



“Gujarat Pipavav Port Limited  
Q3 FY2022 Earnings Conference Call”

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**Moderator:** Ladies and gentlemen good day and welcome to Gujarat Pipavav Port Limited Q3 FY2022 earnings conference call, hosted by Centrum Broking Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions, after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing “\*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Shah from Centrum Broking Limited. Thank you and over to you, Sir!

**Ashish Shah:** Thank you. A very good morning to everyone. On behalf of Centrum Broking, I welcome you all to the Q3 FY2022 earnings conference call of Gujarat Pipavav Port Limited. We have from the management, Mr. Jakob Sorensen, Managing Director and Mr. Santosh Breed, the Chief Financial Officer of the Company. I will hand over to the management to begin the call. Thank you Sir.

**Jakob Friis Sorensen:** Good morning everybody and thank you for dialing in here at our quarter review results conference call. I think everything taken into consideration, we are okay and we are accepting the results for this third quarter of the financial year, but we remain optimistic that it is still a long way to where we want to be in terms of volumes especially for the container business but as I had said repeatedly there is an international supply demand situation, which we are not able to do much about from GPPL itself and our focus is on the land side, we are looking at DFC and we are looking at our services and on that side, we have a lot more interactions with our customers in providing a good and stable and reliable service to our customers, their supply chain challenges. So with that I would like to hand back to the moderator and we are open for questions.

**Santosh Breed:** Just before we get into the Q&A Session, I will take a quick five minutes to give you a walk through on the presentation what we have on the website. I will start with that. So, if you refer to the presentation we will start with the key updates for the quarter and this is a comparison to the same quarter last year.

As mentioned by Jakob in his opening remarks, our customers continue to face the global supply chain disruption in the network and as a result, we are experiencing skip calls and that has resulted to 20% lower container volume.

When we look at the dry bulk volume, it has also been impacted because of the lower fertilizer imports and this is mainly because of the delay in the government tenders due to high international prices.

As mentioned last quarter, we have improved quarter-on-quarter on our liquid volume because of the strong LPG volume that we handle now with rail evacuation which has

started at Pipavav for LPG and with that we have seen a substantial increase in our liquid volume, which is 46% as compared to the same quarter last year.

The liquid evacuation is helping the importers for faster access to the internal markets as well as reduction in the distribution cost and we expect these volume to continue as mentioned earlier, we have now again clocked 200000 metric tons of liquid volume. So, if you remember a few calls earlier, this is where we want to be on quarter-on-quarter basis and liquid volume of 1 million metric tons can be achieved.

RoRo volume continue to be muted. We are getting some good support from our customers and that is why we are maintaining at 7000 cars on an average and that is what we expect in the coming quarters as well. So, this business also will remain muted for a few more quarters and then we should see some uptick once the overall demand for exports increases.

**Jakob Friis Sorensen:** We are waiting to see what happens with Ford actually. This at the moment Ford has stopped the export , so we will see what happens on that front.

**Santosh Breed:** The overall impact of this on the revenue which was lower by 15% maybe because of the lower container and bulk volumes. EBITDA was lower by 21% and the margins have dropped by 400-basis points. In this quarter, there was an exceptional item of Rs.90 million which is a net recovery of our cyclone costs, basically insurance recovered towards that. We have recovered Rs.200 million during this quarter. This is a partial settlement of the insurance claim and we continue to deal with the insurance company for the further settlement.

Restoration process is in progress. There are some other works, which are still going on and that part will continue, but there is no impact on the operations because of that work. I think with this I would like to get into the question and answer session now.

**Moderator:** Thank you very much Sir. Ladies and gentlemen we will now begin with the question and answer session. Our first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Good morning Sir. Thanks for the opportunity. Sir, first question is on one side we keep hearing that exports and imports are buoyant at the same time our volume numbers are pretty weak, what explains this and how do you see the FY2023 going forward? Can we expect 1 million TEU volume in container side over the next couple of years?

**Jakob Friis Sorensen:** In the next couple of years, I would definitely say that it is a possibility but as I said also recently this morning we still have that international situation of supply and

demand in the container market and if you check there are 88 ships waiting to be offloaded in Los Angeles as we speak and there is a bottleneck in the container international situation and many ports, China is facing COVID in certain places, UK, Europe, there is congestion, like truck drivers. So, this situation is helping to the shipping lines making a lot of money at the moment and at the same time, we all know the frustrations from shippers and the manufacturers and exporters and importers in allocating space and the liability in the supply chain. What that means for people of port is that though you have not lost a single shipping line, we have in fact added three services to our water front in 2021 then not any one of our customers are delivering up to their commitments and up to their expectations. It is in the market conditions at the moment which is making this very difficult. Having said that I am still strongly believing that we saw the market is a very supply demand driven market that has always shown upsides and downsides and this will also even out, when we get further into 2022. I do believe that we see right in front of this more capacity to come in, shipping lines have ordered new ships, and at the same time of course congestion and debottlenecking, etc., is slowly but surely getting in the right direction, but I think we need to wait a few more quarters.

**Santosh Breed:** Just to add to what Jakob has said, what we also see that on quarter-on-quarter basis, we are gradually seeing some recovery. The Exim volume for us has improved by 3% on a quarter-on-quarter basis, so that is the indication of the gradual recovery for us.

**Mohit Kumar:** What explains the weakness say in the bulk, we are expecting or a slight better given the fact that, I understand that the Ultratech jetty is still not up, so what is the QOQ decline, sharp decline?

**Jakob Friis Sorensen:** I think we are actually quite well on bulk, but one of the major commodities that we handle is fertilizer and as Santosh alluded at what is happening is that the international prices for various different kinds of fertilizer have gone up drastically and since this is a government commodity that the government is procuring to support all the Indian farmers then they had to change a little to place orders for fertilizer and they are waiting for the price to come down again and that has affected us on that quarter.

**Santosh Breed:** Also if you look at the numbers in the west coast, the west coast market itself has gone down by 32% for fertilizer imports if you compare it with the same quarter last year. So, I think it will come up. Earlier this has been taken by the government and we understand from the media reports the fertilizer minister is planning to visit Russia for some long-term contracts on fertilizer imports. I think the situation will fairly improve.

**Mohit Kumar:** Thank you. Best of luck, Sir.

- Moderator:** Thank you. The next question is from the line of Kaustav Bubna from Rare Enterprises. Please go ahead.
- Kaustav Bubna:** I wanted to understand what is the company's growth capex plan for the next two, three years?
- Santosh Breed:** Today, we have a certain internal accruals in place for enhancing our container handling capabilities. We announced that already for around Rs. 700 Crores is what we are looking at in the next couple of years, of course this is conditional approval for the concession extension. So, we are working very closely with the regulator to finalize on the concession extension and of course once that happens then we are ready to invest.
- Kaustav Bubna:** Sir, could you speak a little bit about this concession in the sense this leases in 2028 expires, so could you speak a little bit about that? How are you looking at approaching that and what do you think are the possible outcomes?
- Jakob Friis Sorensen:** As you see, our concession is up to 2028 and then there is a possibility to rollover for another 20 years and we are pursuing that discussion with GMB. In fact, I was earlier this week seeing the Chief Secretary in Ahmedabad and this is a discussion that has been going for a long time and we will continue to have that with GMB. They have also employed a third party consultant to support them and as we know there is a legal framework that allows GMB to make a rollover but there is also reforms going on in the Indian legislation for major ports and for a number of these things, so I think that it is going in the right direction and in fact if you look at the policies that is coming there is more the regulation, it is more privatization and it is more support to PPP, partnerships, we have the first ports in India to be launched under that scheme, so it is quite natural that the government wants to make sure that they have follow all rules and regulations going forward and I think as said in summary it is a quite constructive discussion we are having here with GMB.
- Kaustav Bubna:** Thanks for explaining that in a detailed manner. I appreciate it. Thank you.
- Moderator:** Thank you. The next question is from the line of Deepak. Please go ahead.
- Deepak:** Good morning. Thank you for taking my questions. First and foremost, maybe if you could give some color on what is the run rate which you are seeing in this quarter? Have things improved particularly for bulk you said that bulk had declined in the previous quarter because of the delay in government tenders, but are we seeing any catch up similar to what we saw in the second quarter? That is the September ending quarter. My question really for containers, are you seeing any sequential improvement in this quarter or it is stable throughput?

**Santosh Breed:** Regarding the bulk, in the coming quarters it will certainly improve and we are really seeing some indications for that. Fertilizer will take some time, but we are quite hopeful that the level in the first quarter of FY2023 we should get the fertilizer volumes back. On the other bulk commodities, we are working on that and we are quite confident that we will have strong performance.

**Jakob Friis Sorensen:** On the fertilizer our additional warehouse of 10000 square meter has commissioned and we are in the process of putting solar panels on the rooftop there, but the warehouse is nice addition to our capabilities for handling fertilizer. We are looking into the process of the packing, which is expected we are taking to speed up the evacuation on the land side and of course the fertilizer is primarily evacuated by rail. That same goes for the liquid part, LPG, the volumes have been strong and since we started the railway for liquid tank rail we have handled more than 200 trains since April last year and this seems to be continuing. It is a very cost effective way of evacuating the LPG and it reaches all places of India through the railway network. Then of course we see continued bulk handling of limestone and other commodities and we keep working with some of our neighbors in supplying them. I think the bulk is saving us in the current situation, but again here I think we need to be optimistic. The market will regulate itself. We have a tremendous dialogue with all our container shipping lines. We added more and we see some traction on the new service that we added to the Middle East and then as I say this a couple of times that on the land side, the container business is a fully fledged end-to-end logistics supply chain, so there is some mix on the water side and on the international situation but on the land side, we keep a lot of interest on our capabilities with the DFC and we are the first port in India who have electric trains all the way up to the north to Delhi which we can run from Pipavav to Delhi in 24 hours now with electric. So, I think there is reason to be optimistic but it takes more time.

**Santosh Breed:** Just to clarify on the new service, what Jakob mentioned in Middle East. So, this started in January and we expect roughly around 32000 to 35000 TEUs in volume. So, as Jakob mentioned we are quite optimistic about the increase in the container volumes.

**Deepak:** Other than the new service, organically what kind of run rate are you seeing during this quarter so far? What I meant is that besides this Middle East new service which you are speaking about, on a like-to-like basis, how are you seeing the business in the container segment during this quarter, since it is already a month past now? Are you seeing any increment or it is just like the congestion is still persisting?

**Jakob Friis Sorensen:** We see some traction on that. We told it is already a month but it takes a little time for new service to find its feet. I was just in Ahmedabad earlier this week but there is a lot of interest for this new service to Middle East and we start now to see also different

shipping lines enquiring the people for some shipping of empty containers so empty containers will come in from the Middle East and bring some ship to Pipavav and that is something we have been pursuing as well. So, I repeat what we said before, we remain optimistic but it is a part of the market where we have a very little influence. It is not as something that we regulate by pricing. It is really an international situation when it comes to the water front and then it comes to the ocean transportation and that is why we try to focus on our resources on where we can influence and that is on the land side, on customer service, speeding evacuation and taking full advantage of the electric trains that we now are running on DFC.

**Deepak:** Great. Your global peers port operators, they have been speaking about ability, better ability to raise handling charges this year given the strong profitability of shipping lines including your parent company once you spoke about the same that they are seeing an improved ability to raise tariff. How are we positioned in GPPL, container handling charges probably in the coming quarters?

**Jakob Friis Sorensen:** In the quarter here in February we have taken a 6% adjustment on our tariff and that is being okay receipt but let us be clear, just because the shipping lines are noticing quite good profit at the moment, it does not mean that by this they just hand out, give away to their suppliers and let us say we are having some discussions with shipping lines but at the moment the market is really with the shipping lines and that goes and whenever there is a supply demand situation, they would not have including market out of India, they have been focusing on the Far East, Europe, far east to US and that is where they are making their money at the moment and as you know we are sitting in India and there is not much we can do to just charge them more for lower volumes that, I said, we can tell the market recognize that will look like that. But I think to harp we have not lost a single customer and they are fully aware of our capabilities. We are the first movers in electric rails with DFC, other ports either are still waiting on electrifying their work and activity, some ports in the South Gujarat that have no rail connectivity I still feel we are quite well positioned there in that market.

**Deepak:** Thank. Appreciate your time and your responses. Thank you very much.

**Moderator:** Thank you. The next question is from Rushabh Sheth from Karma Invest. Please go ahead.

**Rushabh Sheth:** I wanted to check, I have raised this issue earlier also. The road to Pipavav both from Diu and Bhavnagar, is in a bad shape and when you are negotiating with Gujarat Maritime Board for the renewal, I think one thing that you need to maybe impress upon them is that

the road condition needs to improve so, any thoughts or any feedback on the road condition or how quickly can you get it to a better shape?

**Jakob Friis Sorensen:** Actually we are pushing this issue with the Minister of Highways in Delhi and I did mention it as well to the Chief Secretary in Gujarat earlier this week, but let me just tell you, I was last week driving from Ahmedabad to Pipavav via Bhavnagar, and including stop that whole trip took place in six hours so by firsthand, seeing it myself, there are just few bypasses that is missing, otherwise, it is by large still becoming a four-lane highway and the road from Diu into Pipavav is almost now complete and again there is just one bypass that is missing and you can go from Diu to Pipavav in less than two hours. Rajkot it has been a while since I have been there, but actually Rajkot was the best drive, so I do not think the road conditions are going in the wrong direction and by the end of this year we should see a much more better condition to take up for road traffic. At the same time, I keep repeating this that we are the first port to run the electric train on the rail connectivity that we have with PRCL and I think in that connection, road and rail are actually complimenting. . They are not cannabilizing each other.

**Rushabh Sheth:** Exactly, I have been to your port, so I have seen the railway. I think that is one thing that you can grow dramatically with the kind of railway connectivity, you have now fully electrified, you can run double stack. So, I think that is something maybe you can leverage significantly over the next few years to kind of get more traffic. My question was more on the road, so thank you so much. You have answered.

**Jakob Friis Sorensen:** It is going in the right direction and I think we have a regular dialogue with the Ministry of Highways and in fact earlier when I went to the inauguration of the Gati Shakti last year, I brought this up with a senior bureaucrat from the Ministry of Road, so I think we do see improvements now not least when you are driving there, you can see that the construction is actually happening, people are working. Just to your other point, we are indeed promoting this rail connectivity and this is just a massive communication task that is there, there are a lot of stakeholders and people will need to really take into consideration the way they operate, truck drivers, ICDs, CTOs even CONCOR are still working on Pipavav and making the smooth connectivity from the roadways to the railways. So, it is a lot of good opportunities but it takes all the time that you indicate will be the next many, many months that we need to continue this work, all our commercial team is on this and talking to customers every day.

**Rushabh Sheth:** Thank you so much, Jakob.



- Moderator:** Thank you. The next question is from the line of Vaibhav Shah from Centrum Broking. Please go ahead.
- Vaibhav Shah:** Thank you. Sir can you share the realizations for each cargo type during the quarter?
- Santosh Breed:** We continue to maintain our realization. So the container continues to be in the range of 6500 to 6900, bulk is 450 to 550 per metric tons and liquid in the range of 700 per metric tons. I would also like to highlight that when we look at our margins, of course the margins look lower this quarter primarily because of the one-off cost which has been incurred for the bonus which we had announced by the group for the employees for the contribution during the COVID situation and also because of one off repairs which we had taken in jetty. But for these one offs we maintain a margin of around 55% odd as compared to the same quarter last year, so it has been in the same rate. So, margin part is maintained, so are the realization.
- Jakob Friis Sorensen:** I will make a comment on the margin that we would like to be more at 60% and this is of course not a secret., we do have a one-off expenses and I think it is too hard that everybody has done a great effort to improve it from 2021 and then not to mention that we had the cyclone and despite of that I think everybody is said to get the bonus for 2021 as well and therefore it is just a fair expenses to encounter and we are happy that we are able to support our people. We have no fatalities as we had the COVID situation under control, our first priority is to keep our people safe and make sure that everybody who comes in the morning is also going home safe and in good shape and they are going home to their families in the evening and that has been our top priority.
- Vaibhav Shah:** Thank you.
- Moderator:** Thank you. We have a question from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Good morning Sir. Thanks for the opportunity. My first question is can you just quantify one offs in terms of fair cost, that you incurred during this quarter?
- Jakob Friis Sorensen:** The one-off.
- Prateek Kumar:** Yes.
- Santosh Breed:** All put together the one off are in the range of around 58 million.
- Prateek Kumar:** Any of these have a rub off even in the next quarter or we should...?

- Moderator:** Mr. Prateek Kumar, we are not able to hear you clearly. Your voice keeps breaking up. Sir maybe if you can disconnect and call back.
- Prateek Kumar:** Sure. I will do. Thank you.
- Moderator:** Thank you. We have a question from the line of Abhishek Nigam from B&K Securities. Please go ahead.
- Abhishek Nigam:** Just wanted to check on the insurance claim. How much more is due in the coming quarters and when do we expect it?
- Santosh Breed:** The overall insurance restoration cost that we have calculated should be close to around \$11 million and we of course expect everything to be settled. Right now what we have got in this quarter is the initial settlement and this amount will come in the next two quarters.
- Jakob Friis Sorensen:** Just to add on that the port is fully up and running, we are also repairing and even building new stronger and in anticipation of whatever can ever happen in the future in terms of effects of the climate change and stronger weather and so on. I think on the way the port is appearing at the moment we are looking stronger than ever and it is looking good with good sign boards and roads, and everything is now newly painted and looking really ready for the next monsoon.
- Abhishek Nigam:** Just one more bookkeeping question, how should the capex be built in for this year and next year?
- Jakob Friis Sorensen:** Sorry can you repeat your question please?
- Abhishek Nigam:** How much capex should we build in this year and next year, FY2022 and FY2023?
- Santosh Breed:** The capex of course we are looking in the next few months as soon as we get clearance from our concession extension, so we have already have an approved capex of around Rs. 700 Crores. So that is the one which will happen in the next year as soon as we have the concession extension in our hand. .
- Jakob Friis Sorensen:** We have at the moment ongoing upgrade for liquid vessels so that it will support the very large vessels and that capex is around. That work is going on at the moment, but we really want to develop and speed up, more significant capex the moment we get the extension confirmed from GMB.
- Abhishek Nigam:** Thank you so much.

**Moderator:** Thank you. That was the last question. I would now like to hand the floor back to the management for closing comments. Over to you Sir!

**Jakob Friis Sorensen:** Thank you very much. Thank you for your good questions and your interest in GPPL. However, I know you have to wait a little bit longer for the container recovery. It is going to be a slow, long, recovery in container business. In the meantime, we can now say we have fully recovered from the cyclone, we are well prepared for dry bulk shipping. I mentioned that we have taken a huge additional 10000 square meter warehouse for fertilizer evacuation, we are investing in the bagging operations, and we are putting solar panels on our rooftops that is helping us to not only be environment friendly, but it certainly is also helping our expenses picture, more of our equipment is being electrified as we go forward we have electric trains now running, all the way, to the North with the DFC. So by and large, I think we are living up to our ambitions to be known as Gujarat's green gateway and we are looking forward with good optimism to 2023. Anything to add Santosh.

**Santosh Breed:** Nothing.

**Jakob Friis Sorensen:** Thank you very much for your interest and have a great weekend ahead of you.

**Moderator:** Thank you members of the management. Ladies and gentlemen on behalf of Centrum Broking Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.