

“Gujarat Pipavav Port Limited 2QFY21 Results  
Conference Call Hosted By Ambit Capital”

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**MODERATORS: MR. VARUN GINODIA, AMBIT CAPITAL**

**Moderator:** Ladies and Gentlemen, Good day and welcome to Gujarat Pipavav Port Limited 2QFY21 Results 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 the conference call, please signal an operator by pressing ‘\*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Varun Ginodia from Ambit Capital. Thank you and over to you, Sir.

**Varun Ginodia:** Hello everyone. I welcome you all to 2Q and first half Earnings Conference Call of Gujarat Pipavav Port Limited. We have with us from the management Mr. Jacob Friis Sorensen – Managing Director and Mr. Santosh Breed – CFO. In terms of the format there will be opening remarks by the management post which we will open the floor for Q&A. Sir over to you.

**Jacob Friis Sorensen:** Good afternoon. My name is Jacob Friis Sorensen and I am MD of GPPL and we have just concluded our board meeting and I also believe that the results have been uploaded now to the public and to the stock exchange. I think given the circumstances which we are still in where we have COVID and the impact that pandemic is giving both in India, but also internationally. My management team is feeling that we have come out here with a good result and I hope you will also agree with us. We will be happy to answer specific questions to that extent as we go through this hour together now.

**Santosh Breed:** So we have the presentation uploaded on the website of the stock exchange so we can quickly run through that before we get into Q&A.

**Jacob Friis Sorensen:** Santosh may be you want to just highlight the most important financial numbers. I think it is important to say that we continue to deliver good results our volumes are down, but especially on container ships, but we have also a very strong quarter of fertilizers specifically and in terms of what has been decided by the board is to continue with our dividend policy as you have seen in the previous quarters as well.

**Santosh Breed:** Thanks for your comments Jacob. I will just take it from you. So key highlight for the quarter has been our dry bulk volume which has been a record volume for this quarter where we have handled around 912,000 metric ton of dry bulk of which fertilizer has been 753,000 metric ton and that has been a record volume for us. Container of course you have seen decrease of 10% quarter-on-quarter, but I will like to take to one quarter back when there was a significant impact on the volume because of lockdown and that quarter we have actually shown only a single digit drop in volumes as compared to the other ports in Gujarat and on the west coast. So if we look at from that perspective then this 10% decrease is not a substantial decrease because we had certain opportunities which came our way in the last quarter and that actually helped us to restore our volumes in the last quarter.

So we need to look at it from that perspective on the container volumes. On the liquid, we are more than 30% primarily on lower LPG volumes what we have handled this quarter and RoRo as we have given our expectation on this business stream we continue to have a muted performance though there is a 38% increase. The total number of cars handled are still less and is around 3000 cars. On the financial performance then the overall revenue has gone up by 15% as compared to the last quarter that is mainly because of the fertilizer volume and then on the EBITDA we are up by 8% on the EBITDA as well as the net profit is up by 12%.

So we have spoken about the volume already which is the next slide of the presentation so I will not spend time on this and then the last slide about the financials so I will just quickly run through the key numbers on the financials. So the total operating income is at 1,827 million which is higher by 15% which was mentioned earlier mainly driven by the fertilizer volume. Total expenses at INR 798 million are higher by 26% and this is primarily because of the higher operating expenses for handling fertilizer. The employee benefit expenses are lower by 6% this is mainly due to lower staff expense and the actuarial loss which has been classified under the other comprehensive income.

So we do a half yearly valuation of our liabilities on gratuity and leave encashment and that is why these adjustments are made on half yearly basis. Other expenses at INR 235 million are higher by 5% due to mainly because of the energy expenses power and fuel and also one off repairs which has to be undertaken for one of the crane at the port. EBITDA is at INR 1,029 million which is higher by 8% and margin at 56% is lower by 400 basis point. So the drop in margin again is because of the cargo mix. We have always seen this quarter-on-quarter when we have more fertilizer volume as compared to the container and there is some impact on our margin because the dry bulk of course comes at comparatively low margin than container. The reported net profit is at INR 520 million higher by 12% and this also includes a dividend income of INR 38 million we have received from our associate company Pipavav Railway Corporation Limited. As Jacob mentioned the board has approved a dividend of 2.10 per share as interim dividend for financial year 2021. So now we can move on to the question and answer session.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mohit Kumar from DM Capital. Please go ahead.

**Mohit Kumar:** The first question which I have is more on the outlook for the container business our volumes have declined 25%, but the other container ports and the volumes from the other container terminals have seen some kind of traction in Q2. So I am trying to figure out how do we see Q3 and Q4 and do you think the volume will come back for us that is my first question?

**Jacob Friis Sorensen:** First of all I think we have seen September to be extremely bad. We were talking all the time about this U-shaped recovery and we saw that July was better than June and August was better than July, but then September really gave us a little bit of a worry then I am happy to say that then after September came October and October was quite strong and we also see some good recovery again here in November months. So we believe that we are back to the U-shaped recovery. September was probably an expression of what happens structurally in the container world and that is that there are some extreme ocean freight rates that have gone up from 50, 60 and in some corridor develop because of the strong rebound especially from China to the US and to Europe and which has now disturbed the market a little bit and it hurts India because as I said the rates are very high and there is also a temporary lack of empty

equipment and that is probably because that equipment goes to China, but it is also India has not really started strong import yet so we do not get empty equipment that was in September and I think that is now evening out and it is recovering much better at the outlook based on what we have seen in October and we can see here in November and we believe we will continue into December that looks much stronger.

**Mohit Kumar:** Sir, secondly on the bulk volumes which were pretty strong for Q2 what is the outlook for Q3 and Q4 and can you give us the breakup of the bulk between fertilizer and coal and other segment?

**Jacob Friis Sorensen:** It is particularly the fertilizer that is doing very well. So Santosh you have the numbers in terms of tons and so on, but what I can say is that it looks like we will continue to have some strong bulk volumes on fertilizer, we are evacuating two, three rail racks every 24 hours and this will continue in the next couple of months so that is indeed nice to say. I have to say that our margin on the bulk business is not as good as it is on container especially on EXIM, but of course when the containers are down it is very nice to see that the bulk business is carrying us up and it all helps to pay the fixed expenses.

**Santosh Breed:** Mohit just before I get into the split of bulk I also want to give a perspective on the container volume so your observation is absolutely right now that percentages what you are seeing is a drop. I touched on that briefly in my opening remarks, but just to give you an insight on the better comparison so when you look at on the West Port. So most of the ports had a significantly high double digit drop in the last quarter and those numbers if you compare with the current quarter then you see a substantially high rebound in volumes. As compared to that as I mentioned earlier Pipavav has seen a drop of a lower single digit number in the last quarter and that is why when you compare it quarter-on-quarter that discrepancy is we are seeing in the numbers. So on overall basis when I look at the total volumes which has been done on the West coast and in comparison to that what Pipavav has done are not only concern in this drop in volume we see this is a bit temporary because of the lower demand what is being right now in the September quarter in India and because of that the imports coming from the Far East has drop. As a result, there is a shipping line has done some adjustment to the capacities and that is why there are some skipped calls which has happened during the quarter. So that is the primary reason why we are seeing this fluctuations in the volume, but as Jacob clearly explained that was possibly why September was lowest month for us and now we are seeing some recovery already in October and we believe that this quarter should be a good quarter for us from the container volume perspective. Coming to bulk and split what you are looking for. So total volume what we did was 912,000 metric ton on a total bulk volume of this fertilizer was 753,000 metric tons coal was 1,08,000 metric tons and others which includes mainly the minerals was 51,000 metric tons so this is the split on the bulk volumes.

**Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

**Ashish Shah:** Sir, first question is on the realization across the categories so if you can please help us with that especially on the container side?

**Santosh Breed:** So on the container side we continue to maintain our realization in the range of around 5,900 to 6,200 for bulk it is in the range of 550 to 600 and for liquid it is in range of 475 to 500 and just to add on this you may be aware that we have taken a tariff increase effective first of October so that number of course the realization numbers will flow in the next quarter it is just for information.

**Ashish Shah:** So I am saying with respect to the first October tariff increase what is the kind of realization that one

should expect for the December quarter vis-à-vis the 5,900 t 6,200 what does it look like for the December quarter?

**Santosh Breed:** So you can consider on a 5% to 6% increase on the total revenue.

**Ashish Shah:** So just one observation on the consolidated numbers vis-à-vis the standalone numbers typically we have been reporting a small profit from the PRCL entity this quarter we are seeing that the console profit is little bit down vis-à-vis standalone and in fact in first quarter also it was not down, so any reason why this decrease ?

**Santosh Breed:** So Ashish your observation is right so what is happening so Pipavav Railway Corporation as you know is joint venture between us and Indian railways and in the last two quarter because of the COVID situation all of staff of course was working from home and in the past they used to submit their audited review numbers to us they could not do that in the last two quarters and that is why we also carried our qualification for consolidated results for that. Now what happens is the March numbers has been being audited and there are some adjustment which has been done under that financial year compared to the management numbers what they have shared with us. So that adjustment is reflecting in this quarter and to that extent it is down.

**Moderator:** Thank you. The next question is from the line of Priyankar Biswas from Nomura. Please go ahead.

**Priyankar Biswas:** So my question to you is regarding LPG so during the lockdown we have observed that LPG volumes were actually quite robust on a Pan India basis so any reason why LPG volumes were weak in Pipavav and secondly the rail operations of LPG was supposed to start in this Q3 so where are we with respect to this and potentially how much volumes let us say can it add in the fourth quarter to the liquid side?

**Jacob Friis Sorensen:** That is a very good observation because you are right LPG is a stable commodity we have suffered a little bit probably because what I am told is that the medium size LPG carriers are pretty occupied and lot of them are going to Kandla and we do not have in Pipavav the facility yet to be able to take the very large gas carrier that is what we are trying to do it at the moment to examine how we upgrade our LPG jetty to be able to take a partly loaded VLGC carrier which are available in the market and we hope that will bring the volumes back on track again. Regarding the LPG rail siding it is slightly delayed we are looking at commissioning it by the end of this month, but it is certainly taking shape I am looking at it every day so believe me it has been worked on, but it will be by the end of this month and that will again help us to have our customer ages to focus on Pipavav and bring more LPG through our port.

**Priyankar Biswas:** Sir adding on here you said that at this moment Pipavav cannot handle VLGC correct at this moment?

**Jacob Friis Sorensen:** Yeah that is the fact in this moment and that we have never been able to do.

**Priyankar Biswas:** So at this time so you are going to upgrade the LPG jetty so that is what the plan is?

**Jacob Friis Sorensen:** That is right.

**Priyankar Biswas:** So is CAPEX being incurred at this point or is it a future plan?

- Jacob Friis Sorensen:** That is again a good question because it is a future plan, but we are actually already now doing a few adjustments it is not a major CAPEX that we need to do and we would also be our effort would be on the temporary basis to be able to accommodate VLGC carries that are partly loaded so it is not a full VLGC carrier that we cannot take in because that will inquire higher CAPEX. The biggest efforts that we need to do is we need to do dredging to enable that draft is deep enough for the vessel to come in. I am again pushing this aggressively without comprising any safety, but we are hoping by the end of this month that we would be able to announce this.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** First question is I was just curious in terms of the realization number I mean we see a realization earlier used to be around 6,500 kind of range 6,500 to 6,700 kind of range if I remember correctly even for the first quarter we have indicated more than 6,500 so the realizations are down so is it you are talking about x of marine or is including marine realization you are talking about 5,900?
- Jacob Friis Sorensen:** I think it the combination of lower container and more bulk with a lower yield, but Santosh may be you are the best person to elaborate that.
- Santosh Breed:** So Achal first of all of course you are speak on the container realization right and this we have maintained so even in the Q1 we were in a similar realization range 5,900 to 6,200 so that has actually not undergone any change so there is no change in our tariff in this quarter neither there is any change in contractual arrangement what we have so we continue to maintain our realization in that range.
- Achal Lohade:** Would you have the similar realization of Q2 FY20 for container YoY what is the realization?
- Santosh Breed:** I do not have that right now with me, but of course I can share with you later, but the key point I want to make here that the realizations over a period of time has been maintained whatever the variation which we give and the range we give is purely because of the exchange rate variation since our tariff is in dollar, but otherwise we have consistently maintained our realization Achal.
- Achal Lohade:** Is it possible to kind of indicate the EXIM growth for the quarter for us and you talked about a skipped calls so is it possible to quantify the number of calls skipped and the volumes of those calls?
- Santosh Breed:** So the first question EXIM so we have almost maintained our EXIM volumes on quarter-on- quarter basis as I mentioned earlier that we had a good opportunity last quarter when things were in the lockdown situation there was an opportunity for us where one of the customer who was catering to domestic market decided to export those volumes to far East and we got an opportunity there to take the extra loader and then move those volumes. So if I exclude those volume typically from the last quarter and then compare our regular EXIM volume then we have maintained on a quarter-on-quarter basis so that is on the EXIM volume. In the current quarter we have experienced almost 19 skipped calls and that should roughly be around 60,000 TEUs impact on the overall volume. So if skipped calls would not have been there then we could have seen additional 60,000 TEUs in the numbers what you are seeing now.
- Achal Lohade:** What happens to this container these container go to some other port or these are actually will come back later?

- Jacob Friis Sorensen:** No this is lost for everybody. What happens is that when COVID happens shipping lines are not going to sail around for months and months with half empty ships. So they are adjusting their capacity in terms of laying off certain ships and this is becoming in our translational to what we call skip calls. So these ships are in most cases anchoring up. We had one actually anchored up outside of Pipavav for few weeks. So that means they are simply not sailing around and the shipping lines are doing this in order to reduce their cost which they would not be recovered because of the falling volumes and what you see now is probably the other end of that you see that the shipping lines are taking a little time to reinstate the capacity and if I can make an analogy here with the airlines you of course are knowing that international airlines have stopped almost 90% flying in and out and India is one of the countries affected from that, but contrary to an airplane which you can probably get on back on its wings in a couple of days. It does take a little time to mobilize ships again and it has specifically for shipping lines been difficult to move around vessel crew again due to COVID restriction and due to limited capacity. So all of that is now being adjusted and coming back to normal it has been one of the reasons why you have been seeing ocean freight rate go really high and I think that will even out over a next couple of months and what we have noticed so far that we have only one skip call this month and in fact we have an extra loader coming in as well bringing empty container to Pipavav. So we are very much on the track to be back to normal again, but to answer your original question I hope this gave a little bit of sort of industry perspective into what happened to the skip calls, but the Cargo was never there and that is why you have seen the capacity reduction.
- Achal Lohade:** Would you be able to give a mix in terms of what is the import and export mix for the second quarter and second quarter last year?
- Santosh Breed:** So the mix has remained almost same so we have 40% of export and 60% import this quarter and is almost similar even in the same quarter last year.
- Achal Lohade:** Because I was under the impression that given the imports have slowed down into India would that have some impact on the mix for us I would imagine imports will be more lucrative than export containers for us?
- Santosh Breed:** So in terms of the realization it does not matter for us because we are handling the box and all our handling charges are applicable similar charges for the import box or export box so that does not really impact us, but in terms of your question on the mix. So as we have mentioned earlier that we are having Far East based services and that is why we always have more imports coming into Pipavav and we continue to see this ratio of 60-40, the slight variation may be in some quarters, but otherwise it is always in the same range.
- Achal Lohade:** Just last question if I may you talked about some dredging you would require so that need to accommodate the VLGC so the cost will be incurred in this quarter and what could be the quantum in this case and is it different from the occasional dredging we need to do or it is the same it is the matter of timing?
- Jacob Friis Sorensen:** Actually yes no what we are doing right now is indeed regular dredging and that is ongoing and that is going on in our container product and so on. What we intend to do is divert that into also include the LPG jetty so that is not entirely planned, but we want to do that to be able to take that VLGC carrier in. Santosh how we distribute the cost can you just comment on that it is not a major cost it is Rs. 50, 60

crore so Santosh may be you just tell how we normally account for this?

**Santosh Breed:** So of course right now what we are doing is a maintenance dredging which has been done and we will continue to do that even at the liquid berth we are still assessing if there is a further depth which is going to be increased which looks like right now looking at the draft requirement so that of course will be assessed after the maintenance dredging is complete by doing the survey then there will be a capital dredging requirement and that quantification in terms of the spent will be determined based on the survey to see how much depth is required right now. So with that I am not able to quantify right now the capital spend, but we are looking at the maintenance dredging itself we should be able to cater to this VLGC that is what we are trying to explore now and we are approaching to get success in that

**Achal Lohade:** This maintenance dredging will be what quantum would you be able to give that number?

**Santosh Breed:** It will be in the range of around Rs. 100 to 120 million, but it should get split over not necessary the entire cost is likely to hit next quarter so it will get spread over because it takes time to complete the entire dredging so cost will get spread over.

**Achal Lohade:** And just last clarification if I may with respect to just the transshipment/ coastal could that be the mix could be in the teens would that be a fair assumption to work with?

**Santosh Breed:** Sorry can you just repeat your question.

**Achal Lohade:** The mix from transshipment/coastal for the quarter?

**Santosh Breed:** So we have done lower volumes on transshipment so as we explained earlier this is just a function of trade and if the shipping line want to bring transshipment volume and the port we handled that, but that is not something what we commercially pursue and we have done lower transshipment volume this quarter.

**Moderator:** Thank you. The next question is from the line of Manish Agarwal from Edelweiss. Please go ahead.

**Manish Agarwal:** First question regarding a book keeping question basically on this effective tax rate basically we had mentioned that we have some carry forward MAT credit so in your assessment by when we will be able to finish that credit and move to the next tax regime?

**Jacob Friis Sorensen:** That is a Santosh question here I think we will do that in 21 or 22, but Santosh can you just confirm it.

**Santosh Breed:** Of course it is our very high level estimate because we have to project volumes but then we do expect to quickly move to that lower tax regime with a significant high profit in next year, but it will at least my bet is that it will take at least one and half years. We will start somewhere mid of the next to next financial year so that is what the expectation is.

**Jacob Friis Sorensen:** So 2021 2022.

**Santosh Breed:** That is right so mid of that financial year.

**Manish Agarwal:** Okay mid of FY22 basically?



- Santosh Breed:** Yes.
- Manish Agarwal:** Sir if you could quantify what is the amount of tax MAT credit that we had may be at the end of FY20 itself?
- Santosh Breed:** I have to come back to you on that I do not have the figure readily available right now so I will have to come back on that.
- Manish Agarwal:** Sir one question on the CAPEX that we have announced last quarter that about a cargo container facility sir any update on the approval that is required from GMB I mean because our CAPEX is contingent on that?
- Jacob Friis Sorensen:** Yeah we have an approved CAPEX of Rs. 700 crores which are still ready to spent the discussion with GMB going in fact I am going to Gandhinagar tomorrow to continue that despite of Diwali, but we have some good talks with GMB I cannot say exactly when that we will have the green light, but I am still hopeful that within this month or next month get something in writing which indicates that the extension is on its way.
- Moderator:** Thank you. The next question is from the line of Balani Vijay Kumar from Spark Capital. Please go ahead.
- Balani Vijay Kumar:** So if I look at your first half container volumes it is down by about 20% and if I remember right after the initial month of impact due to COVID we had a call and we were expecting that our volumes on the container side would be higher than the industry or the competition, but it looks like we are at 20% negative year to date, so how do you think we should look at this for the entire year?
- Jacob Friis Sorensen:** I think I commented on that a little bit earlier, but what we can see is we had a U-Shaped recovery when you look at June, July, August but then came September which again unfortunately saw a dip in volume and we have quite a lot of skip calls, but we also saw the other part of the container business which was lack of empty container for exports. What we see now is that October has been very strong if I am not mistaking the volumes were 72,000 TEUs and we look to exceed that here in November and also in December. So we continue U- shaped recovery and I think there is a line with the industry in other ports and so we are again optimistic that we have bottomed out and things are bouncing back, but it is not a Hockey stick it will be a U-shaped recovery that continuous.
- Balani Vijay Kumar:** So what do you mean to mean the U-shaped means it is going to be much steeper for the next few months at least so for the entire year the volumes on the container side would be more like down by 10% probably?
- Jacob Friis Sorensen:** Yeah I am saying that it is an not an L shaped, it is not a drastic rebound, but it is more like a curve that goes further up in the right direction. So I think at the moment we believe that we will end the full calendar year with about 775,000 TEU that is less than 20% of the target that we had and we have been operating the way we are trying to mitigate this crisis here. First of all we have tried to make sure that our people are safe, we have make sure that operations were continuously ongoing and we have a no point in time declared force majeure then we have seen developments that you have seen in the bulk which is probably a function of other ports being unable to operate and we had the capacity and we have been able to evacuate by rail and on the container side we have been looking at our cost and we

were operating in different scenario so if the volume drops by 10% what cost could we take out if the volume drops by 20% what cost can we take out and I think by and large we have been quite successful in making that we can almost promise you to deliver that margin of 60% which we have done consistently in the last few years.

**Balani Vijay Kumar:** So from what I hear you telling is that on the fertilizer front also it is probably of our better connectivity through rail and other ports probably not doing so well is what helped us this quarter on the fertilizer volumes spiking to historic levels is that the right understand?

**Jacob Friis Sorensen:** That is what I think because other ports have either full or they have not been able to evacuate because they have lacked drivers and so on, but we have been evacuating two, three rakes within 24 hours every day in the last few months and of course our PRCL our rail operator has been very happy to see this volume here now that the containers were not doing as good as normal.

**Balani Vijay Kumar:** Could I understand little bit on the tariff hike you have taken in October so is it on the marine charge or could you just explain that please?

**Jacob Friis Sorensen:** So we adjusted our tariff based on what we could see in the market and we could see other ports had taken tariff adjustments upwards and some even with more than 10% and we have adjusted those marine charters and other service charters to I think we are about 6% increase and that has been accepted by all cost without any sort of major discussions about that. Santosh can you comment on the components how we have distributed the increases.

**Santosh Breed:** First of all the increase has been across we have taken the increase across all the revenue charges in a tariff there has been a good increase taken on the marine charges as well as the container handling charges. So these are the two components where the maximum increase has been taken and as rightly said by Jacob the expectation is around 5% to 6% increase in our revenue because of this tariff revision.

**Moderator:** Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

**Ashish Shah:** Just a follow up you did say that next year mid next year is when we are looking to migrate to the new tax rate, but I just wanted to check if purely in terms of taxation can we move to a new tax rate in the middle of the year or we will have to be on one of the tax rates and then may be FY23 is when we actually move to the new tax rate?

**Santosh Breed:** So the answer was to when did we consume the entire MAT credit so it was to that yes for change of the tax rate it depends on the financial year so you cannot go and do it in mid of the year so your understanding is right on that.

**Ashish Shah:** So FY23 is even if we consume the whole MAT we move to the new tax rate in 23?

**Santosh Breed:** That is right, but I tell you Ashish just to also give to your understanding so what is the calculation what we are trying to look at here is on the cash flow basis so whenever we find the actual cash outflow on tax is more based on that the decision has been taken whether we want to opt for a lower tax regime. So far our calculations shows that we should continue with the higher tax rate because if we go for the lower tax early then the net cash flow will be higher.

**Moderator:** Thank you. The next question is from the line of Swarnin Maheshwari from Edelweiss. Please go ahead.

**Swarnin Maheshwari:** So firstly as we are coming closer to the container crisis would it be a fair assessment to make that the import surge now over the next few quarters and that should help us?

**Jacob Friis Sorensen:** Sorry can you just repeat that question I am very sorry I was just trying to listen here, but I did not get the entire question?

**Swarnin Maheshwari:** So I was just saying that now we are coming closer to the container crisis that the realignment is almost done, so would it be a fair assessment to make that the import surge will now start because imports have been weaker over the last few quarters and that should actually help us because we are more import?

**Jacob Friis Sorensen:** Yes I would like to say yes, but I think it is not that simple as you know we have some geopolitical issues for example Cargo coming in from China to India is being subjected to additional inspections etc it is not that simple. What we are trying to do in Pipavav is encourage the shipping lines to bring back empty containers and in fact later today we will encourage them by announcing a small discount on the empty discharge load just to help exports. Equipment we try to give that little incentive for the shipping lines to bring in equipment because I do believe that import is picking up and we can see that in the numbers, but then it will take a few weeks for the import container to arrive and to be emptied and be re-position where it is needed for export. So that will take a little bit longer and we are trying to close that gap by induce the import of empty container. In fact we have one extra loader coming in so far that we have been announced with empty container that will discharge today in the next couple of days, but I think it will be taking a little bit more time for the container market to even out because will affect us that goes into that.

**Santosh Breed:** Just to add to that Jacob so on the macroeconomic side when we look at that I mean there are indication of some recoveries so what we have seen on the auto sales domestic sales are picking up likewise when we look at the inputs coming from the white good importers so they also have reported that now they have factories are running at full scale which is a indication that the demand is picking up and with that we are certainly hopeful that the import should now keep on going up from there. Having said that there are still lot of uncertainties because globally we are seeing the second wave and countries getting to lockdown so we still have to wait and see how things plan out, but from India perspective because of the festive season we have seen some uptake on the import volume.

**Jacob Friis Sorensen:** But I think there are some good news on the horizon there is a talk of a new vaccine there is despite yes that of course in Europe there are several countries that are closing down and it is also little bit seasonality because it is winter now, but I think the buying patterns have changed slightly and people are buying stuff online now. So maybe there is a less impact of this second or third wave than the first one. So it is with a little bit of optimism that we are looking into the future now.

**Swarnin Maheshwari:** Sir second thing is if you can just provide some update on the DFC when it would likely to start there was some delay so if you can just give us some update over there?

**Jacob Friis Sorensen:** Yeah this is one of my favorites because the DFC is going to be a game changer for India. It is on track the latest what we set was that it will go online in Quarter 1 of 2021. It looks like that is going to stick and we are working on it in the ports and also our colleagues PRCL is working on the electrification

of that railway track from Pipavav to Surendranagar and we will then plug it into the DFC itself just around Ahmadabad and that it will be it looks like now that there will be on schedule for Quarter 1 of 2021.

**Swarnin Maheshwari:** Sir the point on DFC really is that since we will have some advantage over the Maharashtra ports so you do expect that this could actually help us gain some market share with some of the other ports?

**Jacob Friis Sorensen:** Yes if we are talking about friends here I definitely think that this will give us especially for the Northern market where Santosh also says that white good manufacturer and mobile phone a little bit more sophisticated consumer goods are being starting to pick up again and we will get that cargo in through DFC and into Pipavav whereas JNPT will not be enjoying the DFC for not a couple of years, but I am trying not to flag that too much because they do not like it when we say that.

**Swarnin Maheshwari:** Just one clarification question that was on the tariff hike that we took from first of October what was the quantum actually?

**Jacob Friis Sorensen:** There is an increase of about 6.5% and I think that is going to be full effect of that in the last quarter of this year here or can you say in the financial year we will have a 6 month effect from that.

**Swarnin Maheshwari:** Sir 6.5% actually seems quite steep in the recent years if you see I mean we have taken something like 2% to 3% so any specific thing that why this tariff hike so sharp the 6.5 is pretty steep one.

**Santosh Breed:** Can I just add some comments here. So there are two things one of course as we mentioned earlier we are taking a tariff hike across all the revenue charges on all the tariff items in the past which you have seen a smaller increase it was very specific limited to certain tariff items whereas here the increase is across all the tariff items so that is one change and second thing is we are looking at overall increase of around 5% to 6% in that range so that is the range what we are looking at and not of course 6.5 but it is 5% to 6% overall increase in our revenue so that is just one clarification we wanted to make.

**Jacob Friis Sorensen:** And I was just going to say that it may seem steep to some but if you are looking our big brother Mundra then they have increase this year up to 10% and what we expect is now that we talked about the DFC I am strongly expecting that the rail cost will be adjusted so that the railways will really attract more volume to move by railway away from the roads and away from trucks and one of the ways is of course that they are adding a lot of capacity, but certainly they should also look at the freight rates. So far there has been talks about it, but they have not been very specific in committing themselves to tariff reductions from concall yet, but let us see I think it is going to be a game change as I keep saying, but the reality is that there is an quite big capacity increase on the railways and who would not like to get more utilization on that.

**Moderator:** Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

**Pratik Kumar:** My first question is on CAPEX can you give the CAPEX number for FY21 and would that include this dredging CAPEX which you talked about 120 million which you talked about relating to handling LPG vessels, what would be the CAPEX number for 21?

**Santosh Breed:** So dredging which has been carried out is the maintenance dredging so it is more of a operational

expense and not a CAPEX so that will not come into CAPEX and we expect around 100 crores for the financial years of which the major chunk is happening for DFC. So we are upgrading our internal rail infrastructure by making it compatible to handling the electric train so that is where the major expenditure will happen out of this total CAPEX.

**Pratik Kumar:** And like the recovery we have seen in the container segment in Q3 is this equally visible in the LPG segment for the numbers this quarter was slightly off versus earlier run rate/

**Jacob Friis Sorensen:** I think we expect the LPG to come back as well and as I said earlier in this call by the end of this month or early December we would be able to start evacuate LPG by rail as well then our LPG rail siding will go on stream.

**Pratik Kumar:** And some question on clarification on DFC you said first quarter 21 so this is first quarter calendar 21?

**Jacob Friis Sorensen:** I have not become so Indian so it is the first quarter of the calendar year 2021. We all desperate to get to that so we can leave 2020 behind us. So 2020 used to mean perfect eyesight, but I think after this it will have another meaning.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments.

**Jacob Friis Sorensen:** Thank you very much and again we appreciate all the good question that you had for our business take a look at the numbers that has been uploaded on our website and I hope that you are satisfied with our service. Santosh have anything to see you want to repeat what the board decide just now that we will also stick to our reputation and our commitment to max out on the dividend.

**Santosh Breed:** That is right Jacob so that is what the board has already approved as interim dividend of 2.10 per share so that has been approved in this board meeting. So I think that is it from our side. Thank you very much for attending this call and some really good questions. So thank you very much for that.

**Jacob Friis Sorensen:** Thank you for hosting us.

**Santosh Breed:** Yes.

**Moderator:** Thank you very much sir. Ladies and gentlemen on behalf of Ambit Capital that concludes this conference. We thank you all for joining us and you may now disconnect your lines.