

“Gujarat Pipavav Ports Limited 2QFY2019 Earnings Conference Call”

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Moderator: Good day ladies and gentlemen, and a very warm welcome to the Gujarat Pipavav Port Limited 2QFY2019 Post Results Analyst Conference Call, hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an 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 Ms. Surabhi Bomb from Ambit Capital. Thank you and over to you Madam!

Surabhi Bomb: Good afternoon all. We at Ambit Capital are pleased to host the management of Gujarat Pipavav for the 2Q earnings call. On the call today we have Mr. Keld Pedersen – the Managing Director and Mr. Santhosh Breed –CFO. We will start with a brief discussion by the management and then have a Q&A. Thank you and over to you Sir!

Keld Pedersen: Thank you very much. This is Keld Pedersen. Good afternoon to everyone on the call. We will jump into the highlights, the key highlights for the quarter at the end of September 30, 2018.

On our container volume we have a 22% increase versus previous quarter, which is equal to 238000 TEUs, this is of course a great deal through transshipment. However in July this year, we did a record monthly performance in volume where we handled more than 85000 TEUs and this is actually beating our previous record that goes all the way back to December 2013. On the dry bulk, we did 532000 metric tons this is a 14% decrease versus previous quarter. In the previous quarter we had very solid fertilizer volumes after the monsoon.

On the liquid, we have a 42% decrease versus previous quarter and this is our LPG volumes that have been down for the quarter while the RoRo increased with 37% to 22000 cars.

So let’s go through the financial performance for the quarter where we have revenue of Rs. 1,711 million, this is a 3% decrease versus previous quarter for us reflected on the commodity mix then it is from lower revenue from non-container business. However our expenses decreased by 13% to Rs. 736 million versus the previous quarter based on lower handling expenses, which are high for the fertilizer part of our business.

So that takes us through an EBITDA of Rs. 975 million, which is a 7% increase. We have taken 500- basis points up on the EBITDA to 57% and it provides us with a net profit of Rs. 552 million or 55.2 crores. This is 17% higher than previous quarter and in this we have a dividend from PRCL of Rs.38 million. Before we turn the page, I am also happy to announce once again that today the Board of Directors have approved an interim dividend payouts of Rs.1.7 per share.

If we go to the operational highlights on the right side we clearly have a trend that we are working hard on turning around the liquid and the RoRo, we still see it has very clear long-term sound business and we obviously need to reinstate the performance we had last year in the same quarter.

So now I will hand over the floor to Santosh Breed to take you through the P&L and then we will get back to the questions in a short while.

Santosh Breed:

Thanks Keld. Let me give you an overview of the financials for the quarter ended September 30, 2018. The total operating income for Q2 was at INR 1711 million, it is 3% lower than the immediate preceding quarter due to lower income from bulk and liquid business. In comparison with the same quarter last year, the operating income was higher by 13%. In current quarter, we had transshipment volumes which resulted in lower container realization as compared to the previous quarter; however, additional volumes of transshipment continued to contribute to our overall EBITDA number.

Total expenses at INR 736 million were down by 13% as compared to the previous quarter. Operating expenses INR 345 million was down by 12% mainly due to lower fertilizer handling expenses. Other expenses at INR 239 million were lower by 22% compared to the previous quarter, which was due to the maintenance dredging expenses in the previous quarter.

EBITDA at INR 975 million was higher by 7% and EBITDA margin at 57% was higher by 500 basis points as compared to the previous quarter. In comparison to the same quarter last year EBITDA was higher by 18% and margin was higher by 200 basis points. Other income of INR 149 million includes interest on bank deposits and dividend received from the associate company of INR 38 million. Net profit for the second quarter was at INR 552 million and was higher by 17% as compared to the previous quarter. In comparison to the same quarter last year the net profit was higher by 25%.

I will also take you through the financial overview for the six month ended September 30, 2017 and 2018. The total operating income for the six month ended September 30, 2018 at INR 347 million was higher by 8% due to higher container and bulk volumes. Total expenses were at INR 1583 million up by 18% due to higher operating expenses and maintenance dredging done in the Q1 of the financial year 2018-2019.

EBITDA at INR 1889 million was higher by 1% and EBITDA margin at 54% was lower 500 basis point mainly due to one-off offshore income in the previous year and maintenance dredging expenses in the current year. So excluding this one-off margin would remain steady and absolute EBITDA was higher by 11%.

Net result at INR 1023 million was higher by 2% as compared to the previous year. So this was on the overall financial results. We are happy to take the questions now.

Moderator:

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah:

Good afternoon. My question is on the impact of the incremental transshipment business. It appears that when one looks at the Q1 versus the Q2 volumes, the ICD volume improvement has been about 12000-odd containers whereas the overall volume improvement is substantial at about

43000. One does get a sense that lot of this incremental Q1 to Q2 is on account of transshipment. Now you did say that this volume does come at a positive margin contribution but one does not see that reflecting in the reported EBITDA because if one looks at the numbers to the Q1 EBITDA if one were to add back the dredging expenses because that was not there this quarter you know then we have not seen really big jump in the EBITDA we have not seen any appreciable increase in the EBITDA so just wanted to get some sense on this Sir?

Keld Pedersen: In sense overall quarter performance I mean the underlying increase is what we call modest but if I compare to the same quarter last year then the underlying improvement is actually a 15% and as you recall same time last year we had a very huge offshore project that brought additional income in one to two quarters last year. So we should see improvement but keeping in mind that liquid and RoRo is high margin business and that is actually down for the quarter.

Ashish Shah: Would it be possible to break-up the quarter's volume container volume into EXIM and transshipment?

Keld Pedersen: We only do transshipment to one customer so at this point in time we would not do it.

Ashish Shah: But Sir what you are saying is that the transshipment is definitely an EBITDA positive margin contributing business, you were not losing money or not just doing at any other cost?

Keld Pedersen: We are not losing money but we are not making as much as we do on the EXIM. That is very clear but it is contributing and it is a healthy part of our core growth and we do it on a long-term perspective.

Santosh Breed: And if you look at the EBITDA number as Keld mentioned is also about a commodity mix and this quarter we have lower liquid volumes so that also in fact need to be considered.

Ashish Shah: Also just one more if I may. Could you give me the bulk mix of how much fertilizer, coal etc., you handle during the quarter?

Santosh Breed: Coal was around 212000 metric tonnes. Fertilizer was 228000 metric ton and others were around 91000 metric ton.

Ashish Shah: Thank you so much.

Moderator: Thank you. The next question is from the line of Nilesh Bhaiya from Macquarie. Please go ahead.

Inderjeet Singh: Hi Keld, Hi Santosh Inder here. First is on the numbers given that we have now two quarters steady on the bulk side however liquid has been now coming off sequentially from a peak of almost 0.3 million tons now down to less than 0.1, you had said some kind of an outlook regarding volumes except bulk couple of quarters back for FY2019, do you still standby that and what is the revised number that we should look at for the full year basis?

- Keld Pedersen:** That is a good question Inder. I think we on a liquid part we do not standby what we report two quarters ago where we expected we will achieve the yearly performance of last year, it will be below but exactly how much below that is still to be seen we say here five month before the end of the year but it will be definitely below than last year's performance, we can see that by now after the end of Q2.
- Inderjeet Singh:** Can we get a sense in terms of say the degree of decline here because is it going to be a 10%-20%-30% kind of a decline or we think this 66% decline that we have seen year-on-year so just to kind of a very broad number not may be a specific number where we see the number will end up?
- Keld Pedersen:** Now I cannot, I do not like to give you that I mean two quarters ago, I expected that we would be able to achieve, at this point in time it is well below that so I would be very careful. I think we have to wait another quarter to see how we eventually start to see the end of the year look like but what I want to say is that it is a valuable business for GPPL and we have no intention to see it remain down where it is now and we do believe that it is still a very healthy long-term business but I cannot give you on the short-term for the six month or nine month.
- Inderjeet Singh:** On the container business was there also some coastal volumes or was it a pure EXIM plus transshipment?
- Keld Pedersen:** The coastal volume has actually dropped quite a bit in this quarter and this is not because coastal volume is not interesting as we see it disappear. It is still because we had a service that was doing quite lot of cargo to Kerala. So the Kerala flooding as I would say significantly reduced our coastal volume for this quarter but again it is a small portion of the total. Nevertheless it is something where we have been looking at growing continuously in that part of business.
- Inderjeet Singh:** One related question you said you do not want to break the volumes but Santosh is it possible to give some sense as to what is the realization of the EXIM container business?
- Santosh Breed:** Let me put it this way, so if I exclude the impact of the transshipment volume then we continue to remain on the realization between the 6000 and 6200 range what we have given earlier that we continue to have and is of course also exclude the impact of the exchange rate.
- Inderjeet Singh:** Sorry.
- Santosh Breed:** And this also excludes the impact of exchange rate. So this quarter because of the exchange rate of course the realization has been better than the last quarter but if I exclude all this exchange rate and transshipment then we continue to maintain our realization in the range of 6000 to 6200.
- Keld Pedersen:** Because of USD income.
- Inderjeet Singh:** Thanks.

- Moderator:** Thank you. The next question is from the line of Anuj Upadhyay from Emkay Global. Please go ahead.
- Kushan Parikh:** This is Kushan Parikh from Emkay Global. Just continuing on the container part of it, basically a substantial volume from the past two quarters has been coming from transshipment. So do we see this as a continuing phenomenon? Basically what I am trying to understand is so do we start building in a certain level of transshipment volume in our container volume estimates from hereon?
- Keld Pedersen:** That is a very good question. Let me guide you this way. So right now we do not see this transshipment volume that is left today we have no indications that it will disappear in the near future at all and Indian Government, Ministry of Shipping relaxed cabotage six month ago or more so the lines are now allowed to transship EXIM cargo along the coast. We are still not seeing any effect of that but obviously any of our customers if they come and say they want to do some transshipment. So we have to wait and see for our direct customers being shipping lines how they eventually decide to optimize the network and leverage the relaxation of the cabotage laws.
- Kushan Parikh:** Basically what you were saying right now is that currently we were working with the single customer but there is a possibility of more customers coming in with a similar arrangement so our transshipment proportion would eventually only increase from here on?
- Keld Pedersen:** Yes, that I cannot exclude at all but again I mean if you look at the financial numbers I do not think you should link it to the same as now and so on we are exploring it is a new part of business for us and so far it is empty containers we are transshipping. We are awaiting to see the impact of relaxing cabotage laws on full containers.
- Kushan Parikh:** Sir also we touched upon the benefits coming from the exchange rate to our EXIM realizations especially for containers could you give us some sense on how, what kind of a positive or what quantum of positive impact this has had on our EBITDA margins in Q2?
- Santosh Breed:** If you compare with September 2017 then the overall impact on the revenue was in the range of 10% to 11% and if you compare it with last quarter June 2018 then it was in the range of around 5% to 6%.
- Kushan Parikh:** Okay, understood. Can you just give me the number on June 2018 again how much percentage was it?
- Santosh Breed:** June 2018 was in the range of 5% to 6%.
- Kushan Parikh:** Okay understood. Just one last question on the liquid front, you sort of made it fairly clear that probably most likely to see a decline over last year in this year liquid volumes but if you could give any sort of specific understanding one, why the H1 volumes were lower so H1 volumes have declined over close to nearly 50% over last year is there any specific reason is it a customer that has stopped importing through our port or have industry volumes fallen to that extent or why

is that the volumes are declined and what is your outlook on the second half of the year end for liquid volumes?

Keld Pedersen: As I said before we do not give any outlook for the year end but now we still have some five months to go but I have said though that we are not at all likely put the number that we did last year, which was around one million metric tons. In terms of the valuation then there are many tons coming up for the liquid business all over India including the east coast and we see a lot of movement actually from quarter-to-quarter and from six months back so the cargos is moving around but we still believe very firmly that we are in this business for long-term future but it is below where we want to see this quarter that is very clear and we have very strong focus on that.

Kushan Parikh: Understood that is all from my side.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Hi Keld. On the currency benefit on the containers you said that realization is 6200 is that correct excluding of transshipment?

Santosh Breed: So excluding the transshipment and excluding the exchange gain impact the realization continue to remain in the range of 6000 to 6200.

Nitin Arora: Excluding the exchange impact also?

Santosh Breed: Yes.

Nitin Arora: Okay so is the benefit now getting passed on the customer end that is why the realizations are there or so if I have to include the elective exchange rates what are the rate you are charging to your customer today on a container?

Santosh Breed: Nitin if your question is whether the exchange rate benefit is getting passed on to customer, the answer is no. So there is no benefit being passed on to customer we continue to bill at the prevailing exchange rate as per our tariff or the contractual agreement with the customer.

Nitin Arora: Right and when we look at say the freight rates for example a freight rate from India to Europe service when we look at from Far East to India it is still very much there whereas the oil the prices have jacked up hugely from the last almost five six months what is the sense you are getting you have to see the largest shipping line which is run by Maersk and Maersk has started skipping lot of port calls globally and India is on the verge of what they talking about, has anything really changed because one end the freight rates are not increasing so the customer it is getting difficult to get passed on that if the cost increase for you?

Keld Pedersen: I think you need to obviously to get the quality information have to ask the shipping lines but what I can say in terms of the skipped calls and so on so if you look back at the previous years then you would actually have a very good idea about there are certain times every year where

there are lot of skipped calls, one of the good reasons for skipped calls in the shipping industry is the China Golden week , as you call it. China basically shuts down for one week every year around October –November and that skews the picture a little bit because you would hear about the skipped calls, but in reality quite a lot of the cargo finds its way anyway although somewhat later or somewhat earlier, so you will see that in different parts of the world every year that there are certain can I call it holidays where the calls gets skipped, so we do not have any indications that I mean we do not have any calls that are skipped because of lack of volume or anything like that, that is never the case is it is always the case that there is something going on somewhere that makes the shipping line decide to take out the call.

Nitin Arora: And with respect to the contractual obligation what you run to the client today and let's say you are billing a client at about \$68 at this point in time and the dollar moves to \$75 does that reset happens on a yearly basis then or does that not happen only?

Santosh Breed: It does not happen Nitin there is no reset as such.

Nitin Arora: Okay. In terms of, I am sorry I joined the call little late, with respect to the transshipment volume and the coastal is it possible to quantify what was that number in the first half both transshipment and coastal volume?

Santosh Breed: Yes, as Keld mentioned at the beginning of the call so we are doing the transshipment only with one customer. So right now will not like to speak about the volumes on transshipment in specific.

Nitin Arora: Okay but is it possible to quantify the route? Is it the Far East which is going to Jebel Ali and Salalah or is in the Europe route is it possible to quantify that?

Santosh Breed: No we do not like to comment on that.

Keld Pedersen: It is one customer. . We do not want to give any kind of information based on our customers. They will probably tell themselves if they want to tell you, but on the coastal part if you joined late I said that our coastal volume has had a fairly significant setback in the previous quarter during the monsoon but it is mainly caused or it is caused by the Kerala floods, so Kerala was a good destination for coastal cargo.

Nitin Arora: Okay and just a last question Sir from my end. Is it possible to quantify our realization because this is just a single dip, which you do in transshipment exercise anything you can quantify with respect to realization here?

Keld Pedersen: I think we will stick to what Santosh has said that by and large the realization remains the same when we exclude transshipment and exchange rate so there is no major bigger impact on our realization for the cargo that we have to carrying for many years.

Nitin Arora: Okay thank you Sir, thanks a lot.

- Moderator:** Thank you. The next question is from the line of Amit Murarka from Deutsch Bank. Please go ahead.
- Amit Murarka:** Good afternoon. Just I joined a call a bit late so this time around have we not quantified the transshipment volumes because I believe that you generally used to give it earlier?
- Keld Pedersen:** No we have not. It is customer sensitive. We have only one customer. The time we have a large customer who makes us some shipment then we will be open about those numbers.
- Amit Murarka:** And can you break down the bulk volumes between coal, fertilizers, and minerals?
- Santosh Breed:** Yes, so coal was at 212000 metric tons, fertilizer at 228000 metric ton, and others were around 91000 metric ton.
- Amit Murarka:** Understood, that is all.
- Moderator:** Thank you. The next question is from the line of Deepak Maurya from HSBC. Please go ahead.
- Deepak Maurya:** I had a question on the sequential change in revenue, despite the 22% increase in the container volumes and also I think as the Santosh just guided that about 5% improvement due to the INR depreciation compared to the June quarter despite that the revenues were down three percent is it all because of the liquid and bulk or is that something else at play over here?
- Santosh Breed:** So you are right it is because of liquid and bulk.
- Keld Pedersen:** It is high margins on the liquid.
- Deepak Maurya:** Okay, margin I understand but revenue what you mean is the high revenue per ton is it?
- Santosh Breed:** You are right as far as revenue is concerned you are right it is basically liquid and bulk, which has brought down the revenue by 3%.
- Deepak Maurya:** Okay that is fine. That is helpful actually and besides this any other near term impact, which you see either on the macro front, or any immediate concerns on competition?
- Keld Pedersen:** I mean we always keep an eye on competition that is for sure and we have a very strong competition on everything we do but we continue to actually focus on improving the quality we deliver to our customers and we do believe that that is what it is all about. So as we said in the beginning of the call underlying Y-o-Y we have actually grown a 15% on the EXIM, so we do believe we are continuing to grow in a healthy manner when we do those figures but as you see liquid and RoRo then it is a bumpy road, but we know that there is margin and we have been to that margin.
- Deepak Maurya:** Okay. And just also touching upon any even remote impact of the trade concerns, which have been flat over the news like in the past few months have you seen any impact at your end?

- Keld Pedersen:** No not really. We have not seen that no. I mean we are observing but we have to see as it plays out, but I think everybody is alert to it but we have not seen any impact.
- Deepak Maurya:** Okay that is from me. Thank you.
- Moderator:** Thank you. The next question is from the line of Nilesh Bhaiya from Macquarie. Please go ahead.
- Inderjeet Singh:** Any sense that you want to share in terms of use of cash because the cash seems to be increasing?
- Keld Pedersen:** Yes, that is right. It is increasing and we are paying out all the dividend that we possibly can but we do not have any big projects or so anything to record on the cash rather than it is increasing. That is very true and we are aware of it.
- Inderjeet Singh:** Right. Santosh can you run me through the maths in terms of so basically currently there were no restrictions on us paying dividend right, full dividend so we are paying basically entire profit minus the dividend distribution tax that as dividend?
- Santosh Breed:** That is right.
- Inderjeet Singh:** Is there an intention for the accumulated cash because you are paying what we are earning right now but is there an intention to use the accumulated cash to payout dividends?
- Santosh Breed:** So we are paying the maximum right now so of course we cannot go beyond this and as of now there is no immediate capex plan as Keld mentioned so as and when of course when we have to look at the capacity improvements of course we will have some plan we will surely give the update at that point of time but as of now there is no other plans.
- Inderjeet Singh:** The second is do we have a PRCL, have we come with an arrangement in terms of starting to recognize our share of profit more regularly from them or that is still which is under works?
- Santosh Breed:** That happens only on annual basis when we actually consolidate the accounts and that consolidation happens only on the annual basis.
- Inderjeet Singh:** Okay. So if you could remind me have we consolidated FY2018, do we have FY2018 numbers from them?
- Santosh Breed:** Yes, it is part of the annual report what we have published.
- Inderjeet Singh:** I could not get that on your website and no issues. Thank you.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

- Achal Lohade:** Thanks for the opportunity. Pardon me if I am repeating the question since I joined a little late. Could you help me with the average realization for the quarter for container and bulk cargo Sir?
- Santosh Breed:** For container we continue to maintain our realization between 6000 and 6200. This is of course excluding the impact of transshipment and exchange rates, for bulk it is in the range of 450 to 500 per ton, for liquid it is 400 to 450 per ton.
- Achal Lohade:** These I presume including the marine revenues what we have?
- Santosh Breed:** That is right.
- Achal Lohade:** Could you help me with the average exchange rate we have used for the quarter Sir and if you could help me only also for the first quarter?
- Santosh Breed:** So for the current quarter the average exchange rate was in the range of 69.
- Achal Lohade:** And how was it for the first quarter Sir?
- Santosh Breed:** 65. So you are saying the June 2018 quarter right? That was 65.
- Achal Lohade:** Yes, correct. Sir I am just curious Sir we said that the realization is 6000 to 6200 but this exclude the exchange rate how to make sense out of it I mean if you could help us?
- Keld Pedersen:** Exchange rate and transshipment.
- Achal Lohade:** And if we were to include both the aspects what would be the realization broadly?
- Santosh Breed:** We actually want to leave it at this level right now because we do not want to get into the specific realization on transshipment as such.
- Keld Pedersen:** But that is mainly because, I mean it is not mainly because we try to hide it, it is because we only have one customer, so becomes commercially sensitive when we give the number so it is just like for the RoRo where we only have at this point in time mainly one customer so when we give you the realization then it is sensitive commercially.
- Achal Lohade:** Correct, understood. But is it fair to say that the profitability on this transshipment volume could be much lower as compared to our gateway cargo?
- Keld Pedersen:** It is still less but it is still contributing that is also very important to say.
- Achal Lohade:** So in other words the percentage margin can see a little bit of reduction because of the inclusion of transshipment but absolute EBITDA will see an increase is that a right assessment?
- Keld Pedersen:** That is right. So when you look at the EBITDA half year against half year it seems flat when you look at the numbers but underlying there are two things we have had dredging in this half year

and in the previous half year we had a very healthy offshore income that was I do not want to call it one off but remarkably high.

Achal Lohade: Understood. And is it possible to provide any visibility on this transshipment as to how large can it be and what kind of volume we can look at for let say a year down the line or something?

Keld Pedersen: We had request early where we see transshipment or we see that it will stay, so as far as we are concerned at this point in time then this year to stay but I cannot predict a long-term future of course, the other thing we mentioned on transshipment is that the Government, Ministry of Shipping they had cabotage rules where only Indian flagged vessel could ply from port to port in India so that relaxation took place some I do not recall if it was in March or April but sometime early this year which meant that foreign vessels can bring the cargo along the coast from one port to the other within India. We have not yet seen any impact of this in Pipavav other than the transshipment of the empty containers that we are doing now but we also believe that our direct customers being the shipping lines they are still looking for opportunities to deliver these relaxed cabotage rules, so bottomline it is too early to say how transshipment in the various ports in India eventually will play out when it comes to let say re-align shipping line networks based on the relaxation of the cabotage but we are watching it closely and we are obviously open to discuss transshipment we do not see people all turning to transshipment but any customer who may have the desire to do transshipment at Pipavav we are very open to discuss that.

Achal Lohade: Got it. And you said 15% is the like-to-like growth in the quarter for containers is that right?

Keld Pedersen: Yes, I said for the quarter-on-quarter and year-on-year it is 15% growth, which is something we are quite happy for, it is exceeding the market growth.

Achal Lohade: Understood. Just last question if I may Sir, on the bulk side we have been seeing a fairly volatile number how do you see it going forward, do you see that we just meet the last year's number at best or and that is the number a sustainable one or you think it could be even less than that what are the challenges you are looking at basically to improve this cargo?

Keld Pedersen: Yes, so we still do not predict on coal. We still have challenges seeing a bright future for coal. For the fertilizer, I do not know if you remember last year the overall Indian market actually dropped 25% on fertilizer but we are quite high in the fertilizer volume we have seen here up towards the monsoon where it is really peak season then we are quite optimistic that we will do an increase this year over last year where we had a very significant drop.

Achal Lohade: Got it. Thank you so much for answering my question Sir. I will come back in the queue.

Moderator: Thank you. Next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.

Rakesh Vyas: Good afternoon. Sorry for harping on this but if I look at Y-o-Y performance if I just look at the underlying container volume growth of EXIM that you highlighted and I presume that almost 70% of our revenue is dollar linked and dollar would have moved between this period by almost

7%-8%, then I am not able to see any remarkable improvement in the EBITDA growth so can you just highlight as to what I am missing because if I look at bulk it is almost flattish Y-o-Y even if I adjust the liquid then also the EBITDA growth does not seem to be very material on account of higher volumes of container both on EXIM as well as the transshipment that are highlighting and the currency benefit?

Santosh Breed: Actually on the call earlier we mentioned when you compare a six-month result.

Rakesh Vyas: No Sir I am specifically comparing 2QFY2018 to 2QFY2019 because I presume 2QFY2018 does not have any project related cargo, it was only in 4QFY2017 and 1QFY2018 if I remember correctly.

Santosh Breed: Yes.

Rakesh Vyas: So Sir I am comparing 2Q with 2Q.

Santosh Breed: Yes, so when you look at on the margins of course there is an improvement of around 200 basis points and though of course there is a significant increase in the container volume the commodity mix between the liquid and RoRo of course makes a difference on the overall EBITDA margins right.

Rakesh Vyas: What I am trying to understand is we reported an EBITDA of 97 Crores which was 83 Crores last year, if I look at the growth it is almost 17%-18% and if I account for a 7% to 8% rupee benefit over this period on 70% of volume that should itself would have given me almost 5% of margin expansion and then you have 15% of EXIM volume growth, all of that seems to be and then you have transshipment effectively so what I am struggling to understand is I mean despite a very strong volume growth that we are seeing the pure EBITDA growth on absolute number seems to be very muted.

Santosh Breed: So you are talking we mentioned about this earlier also the one of course is the transshipment volume which has grown, second if you look at the liquid volumes which has been down as compared to the 2017 quarter, so these are the two key reasons why overall the margins have not grown significantly as compared to the growth in the container volumes.

Rakesh Vyas: Can you just highlight I mean if you just compare the EXIM pricing for yourselves versus the competitor how are you placed today is there any significant gap that exist which you have opportunity to mark up or you think that you are fairly competitive at this point of time?

Keld Pedersen: We think we are competitive. So I would not get into pricing hikes and so on but we do believe we are competitive, I was almost going to say very competitive because we do not have a great lot of pressure from our customers in terms of leading let us say we are not being compared when we negotiate so yes we think we are competitive but we do not know I mean it is also, so we have public tariff rates that are published and all the ports have that but underlying no one knows what the competitor has a underlying discount for the customers.

- Rakesh Vyas:** Correct. So that is what I was trying to understand?
- Keld Pedersen:** We do not know. We only know the published.
- Rakesh Vyas:** Okay fair enough.
- Moderator:** Thank you. The next question is from the line of Aditya Shah from Vikram Advisory Services. Please go ahead.
- Aditya Shah:** Sir I just wanted to check that is there any development on the new role of customers that we were pursuing and if yes then when do we expect that to start and the second question is about a news article, which I read that there is a Gulf Petrochem Group, which was planning to add a factory near Pipavav and is already our customer so do you see any volume benefit from that and if yes, then when?
- Keld Pedersen:** No we would not like to give you any indications on either one of these at the moment, but the moment we see anything firm then we will also announce it, for the cars, for the RoRo and for the liquid.
- Aditya Shah:** So as of now there is no information as in when the company will put up its plant?
- Keld Pedersen:** No, and even if there were news about it I mean we would still be in a position where we would wait and see how it progresses. I mean we are actually, we are not in our long-term basis plans we are very careful on forecasting in terms of sign for new things to come up with new customers until it will be closer to know it is firming up in a sound and healthy manner.
- Aditya Shah:** So as I understand Sir the group is currently our client right if I am not wrong?
- Keld Pedersen:** Yes. And we also very open about that we would like to see a more RoRo customers and that is a focused area but we do not have anything concrete to give you.
- Aditya Shah:** Thank you Sir.
- Moderator:** Thank you. As there are no further questions I now hand the conference over to the management for their closing comments.
- Keld Pedersen:** Thank you very much. Thank you for all the questions. Thank you for the interest in GPPL. We have a couple of numbers for this quarter for which we are happy for. We also have a couple of numbers as mentioned where we are happy when we look at the half year over last half year but we also very clearly understand the interest and the predictions expected on liquid and may be even also on us and we can only say that we have and we are aware that the trend lines need to change but we thank you for the interest and have a good day. Thank you very much from me.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.