Q basis as well as in one Q. If I see the implied realisation as in assuming some tonnage number and everything, I think there's a meaningful decline. So just trying to get a sense where there's something happening Q on Q. Was there any one off in the first quarter in terms of income?

Santosh Breed:
You're comparing with Quarter on Quarter basis or the preceding Quarter?

Aditya Mongia (Research, KIE):
Yeah. 1Q to 2Q, yeah.

Santosh Breed:
No. So we're not seeing any decline in our realisations, Aditya. The realisations have been maintained.

Aditya Mongia (Research, KIE):
OK. Sure. Secondly. Since transshipment makes numbers messy, what would be your sense of the EXIM growth that has happened for you, or versus the market you operate in for the quarter?

Santosh Breed:

Look, we don't really split and speak about each of these cargo mix and the numbers, but yes, just to give an indication, we have seen some good improvement in our Exim volumes, which Girish also touch base in his opening remarks. The Green shoots what we are referring to, with the skip call going down that is actually driving the Exim volumes up.

Aditya Mongia (Research, KIE):

Let me put in another manner, as in whatever issues were there from a skip call perspective, if they were to be completely taken out of this 180 thousand TEU number then what according to you will be the number and over what time frame should that happen?

Girish Aggarwal:

Take speculative out of there. I mean A, we don't expect the entire skip calls to go out. Or so I mean I don't think so that is something that we even look at this point in time. So my sense is from a projection perspective, a future projection perspective, we expect similar trends to continue. We would still see slight growth on this over the next two quarters. Of what we have done this quarter and then we'll see again. I mean the Red Sea situation is dynamic. We are seeing, you know worsening Middle East potentially worsening Middle East situation. So I mean these are things that we'll see as they come along. But as we stand today, I firmly believe that 165 thousand was the bottom in terms of container volume and the improvement that we've seen this quarter will further slightly improve as we go forward.

Aditya Mongia (Research, KIE):

So maybe just a last question from my side. As in whatever is really evacuated via Rail, how much of it is from double stacked and what is the potential to further improve that matrix from here?

Santosh Breed:

Don't have a number, but we I can certainly say that substantial number of rakes that are going out of Pipavav are double stacked. And yes, of course there is a good scope of further improvement, because now DFC has been operational, the entire line can handle double stack. So the Trade and Railways are working on handing more double stack trains.

Aditya Mongia (Research, KIE):

Related question from my side. On, sorry if there was a remark from your side.

Girish Aggarwal:

No, no, please go ahead.

Aditya Mongia (Research, KIE):

See, as in the leading rail operator has been talking about the modal share going down in both Mundra and Pipavav. Specifically for Pipavav why would you? what would you kind of attribute as the reason as to why something completely reverse is happening versus what would have thought post DFC.

Girish Aggarwal:

Like we didn't understand your question Aditya.

Aditya Mongia (Research, KIE):

Sure. So the expectation was well with the advent of DFC, you will see cargo going from road or coming from road moving to rail. But it seems that the reverse of that is happening if one kind of hears out the comments of CONCOR. Any specific reason why there is this kind of an effect happening?

Girish Aggarwal:

From our perspective in general, if you look at the cargo mix Rail versus Road for us, it's been steady and similar. So we haven't really seen a big change or any impact from that perspective, but we have to also accept the fact that for certain types of cargo mix and certain type of distances road is always favoured over Rail.

We have also talked about the fact that the cost of Rail Transportation is still higher than Road in many cases, and that is something that the government has to look at. Very recently or maybe about a year back there was a congestion surcharge applied on container movements by Railways. So those are aspects that you know, one has to think about. I mean, we cannot deny the fact that the road network is also improving as is DFC improved. Plus the other element, which is a positive element for us, is the local cargo which is in and around Gujarat is more a road transportation and that has improved. So we are seeing that as an improvement. Even if our Road versus Rail slightly deteriorates towards Road, that is more local cargo coming to us and hence that's more positive for the port as I see it.

Aditya Mongia (Research, KIE):
Completely understood and thanks for the colour and those are my questions. Thank you.

Manish Agnihotri:
Thank you, Aditya and Mr. Parimal Mithani, please go ahead with your question.

Parimal Mithani:
Good morning and thanks for the opportunity sir. I just wanted to know for next three to four years, how do you see in terms of your liquid, RoRo and container volume if you can give out guidelines please?

Girish Aggarwal:
From a container perspective, we have talked about it. Just on Liquid again, you know we will be at capacity between 1.3 and 1.4 looking at our cargo mix and we believe this financially we will be at capacity anywhere between 1.3 and 1.4 million metric tonnes in terms of RORO I spoke about we expect the annual Car volumes to be in the region of anywhere between 150,000 to 175,000 cars.

Parimal Mithani:
Yes, thank you.

Santosh Breed:
And just to add Mr. Parimal so the new liquid jetty what has been planned that is going to add another 3.2 million metric tonne on the capacity. So certainly we are we are focusing on and growing on this particular business stream

Parimal Mithani:
OK, Sir. Thank you.

Manish Agnihotri:
Thank you, Mr Mitani. Ms. Nidhi Shah please go ahead with your question.

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

Thank you so much for taking my question. I hope I'm audible.

Girish Aggarwal:

Yes.

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

Basically I wanted to ask mainly on the RoRo volumes. As we know clearly that Q2 volumes are better for most other products. We're seeing a different kind of trend in RoRo. Is that related to some other market forces or is that just how Q1 played out there? It was better than Q4 and obviously seeing a slight decline this quarter, could you just give some colour on how the volumes at RORO typically develop at the port?

Girish Aggarwal:

I mean, I think the only thing I can say just on quarter on quarter is we had a highest parcel loading of about 6000 RoRo units in one vessel. This is the highest parcel size that has ever been, you know, loaded out of India at any port in India. And because of this large parcel size, while we were expecting, I mean that that was a volume for the month of September. But the vessel sailed in October. So the volume dipped into October and there's nothing else to read into this volume. We are seeing strong growth in our RoRo volumes and we'll continue to see that in this quarter and this volume will be an addition to the normal run rate of the quarter in the October, November, December quarter.

Nidhi Shah /EQTY RES/ISEC/MUMBAI:

All right. Thank you so much.

Manish Agnihotri:

Thank you, Deepak Maurya please go ahead.

Deepak MAURYA:

Hi. Hi. Sorry I was on mute. I heard a guidance range for volumes for the liquid and the RoRo side. Did you also guide about the bulk and the container side? Did I miss that?

Girish Aggarwal:

No, we didn't give a guidance for specific guidance for both of these Business lines.

Deepak MAURYA:

OK. OK. Thank you. That was one clarification which I needed. Thank you.

Manish Agnihotri:

OK, thank you. I don't see any other hands raised. Anybody has any last questions? Doesn’t seem to be the case, so thank you for joining the call.

Girish Aggarwal:

Yes, thank you so much. I appreciate you all taking time. I think in general we are seeing some positive momentum and I believe in the coming two quarters for this financial year we'll clearly see better volumes than what we've seen this quarter. We've as I spoke about, we've seen green shoots in the container volume as well. So I look forward to speaking with you again. After the next quarter results. Thank you so much.

Manish Agnihotri:

See you and have a good day.

Santosh Breed:

Thank you.