

“Gujarat Pipavav Port’s Q4 CY13 Earnings Conference
Call”

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Moderator

Ladies and gentlemen good day and welcome to the 4Q CY13 Earnings Conference Call of Gujarat Pipavav Port Limited hosted by JM Financial Institutional Securities Private Limited. 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 '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Achal Lohade of JM Financial. Thank you and over to you Mr. Lohade.

Achal Lohade

Thank you Karuna. Good evening everyone welcome to Gujarat Pipavav Port's fourth quarter calendar year 2013 conference call. We have today with us Mr. Prakash Tulsiani – Managing Director and Mr. Hariharan Iyer – CFO of Gujarat Pipavav Port Limited. We will start the call with a brief presentation from Mr. Tulsiani which will be followed by financial numbers post which we will open the conference call for question and answer session. Over to you sir.

Prakash Tulsiani

Good afternoon everyone and thanks Achal for introducing us. Let me straightaway jump into the presentation which has been uploaded in the system at 2:00 pm today. The key highlights for quarter four 2013 have been in the, let's divide it into container and the bulk business that we handle. Container cargo we have 193,000 TEUs highest ever quarterly performance. 18% increase in volume versus the immediately preceding quarter that is quarter three 2013 it was on the back of good cotton exports typically the agri products which come out of the Saurashtra area and also the refrigerated cargo we have been number one in whole of India in terms of the refrigerated cargo out of a port and finally of course we had new service which we had talked about in the last quarter that is quarter three results NMG service going into the Middle East that service started sometime in the month of September mid and we had in this quarter the full quarter availability of this vessel call. While the markets continue to be very weak in the sense of 3.5% increase we have been able to achieve over the full year, year-on-year 16% growth in terms of container volumes. If I compare ourselves with our quarter four 2012 we have 24% increase in volumes this has been on the back of two additional services and organic growth there were certain vessels which were also upsized so all these put together we had 24% increase in quarter four 2013 versus the previous year that is 2012. Improved realization tariff rationalization took place in August this year some time mid-august we again had the full effect of that in this quarter under review and also with the refrigerated cargo which pays higher than the dry cargo these two put together have assisted us and improve realization. The good feature is that we are using our unique selling proposition which is the double-stack trains. We had gone in for double-stack trains and RMGC yard if you remember in the previous year that is 2012 and 2013 January we actually started with the RMGC yard while we started with the double-stack train sometime in June – July and all that is paying dividends now with 61% of a throughput being for inland container depots that is ICDs. In terms of bulk cargo, bulk business or volumes are typically unpredictable volumes have been shifting between quarters so in the current quarter we have volumes which are lower by 45% versus the immediately preceding quarter that is quarter three 2013 this is on the back of lower coal and minerals while we were offset by higher fertilizer because that's the season for fertilizers to come in. If you see our quarter two and three you will note that our bulk volumes actually came in those two quarters so if I have to put this as a full

year because they keep shifting between the quarters we will be at almost the same number with a small growth in the current year that is 2013 versus 2012.

Financial results we have EBITDA total of Rs.83.5 crores margin moves up to 57% in quarter four 2013. There has been a 36% increase in EBITDA while 18% increase in margin versus immediately preceding quarter, which is quarter three 2013. While quarter three was one of our good quarters also so we have improved upon that. 47% increase in EBITDA and 20% increase in margin versus quarter four 2012 that is immediately preceding year and the same quarter. We have right back of impairment net of depreciation and write offs of Rs.16.4 crores, Hari will take us through with all the details as and when he comes into the financial overview and net profit for this particular quarter is at Rs.77 crores which is 75% increase in profit after tax versus quarter three 2013 and 114% increase in PAT versus quarter four 2012. If we take away the right back of impairment, the one time or exceptional item then we have increase of 38% versus immediately preceding quarter and our net profit would be at Rs.60.7 crores while it will be a 69% versus quarter four 2012.

Moving to the next slide which is on the volume development which is more towards how we have performed as I mentioned we have quarter four 2013 as a best quarter at 194,000 TEUs and it has been a good increase on the back of good season agri and also winning of new vessel services. Bulk volumes if you see the two quarters that are quarter two and three they were really high while quarter four has been low because all the sourcing has been done in those two quarters so 538,000. Rail volumes continue to be robust and in line with our expectations of 1.9 while ICD volumes continue to rise on the back of good container business. Infrastructure developments we have some pictures there we can see liquid farms, we have consistently been showing you the pictures of development at site. Now, you can see all the three of them actually the tank farms are taking shape, in fact one of them is absolutely ready and waiting for first vessel to arrive, we are waiting for our environment clearance to happen so that we can start with this liquid farm.

Then moving to the next slide which is on the road. If you recall one year ago we had started on this connectivity which is from the highway into the port the last mile and this national highway to port main gate is now complete and it is put to use so this is helping us also with the increase traffic from the nearby areas. We are also developing internal roads because all these tank farms are getting ready and we need connectivity because we will evacuate their cargo by tankers so the road connectivity within the port. So, these are some of the pictures which you will see connecting ourselves. Now, we come to the financials and I will request Hari to step in and please take us all through with the financial numbers.

Hariharan Iyer

Thank you Prakash and good afternoon to you all. Let us start with some key highlights for the full year as this is also calendar year for us we end our year on a calendar year basis and about from the Q4 numbers or highlights which Prakash presented to you a little while earlier. Just let me take you through very quickly on the key highlights for 2013. We have this is in comparison to the full year 2012, we have 24% increase in our operating revenue, as it has been told earlier as well in the earlier quarters this has largely been driven by our higher container volumes and

better realization in containers during the course of the year. We also have the 16% increase in the container realizations which had been driven largely by the tariff revision that we had in August 2013 and also the favorable exchange during the course of the year.

Going on to the increase in the container volumes the 16% increase in the container volumes is largely driven by partly organic growth and upsizing of two new services which Prakash mentioned a little while ago. I think the first point that I mentioned to you I said the container volumes but what I mean is that 24% increase in the overall operating revenue. Moving on bulk volumes for the full year more or less in line with the previous years in fact marginally higher by about 4% though quarter-on-quarter there has been movements of changes. 12% increase in the operating and other expenses but these are mainly result of higher handling charges on account of commodity mix we handled more fertilizers than coal during the course of the year plus of course the higher container volumes during the year. Part of some operating efficiencies have also kicked in during the course of the year we had some cost efficiencies which are there but I will take you through that in more details when we come to that in specific lines. On the EBITDA front 41% increase year-on-year on the total EBITDA and a 13% increase in the margins EBITDA margins we moved from the last year full year at 44% around to the 50% mark this year. 45% decrease in the finance cost but this is a largely driven by the prepayment that we did in July 2012 so this is a full year impact that we have in the current year and the net result 159% increase in the net result higher container volumes better realizations PRCL dividend that we took in the last quarter and the impairment of the right back that you see which I will explain to you a little later, so overall the highlights for 2013. If I may take you through the overview on a quarter basis a little more in detail we end the year 2013 with a very good last quarter, the total operating income at 1452 million is the best quarter revenues so far and beats our earlier best which was in the previous quarter incidentally by about 15%. Our best quarter revenue mainly driven by 18% increase in the container volumes quarter-on-quarter, though the overall bulk volumes were lower by 45% than the previous quarter this has been partly offset by commodity mix we had a higher fertilizer cargo during the quarter as compared to lower coal and minerals. Increase in container volumes coupled with better realizations in containers and the full impact of tariff revision during the quarter helped improving the EBITDA and the margins. Q4 2013 EBITDA margins at 57.5% is 18% higher than the previous quarter and 20% higher than the same quarter in the previous year. During the quarter the company reassessed the technical feasibility and future usability of its fixed assets. Based on this physical assessment and considering the current business performance it has partially reversed an impairment provision in the books and written off and scrapped certain assets, the net impact of all these is a favorable 164 million in the net result appearing as an exceptional item in this quarter. Excluding the impact of this exceptional item the net result for the quarter at 607 million in higher by 38% compared with the previous quarter and 69% higher compared with the same quarter previous year.

Looking at the full year 2013 performance vis-à-vis the previous year again mainly driven by container volumes for the year 2013 an increase of 16% from the previous year while the overall market in the northwest India grew around 4% in the same period. Despite rail freight differential challenges bulk volumes for the full year ended at a previous year levels of 3.1 million tons

though the commodity mix changed as I had mentioned a little earlier. Lower coal volumes were offset by higher fertilizers and other commodities and the year ended with a marginal increase of 4%. We had an SFIS income which was included in the year 2012 so excluding the SFIS income the operating income grew 28% year-on-year mainly again driven by volumes in containers, better realizations, tariff revisions and US dollar exchange rates. On the expenditure front enhance productivity, efficient cost management and benefits of operating leverage mainly in containers helped in improving full year margins to nearly 50% up about 13% or 600 basis points higher than the previous year. The finance cost for the year 2013 was lower by 45% consequent to the prepayment of INR debt in July 2012. Net results for the year 2013 at 1918 million is 2.6 times that of 2012 full year net results. Excluding the favorable exceptional item in 2013 and the SFIS income in 2012 or looking at it like-to-like on an operational level the net result has grown 2.8 times from the previous full year.

Let me take you to specific elements in the financial results firstly on the income side. The container volumes for the quarter higher by 18% full impact of the tariff revision during this quarter would be roughly in the range of about 7% to 8%. Traditionally, Q4 is our peak season, a good monsoon in 2013 followed by strong demand in exports of cotton to China and good reefer volumes helped volume growth in this quarter. The new NMG service to the Middle East which commenced operations towards the end of Q3 2013 has built up momentum and opened a gateway for rice exports to the Middle East. Following, some service level enhancements in Q1 2014 we expect that this will be premium service to the Middle East. During the quarter imports grew by 9% and exports grew by 30% reflecting the seasonal agri and the reefer seafood exports in this quarter. Double-stack high cube container trains at Pipavav continue to be a good value proposition. You have observed during Prakash's presentation that the number of trains in this quarter has marginally reduced while still carrying an increased throughput. 16% of the trains in the quarter were double-stack and carried 27% of the rail throughput benefiting not only the shipping lines, rail exporters, the rail operators, exporters and importers but also freeing up space for additional rail handling capacity for Pipavav. Coal volumes continue to be impacted by rail freight differentials and during the quarter dropped nearly 2/3rd for the previous quarter this was partly offset by fertilizers doubling during this quarter. Overall for the full year in the same levels as the previous year. Other operating income it mainly represents lease rentals, reefer electricity and other miscellaneous income and this quarter higher because of higher reefer volumes. In summary a total revenue of 1452 million is the highest quarterly revenue so far and 15% higher than the previous quarter. Moving on to the expenditure side on the operating cost there is no significant change in the operating cost quarter-on-quarter despite volume changes and commodity mix in both container and bulk. While the total income grew 15% the total cost was lower by 5% resulting in the higher EBITDA and significant improved margins for the quarter. Similar trends for the full year too, with the year-on-year total income grew by 24% the cost increased by 12% mainly due to higher handling charges on account of change in the commodity mix we handle to more fertilizers during the year than as compared to coal.

Other expenses for the quarter cost of power and fuel is higher on account of higher reefer volumes and all other cost that is repairs and maintenance, administration are all more or less lower than what it was in the previous quarter. For the full year the increase in other expenses are

primarily on account of power and fuel impacted by the fuel rate escalations and new infrastructure facilities which came into operation during the year the RMGC and the fertilizer shed in particular. EBITDA margins at Rs.835 million is 36% higher than the last quarter and 47% higher than the previous year same quarter. EBITDA margins for the quarter improved around 800 basis points and EBITDA for the year full year at 2568 million is higher 41%. Previous year includes SFIS income of 115 so excluding that you still see an increase of 51%. I have provided the other aspects of it the finance cost and other things so let me take you to the balance sheet. Moving on to the balance sheet the long term borrowings in the company or in the books currently at 2819 million represents the Indian rupee loan from IDFC which is free of any pledges of shares or guarantees from the promoters APM terminals. Drawings from the new ECB loan of Rs.152 million has not yet commenced so pending start of the expansion activities. Increase in the current liabilities represents payable for ongoing enhancement of operational social infrastructure at the port mainly internal and external roads which Prakash covered earlier and the medical centers and canteen, these are small social infrastructure enhancements at the port. Increase in fixed assets that you see mainly represents the RMGC and the fertilizer shed which was capitalized during the course of the year, there are no other significant changes in the balance sheet items. In summary if I may close, while the Indian northwest market growth remained subdued at around 4% the container volumes at Pipavav grew 16% year-on-year on the upsizing and additional of new services, enhance rail connectivity and top quartile operating metrics. Bulk volumes in 2013 though adversely impacted was still marginally higher by 4%. Revenue EBITDA and margins year-on-year has seen a good increase in all fronts ending the year 2013 at the highest levels on all counts so far. We now end the presentation at this stage and if there are any questions we are open to take that. Thank you.

Moderator

Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. First question is from the line of Madan Gopal from Sundaram Mutual Fund, please go ahead.

Madan Gopal

First on capacity, just wanted to understand what is the maximum capacity that we can do in the container and bulk as of now and before we take on the next level of expansion for which we have budgeted around Rs.800 crore what is that maximum that we can do or will the expansion be gradual?

Prakash Tulsiani

Yes, can you repeat sorry I didn't get you there?

Madan Gopal

I want to understand what is the maximum volume that we can do in container and the bulk in the existing capacity before we take on the new expansion plans?

Prakash Tulsiani

The container capacity today is determined by the yard we have and that's 850,000 TEUs per annum while in the case of bulk depending on the commodity mix we can be anywhere in between 4 and 5 million tons per annum.

- Madan Gopal** So, is there any scope of increasing this volume during the course of because we might take another three years to complete the new expansion that we are planning, is there any chance of expanding the existing capacity by making some Brownfield adjustments in the port.
- Prakash Tulsiani** Yes there are and that's what we have done in the past also we had gone and constructed a yard so yes we are looking at all possible combinations that is by increasing the yard space or even looking at some equipments that we may get so all possibilities are available, that is in container. For bulk business if we get more of a coal volumes that will be better for us because it's easier to handle and we have sufficient storage yards for that.
- Madan Gopal** In your assessment is the coal volume possible given because I think more cement capacities are nearby then major power projects so what is that makes you looking at coal volume as an opportunity.
- Prakash Tulsiani** That's what I said we can get but yeah there are opportunities coming in from up country that is in north of India, however we are presently constraint because of the rail freight differential, our rail freight differential into Pipavav is higher compare to any other port in the west coast, so that is the reason why we are in constant contact with all these power plants which are up country and trying to secure them so yes that's why if you see our volumes in the current year you will see them as stagnant compared to the previous year.
- Madan Gopal** You are saying your favorable position in the rail freight right?
- Prakash Tulsiani** No we are not in terms of rail freight we are not, rail freight rate no, while capacity yes.
- Madan Gopal** Okay, the current year volume you had 16% growth in container this is back on the base year where you had a decline but is there confidence in enough to show us a similar kind of growth next year is it showing up from what is your take on that?
- Prakash Tulsiani** See again this container volumes are totally dependent on the trade we have and the market which we are positioned in. The market in the northwest India is not growing beyond 4% for the last two years and we have been range bound between anywhere 3% to 4% so of course we are constrained by that because if the capacity of the vessels or the carrying capacity of the vessels does not increase we will not see the increase in volumes and that will not increase if the trade is not increasing so definitely it is unpredictable, can we achieve the same numbers, well it will depend on how many do we go and secure new services. However, there are not many new services available in the market because the market is not growing so it is a challenge as we are presently facing.
- Moderator** Thank you. Next question is from the line of Krishnendu Saha from Quantum Mutual Fund, please go ahead.
- Krishnendu Saha** I have couple of questions. On the tax front when do we see tax rate coming and full tax rate and how much of the accumulated losses do we have in the books?

- Hariharan Iyer** Yes, at this point of time currently we are in the MAT scenario and that will continue for a period of time until we get into a full tax scenario the current operating loss right which is yet to be fully written off from the books is in the range of about Rs.500 crores but that does not give you the indication from our tax loss perspective there are different workings with respect to the tax loss perspective but we will continue to in my view pay the MAT tax though we will enjoy the MAT tax credit over a period of time and I would reckon while we are on a tax holiday scheme until 2017 – 2018 so I feel that until that time we will continue to be on 20% MAT scenario. Post to the 2017 – 2018 if you are able to wipe up all the tax losses at that point of time then we will move into the full tax scenario but that's the time when we start claiming the tax credits as well.
- Krishnendu Saha** So, right now we are not paying any tax right?
- Hariharan Iyer** We do pay MAT and that MAT we claim the credit so there is no P&L impact.
- Krishnendu Saha** No, P&L, no I am not getting into why isn't any P&L impact because you have to show the MAT being paid right?
- Hariharan Iyer** Yes, we have to show that MAT being paid but we also can claim the credit in the future years, right the MAT credit is available for a period of 10 years.
- Krishnendu Saha** That I get, maybe my understanding but in the tax expenses side when we have a figure we should have a figure when you are paying MAT right?
- Hariharan Iyer** Yes, we do have a MAT payment as I explained to you but since we have eligible for taking a tax payment credit for MAT payment credit which is what we have taken-
- Krishnendu Saha** You are taking the credit right now, okay. So, you are paying MAT right now, right okay that's what I am trying to understand. Number two on the front of what just Mr. Prakash said about we have a differential tariff on the coal front if we do not have that differential on the coal front how would the situation be, or what percentage of the cargo would that be.
- Prakash Tulsiani** See definitely we will be in a better position and we could attract lot of more coal volumes and we could do anywhere in the range of 2.5 million ton as coal volumes out of the total what we, in fact this is the number we were doing prior to this rail freight differential came in so we are confident that we could easily deliver that number.
- Krishnendu Saha** Can you explain if the range differential there is no next year if the rates have a change on the rail front maybe then you can have advantage again right?
- Prakash Tulsiani** Yes, absolutely if the rail freight differential changes in our favor that is in terms of slab rates then definitely we will get more coal volumes coming to Pipavav, right now I have nothing on hand to say that whether railways are doing something.

- Krishnendu Saha** Okay one last question on the IMC, the pictures looks absolutely up and ready what is the capacity of just IMC please?
- Prakash Tulsiani** It is approximately 120,000 static capacity, KL.
- Krishnendu Saha** KL so million tons will be?
- Prakash Tulsiani** No it depends on how soon they turn or how often do they turn that volumes because if it's 120,000 and if they turn once a month then it is multiplied by 12 but if they turn once in three months then it is multiplied by four right.
- Krishnendu Saha** Right I get that but how many 120 will be how many million tons, is this conversion of that?
- Hariharan Iyer** That depends on the market to market scenario and we will have to wait and watch how these conversions work, hopefully once you have a couple of cycles going on, once we commence the liquid business then we will be in a better position to give you guidance on that.
- Moderator** Thank you. Next question is from the line of Inderjeet Bhatia from Macquarie, please go ahead.
- Inderjeet Bhatia** First question is on this new NMG line that we added and which kind of came in full force in quarter four. What was the volume like for that line can you share that number?
- Prakash Tulsiani** Inder we don't have from a commercial perspective we cannot give you each individual lines what their volumes are so we can tell you on an overall basis so therefore telling you in this quarter what each line is doing, is not in line with our commercial strategy.
- Inderjeet Bhatia** No problem, just trying to get a sense.
- Prakash Tulsiani** So, please Inder please bear with us on this one and because of commercial reasons.
- Inderjeet Bhatia** Second is on the liquid side when do you think the operations will actually start on all those three facilities, any kind of time line there?
- Prakash Tulsiani** Inder we would, as we had mentioned in the previous calls also we expect them to start any time now. Our expectations in the last quarter call we had said that they will start in first quarter we maintain so of course we are one-and-a-half months into the quarter, I am expecting them that some time mid-March they should be up and running of course they are all waiting for the environment clearance also to happen and so are we waiting so we get the environment clearance 15 – 20 days thereafter we should see this cargo beginning.
- Inderjeet Bhatia** And this is you are saying March would it be for IMC or all three would start operations?
- Prakash Tulsiani** I would expect IMC to start first because they are in absolute state of readiness.
- Inderjeet Bhatia** What would be the capacity of the other two Aegis and other Gulf Petro?

- Prakash Tulsiani** They are in the same line, they are approximately in the same line they could be varying by 10% here or there.
- Inderjeet Bhatia** My last question is on the operating expenses do you expect any significant change because of inflation going into CY14?
- Hariharan Iyer** Most of our cost which are here we are currently talking about right are all I mean all our cost are in Indian rupees only today. There will be some impacts on the fuel related things that will always be the case we also saw that impact in the current year, but to a great extent the volumes and the operating leverage that we have got kind of offset it to a greater extent.
- Inderjeet Bhatia** If I may squeeze last question is on the interest cost, what is the interest cost that we are paying right now?
- Hariharan Iyer** Roughly in the range of about 11%.
- Moderator** Thank you. Next question is from the line of Atul Tiwari from Citigroup please go ahead.
- Atul Tiwari** Any update on the NGT matter and environmental clearance when are we likely to get it?
- Prakash Tulsiani** Yes as mentioned earlier we have got our expert advisory committee, assessment committee has recommended for ministry approval. Now, we await the final approval from the ministry because this EAC or the committee is the one which actually is the prime body which assesses all the details for granting approvals and they have heard a case, we had three hearings with them they have recommended it that means in short they have cleared it from their end now it is with the ministry and we are following it up. We don't have any dates on that.
- Atul Tiwari** Okay but now we are heading into elections and if the code of conduct sets and say in a few days more do you expect the ministry to give approval before June?
- Prakash Tulsiani** Well, we will have to wait and see when this comes in, yeah you are right if that is applied let's assume tomorrow then we have a challenge I do agree.
- Atul Tiwari** And on a quarter-on-quarter basis why is your other operating income up so much it has almost doubled and why are your expense items like admin and other expenses and employee cost down on quarter-on-quarter basis.
- Hariharan Iyer** Sure on the first part of it your operating income that you mentioned now in this quarter we have reefer electricity, which is reefer income that we have earned additional income that we earn on reefers handling reefers this is a reefer season this quarter we handled more than double the reefers the last quarter was about 6000 TEUs this time we handled 11,000 TEUs so that's the key significant change that has happened during the quarter on the operating income side of it.

- Prakash Tulsiani** And let me add also because if you recall in August 2013 we had gone for a rationalization of our rates that is tariffs and effect of the entire tariff rationalization is available for the whole quarter in quarter four.
- Atul Tiwari** And on the cost side, employee cost and admin and other?
- Hariharan Iyer** Yes on the employee cost, yes that was your second question right. There have been some reversal in accruals consequent to the change in the interest rates more so on the long term benefits right that is gratuity and leave encashment and other things so during the course of the year with the interest going up right so the overall provisions that you need to do for the gratuity reduced so we had some reversals at the end of the quarter.
- Atul Tiwari** And admin and other expenses they are also down like by Rs.3 crores – Rs.4 crores quarter-on-quarter.
- Hariharan Iyer** Yes there are few marginal, there could be a onetime thing that we had in the third quarter which is not there in the fourth quarter so therefore we have lower cost during this quarter.
- Moderator** Thank you. Next question is from the line of Aditya Bhartia from Espirito Santo. Please go ahead.
- Aditya Bhartia** Just wanted to understand the margin impact due to phasing of the Reach stackers and installation of RMGC cranes?
- Prakash Tulsiani** I can't give you a step by step change in that right, these all adds up to there are various things which adds up to on an overall basis there will be a decrease in the cost on the Reach stacker hires whereas there will be a marginal increase in the power but the decrease will be more than the increase in the cost with respect to power and fuel and that's what adds to the margins right, I would recon it would be in the range of maybe a percentage or two, but I don't have the exact number broken up by each specific action.
- Aditya Bhartia** And you paid MAT tax of only 70 million in quarter four, this implies effective tax rate of only around 10% what is the reason for the same?
- Prakash Tulsiani** This is based on various calculations with respect to what our carry forward losses are, what your current scenario is and all that stuff right so we have to take into account on a financial year as well as on a calendar year basis. At this point of time what we need to accrue for this quarter and that's what we have done.
- Aditya Bhartia** And the additional depreciation charge that you are having in fourth quarter almost 2.3 crores, the change in accounting policy is it a sustainable charge or a part of this relates to prior period as well?
- Prakash Tulsiani** No it relates to also the prior period because of the first onetime thing what we have basically done is at all assets, small value assets up to Rs.5000 was being charged off 100% in the year of

acquisition. Now we have increased that limit from Rs.5000 to Rs.125,000 and that's the onetime change that has happened in the current quarter.

- Moderator** Thank you. Next question is from the line of Nitin Bhasin from Ambit Capital. Please go ahead.
- Nitin Bhasin** Few questions, one was this it's already been about two months in this calendar year what is happening on the volumes in terms of exports and imports in India and especially western ports and have you added any new lines.
- Prakash Tulsiani** A, we have not added any new lines in these two months but the overall situation on the North-West India remains exactly the same as what we have seen in the previous year that is growing in the range of anywhere around 3%.
- Nitin Bhasin** So, what are the benefits of the double stacking in your costs because there is very good margin jump so how does the double-stacking help you in terms of saving costs?
- Prakash Tulsiani** Double stacking what has happened is because we have installed RMGCs, RMGCs when they have come in they have ensured that we have taken away Reach stackers that we were working with and Reach stackers were hired so that cost is out and also the fuel they were using basically all diesel so that's why that cost is gone while we have moved to electricity, electric power so this has helped us in terms of our operating expenses while the major advantage which comes with our double stack ranges is the efficiencies and that helps us to improve our volumes because our value proposition becomes even stronger and as we go along the clients are getting their deliveries or whenever they are exporting they get a quick connection on the rail network so ICD connectivity improves.
- Nitin Bhasin** And because you have a very good ICD volumes now coming in, is there any kind of a charge that you have actually put on to the ICD volumes which is actually helping your realizations to go up?
- Prakash Tulsiani** You are indeed correct because in August 2013 we had introduced charge of \$6 and \$12, \$6 a TEU, \$6 per 20 feet and \$12 for 40 and this is for the ICD containers.
- Nitin Bhasin** So, as one of the last two quarters one of the biggest drivers of your margins, any resistance on this because this is one of a kind that you have done?
- Prakash Tulsiani** No I don't think, I think the other ports in the west coast are also having a similar charge so we are not different and definitely when I say we have imposed this or introduced these charges it is based on the efficiency so what is measured by the clients is whether they had an efficient service for rail connectivity into the ICD.
- Hariharan Iyer** If I may add to this sorry for one minute to just elaborate this thing and also let you know is that every stakeholder in this whole process actually benefits from this by us being able to move double-stack high cubes now the rail operator now has to run fewer trains to carry larger number of boxes. The exporter and importer now are able to get that thing much cheaper in terms of their

cost so we are basically taking out costs from the system and therefore it helps all the stakeholders in this process.

Nitin Bhasin So just can you tell us how do you choose between \$6 and \$12 and is it applicable on all ICD volumes?

Prakash Tulsiani Yes you are absolutely right it is applicable on all ICD volumes I think that was more of internal calculation on how did we arrive at that time.

Nitin Bhasin And because you had moved to dollar pricing so what are the levels of discount on dollar pricing average today?

Prakash Tulsiani Not it is all volume based whatever we are incentivizing it is only on volume base.

Nitin Bhasin What is the volume and the value share of Maersk today?

Prakash Tulsiani In terms of volume Maersk would be anywhere around 30% and in terms of also the revenue in container business.

Nitin Bhasin Yes that's what I was asking. In terms of what's the export-import balance imbalance today?

Prakash Tulsiani We are almost balanced.

Nitin Bhasin And the last one is that in terms of because your ICD connectivity is increasing how is the number of trains calling on your port changed on a Q-on-Q or Y-o-Y basis if you can get some sense?

Prakash Tulsiani See because of double stack the number of trains reduced because the same train can now carry 180 containers versus earlier 90 so the volume carried by the same train has doubled but the number will reduce and it has reduced.

Nitin Bhasin Does it take down even further from here in the next quarter of March or something?

Prakash Tulsiani See it depends on how the rail operators would be able to take advantage of the double stack, if they bring in all trains double stack and take out all trains double stack yes definitely the number will reduce further but right now they are not doing it and approximately only 40% I think is moving on double stack but 60 still moving on single stacks.

Nitin Bhasin And you have a number of lines that can call on your port on a weekly basis so how many slots can you still fill if you were to take a new lines coming into the port?

Prakash Tulsiani Well, we have a good number of open slots on berth number three as well as on four.

Nitin Bhasin Okay so when we say good number can we add two or three more services?

- Prakash Tulsiani** Don't push me please and this is commercial thing, so please allow me to say that we have good number of slots available.
- Nitin Bhasin** And the last one is when do you get to start earning money from the CAPEX that you are incurring and when do we see the first time utilization of that asset?
- Prakash Tulsiani** Are you referring to the liquid cargo?
- Nitin Bhasin** No, the mega one, the new berth that you are putting in. When do you think the first cargo will be handled on the new berth that you are constructing?
- Prakash Tulsiani** First of all we have not started on the CAPEX at all, once we start I would say typically within a period of 18 to 24 months we should be able to start getting revenue generation on that particular investment.
- Nitin Bhasin** Is it then fair to say that this project is now pushed out to at least CY16 end?
- Prakash Tulsiani** We will have to wait and see when do we get the environment clearance while we continue to evaluate expansion plans to the changing market conditions and the situation as far as EC is concerned.
- Nitin Bhasin** So, the environment clearance is not yet done, am I right?
- Prakash Tulsiani** Not yet, while as I mentioned earlier we have got the Expert Advisory Committee, which is the EAC has recommended for the ministry's approval now we wait for the final approval from the minister that is ministry typically the MoEF.
- Nitin Bhasin** And with the elections coming up possibly a delay for three-four months?
- Prakash Tulsiani** Well, let us wait and see.
- Moderator** Thank you. We have the next question from the line of Atul Rastogi from CIMB. Please go ahead.
- Atul Rastogi** My question on capacity. I mean if I look at your container volumes this quarter it's almost 90% utilization levels so do you think and why you are not building up that extra yard or capacity to or do you think with the current capacity you can exceed that 8.5 lakhs?
- Prakash Tulsiani** Well, we managed it well there were no challenges or no stretch I would say while we received these volumes. I think you have visited the port but if you have not you will see that we have a large tract of land available and we have some other places also where we can with RMGC coming up it has really helped us. So we are confident that we will be able to handle these types of volumes and even increased volume as we go along.
- Atul Rastogi** So, you think you can do more than 8.5 lakhs on an annual?

- Prakash Tulsiani** Well, at the moment yes.
- Moderator** Thank you. Next question is from the line of Ujwal Shah from Axis Securities. Please go ahead.
- Ujwal Shah** I just needed the bulk break up for the quarter and year-on-year in terms of the commodity as such so how much fertilizers, how much coal or how much we have done for the quarter if you can give us some breakup?
- Hariharan Iyer** Of the 3 million that we did in the current year 1.3 million was in coal, about 800,000 on fertilizers and about 960,000 on the minerals and others.
- Ujwal Shah** And just wanted to clarify and I was just going through some news article, which stated that on the PRCL line the high speed trains actually moved down two lions and for which there is some action taken from the environment department against PRCL or they have return some documents asking them to slowdown the trains between Rajula and Pipavav so has there been any communication down to us and has there been sort of formal request being made to slowdown our trains and what impact it could have in terms of efficiency as such because our rail is our biggest and prime asset as such.
- Prakash Tulsiani** No you are absolutely right railway is the prime asset but what matters is that how soon can we handle it if they reduce their speed let's assume even if they, right now we have not heard anything but let's assume even if they do it they will reduce it only for 20 or 30 kilometers in the total entire stretch of 269 kilometers it will not any major effect on the transportation of containers or the cargo. So, it has not affected us at all.
- Ujwal Shah** Thanks a lot for the clarification and all the best for the year ahead.
- Moderator** Thank you. Next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.
- Ashish Shah** First thing on the Maersk share which we said was that 30% of the container cargo?
- Prakash Tulsiani** Yes you are right.
- Ashish Shah** No I was just clarifying that. Do we have any SFIS income this quarter?
- Prakash Tulsiani** No.
- Ashish Shah** Okay so that other operating incomes are just purely in the nature of higher reefer cargo and that's about it.
- Prakash Tulsiani** That's right.
- Moderator** Thank you. Next question is from the line of Nitin Arora from Emkay Global. Please go ahead.

- Nitin Arora** On the OPEX side on a quarterly basis you said there are some one-offs especially the reversal of actuarial that's why it is little down can you share some amount of some of the transactions being done on the reversal side that is number one. And number two the OPEX not asking on the admin and the employee just on the OPEX side the 31 crores number it looks a little lower so has that benefit come only because of the RMGC which you had mentioned?
- Hariharan Iyer** No there are two things if you look at it, it is also the mix of the cargo that basically contributes to that to some extent on the operating side the RMGC impacts the equipment hire, equipment hire which we had earlier was with respect to the hire of Reach stackers which are no longer there now that has been substituted by power and fuel and other cost which come into the other direct costs so those are the changes which has happened. As far as your next two questions was with respect to the one time reversal is that correct. One time reversal with respect to this while we take the next question, let me get the inputs from my team, I understand it's in the range of about 10 million.
- Nitin Arora** Coming on to the realization part I just want to know if we have garnered a revenue of Rs.518 crore for the full year if I assume 400 kind of a realization, per ton kind of a realization for bulk it implies that I have done somewhere in the range of 5900 plus kind of a realization in container, is that a correct assumption?
- Hariharan Iyer** No actually when you look at it on an overall basis you divide this, there is quite a bit of mix in this whole picture, it is not about bulk all of them move in the same manner, coal is done in a different manner, fertilizers are done in a different manner, within coal and fertilizers the deliveries given at the rail head is different from the deliveries given that yard side or the truck side so we cannot go and break it up into so much minor details. I can tell you that as far as realizations are concerned during the course of the year this has moved from roughly in the range of about 4500 – 5000 towards the 5500 – 6000 range right at different point of time partly also because of the mix that happens on a quarter-on-quarter basis in the month in which we have higher reefer volumes then you have a better realizations. So, there are mixes between the containers, between the businesses, and also the commodities.
- Nitin Arora** But mostly by taking our tariff rationalization call as well as the same time the rupee got depreciated plus your reefer volume, the more tilt is towards the 5900 – 6000 range the container part I am referring to.
- Hariharan Iyer** That is correct, as I said the key driver which I have mentioned to you on a quarter as well as on a full year basis the key drivers have obviously been containers which have been driven both by the tariff revisions as well as US dollar exchange rates and plus the mix of the cargo.
- Nitin Arora** On the tax credit side, let's say if I have a tax liability of next year of Rs.50 crores I would again go ahead and take a write-back, that would not impact the P&L is that a correct understanding?
- Hariharan Iyer** That's is correct.

- Moderator** Thank you. Next question is from the line of Jinit Mehta from B&K Securities Private Limited. Please go ahead.
- Jinit Mehta** Could you broadly give us a break up in terms of revenue EBITDA for bulk and container?
- Hariharan Iyer** No I can't give you a break up by each commodity because these are commercially sensitive thing I can give you guidance which is what we largely covered during the entire presentation.
- Moderator** Thank you. Next question is from the line of Krishnendu Saha from Quantum Mutual Fund. Please go ahead.
- Krishnendu Saha** Just a couple of clarifications, CAPEX which we are suppose to have a berth added and all is it Rs.600 crores, Rs.700 crores or Rs.800 crores which we were suppose to spend over the course of 18 months?
- Hariharan Iyer** It will be in the range of about Rs.800 crores as what we had originally planned and this of course includes various things not only adding of berth but certain internal roads and additional yard capacities and trains and everything.
- Krishnendu Saha** So, Rs.800 crores is what you are saying, right?
- Hariharan Iyer** That is correct.
- Krishnendu Saha** Right and one more thing little bit on the PRCL so like what is the dividend policy over the last year we got 5% dividend, what is the policy any highlight you can give us on that front please?
- Prakash Tulsiani** There is no policy as such but it will depend on how they continue to perform. They are a debt free company today and we will see the results and accordingly at the board meetings we will decide what has to be done, there is no such policy as such we have decided.
- Krishnendu Saha** And would you be able to give us rate per TEU or anything like that for the whole year?
- Hariharan Iyer** With respect to?
- Krishnendu Saha** With respect to just the containers how much the earnings per TEU for the whole year?
- Hariharan Iyer** On the full year basis in the range of about 4000 – 5000.
- Moderator** Thank you. Next question is from the line of Inderjeet Bhatia from Macquarie. Please go ahead.
- Inderjeet Bhatia** Actually my question is on this major ports, the new TAMP policy which is being discussed now and how do you envisage the scenario change if the major ports are allowed to increase or rationalize their tariffs do you think the volumes will further shift to ports because the rate differential will narrow or do you think they will be able to improve efficiency doing the large

enough margin to retain these volumes or you think there is a scope for you to further these tariffs?

Prakash Tulsiani Under first of all on in terms of our volumes our unique selling proposition has been the rail which I would say there are constraints as far as the major ports are concerned so that's why we would continue to see that the volume should remain with us and despite even assuming that they will get some higher tariffs coming in. See there have been changes made on the TAMP in terms of tariffs but only prospectively that is starting from 2013 so there has been no changes for 2008 and 2005 guidelines there were two guidelines prior to that and most of them fall under the 2005 and prior guidelines so I do not know where they stand as of now though there has been lot of talk and lot of propositions going up and down between ministries and also the major port but there has been no changes as yet so let's wait and see.

Inderjeet Bhatia So, wouldn't ports under 2005 or 2008 would be kind of getting out of those tariff regulations in the next one two years or so or?

Prakash Tulsiani Yes that could be a possibility that definitely could be a possibility and that will then allow them to rationalize or rather increase their rates and that will probably bring all of us on the same level playing field in terms of tariffs.

Inderjeet Bhatia Is there a scope for us to raise our tariffs further to kind of?

Prakash Tulsiani Under as we say irrespective what the major ports do we continue to evaluate basis our proposition in our cost and so that will continue irrespective what the other ports are doing in the region.

Inderjeet Bhatia And last question is on this you said rail is fairly important value proposition any kind of a latest numbers from PRCL that you can share?

Prakash Tulsiani No unfortunately they are not available and being a private limited and they follow a different accounting calendar in fact.

Inderjeet Bhatia Can you share FY13 numbers?

Prakash Tulsiani I don't have it right now, but I do recall they have made a net profit of approximately Rs.48 crores to Rs.50 crores in FY13 that's what I remember after tax.

Inderjeet Bhatia That's a total profit or your share of profit?

Prakash Tulsiani No, no total profit of PRCL, am I right?

Inderjeet Bhatia Yes broad numbers are okay.

Prakash Tulsiani Yes.

- Hariharan Iyer** And you can actually I have just been prompted that you can actually go to the PRCL website you will have this information available, I don't have it readily available with me here but you can get to the PRCL website and you will be able to get that information correctly.
- Inderjeet Bhatia** Okay, is it a safe assumption that PRCL progressively will be doing much better than what it was doing in the past, say even FY13?
- Prakash Tulsiani** See again they are reliant entirely on to the port business, but with our coal volumes which were going on the railway going down so I would say they would be in the same range or region as we are. While of course the container volumes are increasing on the other hand the coal is slightly under pressure.
- Moderator** Thank you. Our next question is from the line of Achal Lohade from JM Financial, sir. Please go ahead.
- Achal Lohade** Just wanted to ask couple of clarifications actually. One if I understand correct x-reversal of that Rs.1 crore or Rs.10 million in employee cost there are no one-offs in terms of cost items, is that understanding correct?
- Prakash Tulsiani** That is correct largely yes.
- Achal Lohade** Number two, if I look at the EBITDA excluding the other operating income which is basically the reefer cargo and SFIS income the margins have improved from 42% to 52% on Y-o-Y basis or 45% to 52% for Q-o-Q that is more to do with one the mix in terms of container vis-à-vis bulk is that understand correct because that could have driven the operational efficiency?
- Prakash Tulsiani** Largely, the operating leverage and operating efficiencies come in, in terms of containers right so therefore to a great extent the improvement in the margin are attributable to the container and container volumes.
- Achal Lohade** Would you be able to talk or give any color on the margin going forward? Do you expect margins on a calendar year basis what we have achieved right now to sustain or improve going forward?
- Prakash Tulsiani** See as I have explained in terms of the operating leverage we will continue to see these operating leverages remaining in terms of containers so as we grow the container volumes yes you can also expect the similar kind of things there is one more kicker that you need to remain aware of and that is the liquid cargo. We have not started or commenced on the liquids so the moment liquid starts then that will also help us in moving the margin upwards.
- Hariharan Iyer** Well it will happen progressively because obviously the whole year volumes in liquid cargo will take time to ramp up because they are just starting.
- Prakash Tulsiani** That is correct.

- Achal Lohade** And just last clarification you said you can sustain the current run rate which was there in fourth quarter even without doing the capacity addition what we are planning for which is waiting for the clearance is that correct understanding?
- Prakash Tulsiani** Yes you are absolutely right that we are able to handle such volumes on a regular basis we have the capacity to deal with it.
- Moderator** Thank you. Next question is from the line of Sachin Bhagat from Ambit Capital. Please go ahead.
- Sachin Bhagat** Just one clarification on your reefer realization versus non-reefer realization what would be the differential like?
- Prakash Tulsiani** See the reefer would typically add roughly about Rs.700 – Rs.800 but it depends on the kind of time that they stay at the port because you largely earn on the reefer terminal charges that are there.
- Sachin Bhagat** And you highlighted earlier that your realization this quarter was in the range of 5500 to 6000 right?
- Prakash Tulsiani** That is correct.
- Sachin Bhagat** Container and bulk would be 400?
- Prakash Tulsiani** It would be a mix of things it depends on each commodity and where we give but yes suffice to say on our total mix basis around 400.
- Moderator** Thank you. Next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas** If you can just help me understand the significant increase in the other operating income Y-o-Y so I do understand there is reefer but Y-o-Y the impact seems to be very significant so if you can highlight is that primarily because of the tariff rationalization that you have taken which also includes reefers or is there anything that I am missing?
- Prakash Tulsiani** I would say mainly on the tariff rationalization and also the currency effect that we have. Apart from that the volume increase is definitely there and that volume increase has brought in the numbers.
- Rakesh Vyas** So, effectively from Rs.11 crores to Rs.16 crores there is no other significant contributor in the other operating income?
- Hariharan Iyer** No largely these are the key factors which are there.

- Rakesh Vyas** And where do we account for this land revenue and has there been any change Y-o-Y in land rentals?
- Hariharan Iyer** No, no change in the land rental Y-o-Y but as and when we have more land leased, once and therefore some part of lease rentals also get accrued into this other operating income.
- Rakesh Vyas** Okay but effectively compared to last year there is no significant change?
- Hariharan Iyer** Marginal changes were there during the year because as they got on developing the sites they also increased their areas, so yes.
- Rakesh Vyas** Okay got it. When has the impact of the RMGC started to reflect in the operating expenses for us?
- Hariharan Iyer** We commissioned RMGCs in December 2012 so basically for the full year we pretty much have the effect of that.
- Rakesh Vyas** My question relates to the first quarter when the first quarter of RMGCs were applicable the total operating cost was around Rs.37 crores and that includes almost similar kind of bulk and a slightly lower container volumes, compare to that the operating expense now is Rs.31 crore today so I am just trying to understand is this the full impact of RMGCs or are there any other cost rationalization that has happened in the operating cost itself?
- Hariharan Iyer** Largely that but when we started that for a period of time the what you call Reach stacker still remained because it was de-hired on a phased manner so you would have some cost in the first quarter of the year but not in the last quarter of the year. By which time we have fully taken the benefit of that.
- Rakesh Vyas** Got your point and one broader question, this fourth terminal at JNPT what is the status now and are APM terminals bidding?
- Prakash Tulsiani** Well APM terminals is bidding and as I understand the bids should be called in soon and they would then probably declare who is the bidder or rather who is the winner of the bid, APM terminal is there, we are not.
- Rakesh Vyas** And the question related to this TAMP new policy that are coming that will not impact the first three JNPT terminals at all?
- Prakash Tulsiani** Not yet, because they are not covered under the new policies.
- Rakesh Vyas** Okay but it would impact JNPT terminal four?
- Hariharan Iyer** That is correct.
- Prakash Tulsiani** Absolutely.

- Rakesh Vyas** So, do we expect aggressive bidding, aggressive in the terms of these revenue share that is likely?
- Prakash Tulsiani** Really, no idea sorry I have no comments to offer that.
- Rakesh Vyas** Okay but the last bidding that happened versus the current bidding there is this policy change right, the last bidding did not had the policy difference?
- Prakash Tulsiani** Well, I think there was in the last bidding also they had clearly defined how the rates would be there upfront in terms of the tariff. The tariff rates were already given.
- Rakesh Vyas** Already given thank you so much and best of luck.
- Moderator** Thank you. Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the conference over back to Mr. Achal Lohade for closing remarks, thank you and over to you sir.
- Achal Lohade** Thanks Karuna. On behalf of JM Financial I would like to thank everyone for participating in the Gujarat Pipavav Port's 4Q '13 earnings call and special thank you to the management for giving us the opportunity to host the call thank you sir.
- Prakash Tulsiani** Sure, welcome thank you very much.
- Moderator** Thank you. On behalf of JM Financial Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.