

“Gujarat Pipavav Port Limited FY-15 Post-Results Conference Call”

May 28, 2015

MANAGEMENT: **MR. HARIHARAN IYER - CHIEF FINANCIAL OFFICER,
GUJARAT PIPAVAV PORT LIMITED**
**MR. KELD PEDERSEN - MANAGING DIRECTOR,
GUJARAT PIPAVAV PORT LIMITED**

ANALYST: **MR. NITIN BHASIN - AMBIT CAPITAL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Gujarat Pipavav Port's Limited FY-15 Post Results Conference Call hosted by Ambit Capital Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Bhasin of Ambit Capital. Thank you and over to you, sir.

Nitin Bhasin: Good afternoon. We have today with us Mr. Hariharan Iyer, CFO, as well as Mr. Keld Pedersen who has recently joined as the new MD at Gujarat Pipavav Port. Again the company posted a good set of volumes, and this is a great occasion to discuss these numbers again with the team of Gujarat Pipavav Ports.

Sir, over to you, just for the brief remarks and then we will open it up for questions.

Keld Pedersen: Yes, good afternoon. My name is Keld Pedersen, I am the new CEO just joined here on May 1st. A short introduction, I am 49 years old. I am Danish. I have been 28 years in various roles in AP Moller Maersk Group, the later 15 years in APM Terminals and the port industry.

I would like to jump directly into the container business. So if we go onto slide five, then you see we handled 201,000 TEU this quarter this is a 3% increase versus Q4 2014, this is in line with the trends we have seen in the past years. The west coast container trade grew at 2% compared to Q4 '14 and we added two new coastal services operated by Jindal Waterways and Shreya Shipping these coastal vessels they move raw cotton to south India.

And if we move on to the bulk business then in the latest railway budget rail distance slabs were rationalised beyond 1,500 kilometers; however there was also a corresponding hike in the rail tariff so that negated the advantage we would have had with the rail distance slab rationalisation. Totally we handled 921,000 metric tonnes of dry bulk cargo this quarter. On the liquid cargo we handled 126,000 metric tonnes of liquid cargo this is up 50% versus last quarter of 2014 Q4.

On the financial results, as you will see in terms of EBITDA in the first quarter of 2015 we have achieved the highest EBITDA earned in any given quarter equal to Rs. 1.126 billion more details on this will be covered by Hari, our CFO.

And then if we move on to slide seven, then we have shown some operational highlights looking into container and the dry bulk cargo so bulk volumes were down as you will see 25% compare to Q4 2014. But if you compare to first quarter of '14 then it was still up 33%. The drop in rail volumes was due to a drop in bulk cargo. And if we move to slide nine on the projects expansion. The projects are ongoing and they are on schedule. We are building a new road for seamless container movement and for the dedicated railroad terminal.

All our ongoing projects include our new gate entry, social infrastructure like residential, buildings and club house for employees living at the port. Least but not the last than a number of CSR activities we are undertaking during the year where we continue to support nearby villages through regular health check-ups, social infrastructure improvements and sanitation work which you would also see on the pictures.

So, I will now hand over to Hari our CFO, who will take you through the financial highlights.

Hariharan Iyer:

Thank you, Keld. And let's move onto the financial numbers for the quarter. As you are aware in this year the company has changed its accounting year from the current calendar year to the financial year April to March. Accordingly audited results are for a 15-month period starting 1st of Jan 2014 until 31st of March 2015. From a comparative purpose we have already looked at the key highlights for the 12 month Jan-December 2014 versus the previous year 2013 during our previous call. Therefore, in this call we will focus on the current quarter ending 31st March, 2015 results.

The total operating income at 1,880 million is 2% higher than the previous quarter and also our best quarter revenues so far. The container volumes were 3% higher than the previous quarter and 7% higher than the same quarter in the previous year.

As Keld mentioned earlier, two new coastal vessels were added in this quarter mainly driven by the increased moment of raw cotton from Gujarat to Tamil Nadu this kind of partly offset the loss in the cotton volumes of exports that we saw in the fourth quarter of '14. Bulk volumes at 921,000 metric tonnes though lower than the previous quarter which was actually the highest quarter for us so far at that point of time is still 33% higher than the same quarter of previous year. Other income or other operating income in this quarter includes an SFIS income of 123 million.

Moving on the cost side, the operating cost have shown good developments for the quarter which is lower by about 19% on account of some savings in the equipment hire upon de-hiring of equipment deployed in the previous quarter and as of course also part of the lower bulk volumes and changing the commodity mix during the quarter. Not significant change in the employee cost and other expenses as compared to the previous quarter. This all brings down to the EBITDA at 1,126 million the highest ever EBITDA during the quarter, higher by 12% compare to the previous quarter and higher by 23% compared to the same quarter of the previous year.

The exceptional item that you see during the quarter of 346 million represents the one-time cost of syndication fees, commitment fees, and legal and administration charges incurred in connection with the foreign currency loan sectioned by IFC for the project which has been fully written off in this quarter consequent to the decision to cancel the said loan. This will not have any impact on the ongoing expansion which will be fully met from the internal accruals based on the current business performance and cash flows of the company.

Moving on to the balance sheet side, there are no major changes on the balance sheet side and you would observe that other than the repayment of debt and the accumulating MAT tax credit to be availed in the coming years more or less these are in line with the earlier number that you have seen for the year end 31st December, 2013.

In summary, the operating net results for the quarter at 669 million is mainly impacted by the exceptional item mentioned earlier excluding this exceptional item the net result of the company at 1,014 million is the highest net result in a quarter so far.

Now the floor is open for questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Indrajeet Singh from Macquarie.

Indrajeet Singh: My first question is on your container business and you have seen if I compare on year-on-year basis in quarter four of the previous calendar year only we had only 1% growth and now we again inched up to 7% so now there were conditions especially related to cotton exports. I just wanted to have your sense whether things has started to improve on the export in the trade front and what kind outlook you have for the at least the first-half of the next financial year?

Hariharan Iyer: Indra this is Hariharan; basically at this point of time we have when you look at the numbers when you look at the overall macro picture we have not seen any significant development or change in the last few quarters. Things have remained subdued maybe marginally above the previous one but we have not seen the same level of growth that we have experienced in the earlier years that is reflective of the numbers that you see, albeit we are marginally above than the market growth. I think it is a little bit early to say how the trends have move we have not seen any significant different developments in the Europe trade as well in the U.S. trade. We will have to wait and watch how things develop there are some positive sentiment but this need to translate into hardcore volumes as we see those volumes coming up we will see them benefiting Pipavav.

Indrajeet Singh: Okay. My second question is on the liquid side, we have seen decent ramp-up against sequentially is this run rate sustainable or would this run rate likely to kind of go up and now commodity prices also kind of have stabilised at least for some time over a few months now?

Hariharan Iyer: Indra you are right, I think with the volatility in the market kind of getting subdued then probably we will start seeing steady volumes moving up but it is early days for us because these are the times when we are ramping up the volumes so a little bit early to talk about it maybe the next couple of quarters will give us a little more indication on this develops.

Indrajeet Singh: Actually one last question to Mr. Keld Pedersen. It has been month for you to be the helm of this port what are your kind of early feelings about strategic course that the Gujarat Pipavav can take in the next couple of two or three years' time? Obviously the company has done very-

very well in the last few years are there any specific areas that you would want to focus on as you have now taken the charge.

Keld Pedersen: Yes, in the very early days what I can say is that I have joined a great team here so immediate focus then of course our expansion projects that we have mentioned they are very important to us and they will have our strong focus for the next year too but with regards to longer-term strategy then I think it is a bit too early to talk about it.

Moderator: Thank you. Our next question is from Achal Lohade of JM Financial. Please go ahead.

Achal Lohade: Sir just wanted to get sense on the capacity how is it currently how much we plan to spend in FY-16 and in terms of the bulk growth what has driven the growth and how do you see it going forward?

Hariharan Iyer: Yes, Achal as far as the capacity is concerned as you would know our current ongoing expansion project will increase our container capacity from 850,000 TEU which is the current capacity to 1.35 million TEU. This will become operational in the first quarter of 2016. As we speak now and as Keld mentioned a little while ago while he was presenting project highlights we are on-track I think as we speak now in terms of the project schedule we are on track so therefore, the expansion would already be in place in the first quarter of 2016. Coming to your second part of the question as far as the bulk market is concerned the key commodities that we deal with are specifically handled that port our coal and fertilisers. We have seen steady growth in fertilisers which of course depends on the monsoon and monsoon related things and as far as the coal is concerned as we mentioned a little bit earlier as well it continues to remain challenged because of the rail freight differentials we have not seen any significant positive development on that part of it. So we continue to while we continue to market ourselves even at the up country coal and we have seen some upticks on that it does continue to remain as a challenge for us.

Achal Lohade: In terms of the volume if you could talk about FY-15 what was the coal and fertiliser volume sir?

Hariharan Iyer: Are you talking about the specific quarter or...?

Achal Lohade: Full financial year.

Hariharan Iyer: The financial year I do not have the break-up of the financial year.

Achal Lohade: Or quarter?

Hariharan Iyer: You can take up to the next one but on the fourth quarter we did 1.21 million tonnes and in the first quarter of this year 921,000 tonnes.

Achal Lohade: In terms of coal and fertiliser break-up?

- Hariharan Iyer:** Roughly in the range, can we take the next question while I get these inputs from the team?
- Achal Lohade:** Sure and in terms of the realisation I see the blended realisations seem to have gone up by about 13% of Rs440 per tonne which is sequentially also up. Just wanted to get a sense as to is there any one-off in terms of the income apart from the when I am calculating blended I am not looking at the other operating income, it is a core revenue divided by the volume just wanted to...
- Hariharan Iyer:** Okay. And your question is right. I think the first factor which actually improves the rate is basically the rate increase that we have taken effective 1st of January, okay that is a contributor to that thing. And of course then you have the mix of the cargo as well, right. We have handled substantially large volumes of fertiliser as compared to coal during the quarter so that also makes the change in the mix on a blended rate basis these are the two things, Achal, I have the inputs from my team here. The coal and fertilisers and minerals are more or less you can say about 50-50.
- Achal Lohade:** 50%-50%, understood. Just last question in terms of the realisation for the quarter for the container and bulk broadly sir?
- Hariharan Iyer:** It would more or less in the range of about 6,000 per TEU.
- Achal Lohade:** 6,000 per TEU. And bulk?
- Hariharan Iyer:** Bulk would be in the range of about 400.
- Moderator:** Thank you. Our next question is from Nitin Arora of Emkay Global. Please go ahead.
- Nitin Arora:** Just wanted to understand this SFIs income which we have taken if you can explain the nature of this income.
- Hariharan Iyer:** SFI is as per the government scheme which is called the Served from India's Scheme. We a large part of our customers are foreign shipping lines so the earnings that we get from the foreign shipping lines is considered as deemed foreign exchange earnings there are some benefit which are available to us with respect to that which we can utilise towards paying customs duties and other activates that is the SFI income that been taken in.
- Nitin Arora:** But sir this is one time are we talking it from the previous quarters as well?
- Hariharan Iyer:** This is for a period of a year so this what it happens the previous one we had also received NSFI's income in the year 2013 going forward there has been some changes have are being announced by the government effective 1st of April, 2015 as we progress this is a process that we need to engage with the government and once we have the approval then we can recognise it as an income.
- Nitin Arora:** Okay. Sir in 2013 in Q4 itself you have taken?

- Hariharan Iyer:** That is correct is it depends on the time that we have actually there are two factors which we are there. One is we need to actually physically get that license, SFIs license and we recognise an income when there is certainty with respect to utilisation of the same.
- Nitin Arora:** What is the take or pay income in this quarter sir?
- Hariharan Iyer:** No, we cannot give you the specific details with respect to the take or pay of the customer level, yes.
- Nitin Arora:** But sir you have given in the past I remember 14 crores was there in Q1 and then also in the previous...
- Hariharan Iyer:** There are no specific ones in this current quarter.
- Nitin Arora:** Okay. And sir, just wanted to understand this two coastal services which has just started how much they have contributed to on an absolute basis in this quarter and what is the ramp-up size if you can share a little bit on that?
- Hariharan Iyer:** These two services started in the month of March so it is a bit early for us to really talk about what the ramp-up would be. Our expectations are it would be in the range of about 10,000 to 15,000 per annum but as I said, very early stage we will have to really see how we develop this coastal our team is closely engaged with the customers to see how we can take this going forward.
- Nitin Arora:** Just wanted to understand we did about in the CY-14 we did about 779,000 TEU of number or 780,000 we have grown fantastically well 18% I understand, there are some changes related to market April also has been not good for the port players. Is there any upsizing of the ships from the existing customer that is being shared with you as a guidance by the liners of is there any new line addition that is happening because we have seen your competitors is adding or upsizing their client upsizing the ships for example Falcon started by MSC has gone to your competitor. So I just wanted to understand, a little sense if you give a guidance on the liners prospective on the volume size so even the market is not growing I can see some upsizing coming up and that should drive my volume growth.
- Hariharan Iyer:** This is continuous engagement that our commercial customer the team engages with the financial customer more specifically the lines. There are many things in the pipeline but it is too early to really say because until it is crystallized we will not be able to really give you a very clear indication about that.
- Nitin Arora:** Is not sir the liner share it when the starting of the year their volume size they will be giving to you for the whole year?
- Hariharan Iyer:** No, it is not about the start of the year it is a continuous process it is depending upon how the market develops, right.

Nitin Arora: Okay. And sir what was the price hike effective we have taken?

Hariharan Iyer: It would be in the range of about 4% to 5% on U.S. dollar terms.

Nitin Arora: In U.S. dollars and that has been passed on to the liners?

Hariharan Iyer: Yes, that is the charge the liners pay, right this is a new tariff.

Moderator: Thank you. Our next question is from Sonal Gandhi of Capmatrix Technologies. Please go ahead.

Sonal Gandhi: Just wanted to understand like you have mentioned the loans and advances have increased about 1,230 million so what is the cash tax that we have paid this year?

Hariharan Iyer: Sorry Sonal, I did not quite understand your question very well.

Sonal Gandhi: What is the cash tax that we have paid this year?

Hariharan Iyer: Yes, I am just getting these numbers Sonal, I think it is there already in the financial that we have filed. The total payment during the 15 month period is sorry, year ended 31st March; can I give you this number a little later while we continue?

Sonal Gandhi: Okay, that is it from my side.

Hariharan Iyer: Yes, I have the number here Sonal it is 768 million or 76 crores.

Moderator: Thank you. Our next question is from Abhijeet Vara of Sundaram Mutual Fund. Please go ahead.

Abhijeet Vara: You said these two lines you expect 15,000 in total or for each of the services?

Hariharan Iyer: No, we expect that these moments would be in the range of 10,000 to 15,000 as I mentioned you these are very early stages now. We will see how this market develops this is the domestic trade that is developing so there is a lot of focus also from a government prospective to see how we can develop coastal trade so we will have to see how things develop. But our expectation initial expectations are in the range of about 10,000-15,000 per annum.

Abhijeet Vara: For each of the service?

Hariharan Iyer: No, the total.

Abhijeet Vara: And this would primarily you said for cotton related stuff which would be addressing say Tamil Nadu Tirupur market or something like that?

- Hariharan Iyer:** That is correct. This is the first part of it. As the service developed there would be possibly more commodities which would also come into play. You need to have sizeable set of commodity available in order to make it a viable proposition and that we are seeing it is starting with the raw cotton.
- Abhijeet Vara:** And we are replacing any other service or is it was initially coming from some other region?
- Hariharan Iyer:** No, this is the new service which has been added. We are not replacing any service. As I mentioned to you, earlier there use to be a lot of raw cotton exports going in China that has come down during the last quarter of 2014 so you have a trade available in the domestic side which is being addressed by these domestic services.
- Abhijeet Vara:** Okay. We made any assessment on what amount of total the demand that could be in this Tirupur region that is what I am trying to understand.
- Hariharan Iyer:** No, these are as I have mentioned to you our team is engaged with the customers at the end and these are regular continues process of development.
- Abhijeet Vara:** Okay. So by next quarter we should be able to get some kind of...
- Hariharan Iyer:** We will get better and better information as we see this trade developing.
- Moderator:** Thank you. Our next question is from Lokesh Garg of Credit Suisse. Please go ahead.
- Lokesh Garg:** Sir just I want to ask you how much is actually spent in terms of capacity expansion that we planned? I think our total plan was something like Rs. 4 billion at least observation from the balance sheet seems to suggest that actual amount spent is far lesser than anywhere near that which means just want to take your input as to even they are giving confidence and we are in line in terms of CAPEX but we do not see it in terms of balance sheet spending.
- Hariharan Iyer:** You are right Lokesh and your observation is correct as well. As you would know that these are all largely back ended when we talk about the crane ,the crane orders have been placed we have just only need to pay make an upfront payment of the small amount in the initial stage large part of it is actually spent at the later part of the year. The civil construction activities happen on gradual basis so therefore, that construction and that activities the payment would be more backend towards the third quarter and the fourth quarter and sometimes even in the first quarter of 2016. The major part of one of the activity which is dredging that is ongoing currently now. So you will start seeing many of them getting in the second quarter going forward in the third quarter and the fourth quarter and the peak one is the first quarter of 2016.
- Lokesh Garg:** Sir correct me if I am wrong, but there are two things we are aiming to do one is obviously to add a berth and second is obviously to increase dredge depth of the entire berth, right?
- Hariharan Iyer:** Lokesh, no, what we are doing is that we are replacing our old cranes in the berth number three we are strengthening that berth and adding three new cranes that will add capacity in container

handling. We also are adding yard capacity we are building a new road to take care of our activities inside with the port, these are the key developments.

Lokesh Garg: Yes, sir that we know largely. But only thing what I wanted to get to is are we talking to some shipping lines given that we will offering increased capacities about eight to nine months later and obviously shipping lines planned in future and what is the response if any, we are any from them?

Hariharan Iyer: Lokesh, this is a continuous ongoing process right, the level of engagement with the shipping lines continue to remain on a regular basis our clients are positive about seeing new development or new capacities getting added. We are currently operating almost at 80-90% of the capacity which is available to that extent it is very positive development from a shipping line prospective as well. So yes, our teams are closely engaged with the shipping lines and they are aware of and they know when the capacities are coming into the place.

Lokesh Garg: Sure. My last question is anything that you can share on PRCL numbers because they must also have finished their fiscal year and it is a sizeable part of earnings stream.

Hariharan Iyer: Yes, that is right. But as you would know that PRCL is a government company so it goes through a process of two audits statutory audit as well as the CAG audit. As we speak now we do not have audited numbers available with us we will be able to share it with probably the next quarter then we are talking about the first quarter for our current financial year.

Moderator: Thank you. Our next question is from Pawan Kumar of Unify Capital. Please go ahead.

Pawan Kumar: Sir, can you throw some light on the tax payment front until when are we not expected to pay any tax and are they MAT credit entitlement what is the proportion of MAT credit entitlement still there with us?

Hariharan Iyer: Yes, currently we are under MAT because of the book profits that we have got so, we pay MAT. The MAT is available for a credit over a period of ten years. Our company has got tax holiday until 31st of March, 2017 or '17-'18 so until that time I do not expect that there will be any tax a liability per say though we will continue to pay MAT.

Hariharan Iyer: 2017 yes, so '17-'18 until the year '17-'18 we will not have any tax because we are under a tax holiday regime. However, there will be a MAT payment which will continue to happen that is happening now currently and we will be able to claim the credit over a period of next ten years.

Pawan Kumar: Okay. So it is in loans and advances portion is it sir?

Hariharan Iyer: That is...just give me a minute, okay. You can see in the long-term loans and advances from the 31st of December, 2013 number of 5.6 million it is now 17.9 million.

Pawan Kumar: Yes, sir so it is around 120 crores, right?

- Hariharan Iyer:** Yes, that is right.
- Pawan Kumar:** Okay, that only would the MAT that we are paying is it?
- Hariharan Iyer:** Yes, large part of it of course, I the do not have the break-up right now for each and every item but the significant part of that is actually the MAT tax payments.
- Pawan Kumar:** Okay. Under which particular scheme this tax holiday of until FY-17 any specific scheme.
- Hariharan Iyer:** It is 80-I where for infrastructure companies in the first block of 15 years you can take a block of ten years where you get a tax holiday.
- Pawan Kumar:** Okay. And if you numbers sir MAT how much would have been okay the total accumulated amount is 120 crores that is what you are saying, right. Okay, got it, thanks.
- Moderator:** Our next question is from Rohan Shah of Kroma. Please go ahead.
- Rohan Shah:** I would like to know on the comparative scenario for the liquid business. What is Pipavav port's value proposition as a lesser of facilities to attract to attract more lessees?
- Hariharan Iyer:** We are a pure port operator in terms of the liquid so we are not trading into liquid we are not trading into this. We have specialised people handling that we have adequate land and land available to that. We also are adding the ability to move via rail that is something that we are currently working on that will be an added value proposition to our customers for rail evacuation so there are quite of few of these key things which will help us to have the competitive advantage.
- Rohan Shah:** So this rail evacuation is not available with competitors like Kandla or Hazira?
- Hariharan Iyer:** Not in the kind of facility that we have got because the rail is almost right inside and very close to where the liquid tank forms are currently there so that give us an added advantage rather than moving it up to the a rail head which in couple of other ports are at quite a distance from the main port.
- Moderator:** Thank you. Our next question is from Abhijeet Vara of Sundaram Mutual Fund. Please go ahead.
- Abhijeet Vara:** This new TAMP guidelines which were announced in 2015 there are reports suggesting that you know if this gets implemented major ports they might have to take a tariff hike of something like 15% to 20%. If that the scenario which might materialise shortly than in terms of you might also be able to take tariff hike as it will be still competitive so what is the current discount which you are currently charging when compare to competitors and what can be the scope we can expect in next two years?

- Hariharan Iyer:** See today it is not strictly comparable with respect to one port where there is TAMP applicable and other port where there TAMP is not applicable. We are in a scenario where we do not come onto that TAMP because we are non-major portfolio to that extent we are able to set our tariff based on what the market conditions and scenarios are. In the scenario, when the TAMP is taken out and as you explained that will then increase the tariffs then we believe that will also help and facilitate us to also increase our tariff simultaneously, okay how this will all pan out overall between the ports it all depends on how the overall market scenario and where the volumes are at that point of time.
- Abhijeet Vara:** Okay, sure. But as of now you have not come across any study or your team is not aware of this?
- Hariharan Iyer:** No, we are continuously this is something that we continuously keep observing, we need to study ourselves vis-à-vis the other ports and see where the value additions are. But tariff are not necessarily the only key drivers for a shipping line to decide where you need move their ships it is also about several other things in terms of evacuation capabilities in terms of how quickly you turnaround the vessels, in terms of operating efficiency so there are many factors which come into play.
- Madan:** Sir Madan, here I have just one additional question which was the shipping line which was this two new coastal services that you started which shipping line is this?
- Abhijeet Vara:** It is Shreya Shipping and Jindal Waterways.
- Moderator:** Thank you. Our next question is from Kapil Agarwal of Max Life Insurance. Please go ahead.
- Kapil Agarwal:** I want to understand the competition a little on the longer term side for example Hazira is ramping up well, Mundra adding CGM capacity you are also adding some capacity and also adding some capacity and DP World also probably after three years JNPT 4 Terminal also coming up and when the volume growth is pretty slow in the system. So how do you say the entire competition panning up in the western coast?
- Hariharan Iyer:** See you need to look at it also not only from the water front side capacity but also the evacuation capacity and as we stand now Pipavav has an added advantage in terms of having the rail evacuation capacity we have a capacity with where the utilisation is in the range of about 50% to 60% so we have adequate ability to take even larger cargo into the northern land which typically is also the market or significant part of the container market. So as long we have this competitive advantage we can continue to see Pipavav being benefited.
- Kapil Agarwal:** Right, sir. But except say JNPT others have significant evacuation capacity also plus JNPT also planning a role to kind of enhance their vacation capacity. So what is the entire sense how things pan out probably in two years or three years?
- Hariharan Iyer:** I think on a more short-term to medium-term I do not see the market scenario sort of situation changing significantly then what it currently is today. However, on a more long-term scenario

it all depends on how the overall market also grows because there is a lot of potential for the Indian market to also grow we are talking about “Make in India” campaign and stuff like that which will start generating more volumes both in import as well as in exports so that will also bring in newer growth into the market or new volumes into the market.

Kapil Agarwal: Right, sir. And sir my second question is you said you have added two coastal ships so is there more scope you see more as in the coastal shipping promoted by the government or you see more of scope coming there in that system?

Hariharan Iyer: We do see because that is also what the government’s intentions are and more and more people are looking at it. These are early days people to need to really evaluate this, these processes are currently ongoing we have seen some successes now with the start of these domestic services. Going forward we will see hopefully more of this.

Moderator: Thank you. Our next question is from Kaushik Dhanuka of Bhan Commercial. Please go ahead.

Kaushik Dhanuka: I want to have your comments on this renewal of the concession agreement.

Hariharan Iyer: Kaushik, I think it is a little bit too early for us to really talk about it at this point of time.

Moderator: Thank you. Our next question is from Ankit Panchmatia of ICICI Securities. Please go ahead.

Ankit Panchmatia: Sir this was regarding the realisation which you had shared with us now, if I kind of calculate the realisation you said realisation for container was 6,000, right? And realisation for bulk is 400 so is it safe to assume that the realisation for liquid terminal is around 600-650 per tonne?

Hariharan Iyer: See these are very early stages it all depends on a multiple set of commodities the liquid also has a multiple set of different commodities rated differently because wharfage of each one of them is different if you would see our tariff you will notice that. So putting a number behind it when we are still ramping-up it is a little bit too early.

Ankit Panchmatia: Right. But sir just to get an average sense how in the previous quarter we have handled some volume and now are handling some volume so how is that ramping up are the range improving and what are the sense we are getting?

Hariharan Iyer: Yes, we have seeing that as the volumes handled will increase the realisation and the mix of the cargo changes the realisation would also change but it is a little too early to compare it on a very much quarter-to-quarter basis because as I told you these are all very ramping up stage now.

Ankit Panchmatia: And sir it would very helpful what would be total revenues from liquid in this quarter?

Hariharan Iyer: No, we do not go into the specific segments at this point of time because it is total of many things put together, right it is entire facility.

- Ankit Panchmatia:** Right. And again on the operating expenses side there is a sequential improvement in operating expense so can you just help me out which lever has helped us out in reducing the operating expenses?
- Hariharan Iyer:** When I have discussed this or gave you outlook of the numbers I had mentioned that equipment hire we had a saving in equipment hire because we de-hired some of the equipment which were added in the third quarter and fourth quarter of 2014 where we had hired certain additional equipments so, these are being de-hired and this was necessary at that point of time to handle the congestion at the ICD locations in Delhi. So that is no longer the scenario today so therefore these have de-hired and that is the saving these are one-time cost that were there and two is in this particular quarter the composition of the bulk and the volume of the bulk has also changed as compared to the previous quarter, okay. So these are the two key things driving operating expenditure lower than the previous quarter.
- Ankit Panchmatia:** Right. And sir regarding trade payables, our trade payables have significantly increased if I see Y-o-Y it is 46% so, there something have to look at it?
- Hariharan Iyer:** These are normal accruals over the year end nothing specific or nothing only for this particular quarter.
- Ankit Panchmatia:** Right. And sir, in the previous year last quarter we have paid around 10 crores as dredging expense so currently we are also carrying dredging activity on our port so, is it safe to assume that even in this year we kind of we will get this kind of it again in this year for movement of this dredging equipment is it right to assume that?
- Hariharan Iyer:** No, pervious year the 10 crore that we have paid was in one-off because we had initially had a much larger project plan which required a much larger dredging activity. We had to cancel that because we changed our project plan, right. So this was consequent to that that was a one-off thing. The current ongoing dredging is an entirely different activity as compared to in the year 2013, okay.
- Moderator:** Thank you. Our next question is from Ashish Shah of IDFC Securities. Please go ahead.
- Ashish Shah:** Sir just a minor clarification the 921,000 volume of bulk that is entirely dry bulk or it is liquid and dry bulk both put together?
- Hariharan Iyer:** It is entirely dry bulk, Ashish.
- Ashish Shah:** Okay. So liquid of 120,000 is over and above the dry bulk of 921,000.
- Hariharan Iyer:** That is correct.
- Moderator:** Thank you. Our next question is from Achal Lohade of JM Financial. Please go ahead.

- Achal Lohade:** Sir, just in terms of the CAPEX number I was asking how much would be spent in FY-16 and FY-17 broadly and apart from that what would be the maintenance CAPEX?
- Hariharan Iyer:** You see as far as the expansion CAPEX is concerned a little while ago I answered another question where I said that the large part of it will be back ended that will be in the third quarter and fourth quarter of this year and first quarter of 2016. By which time we would have completed the entire project outlay. Going forward on a maintenance CAPEX it will be anywhere between in the range of about Rs. 50 crores.
- Achal Lohade:** Right. And how much already spent out of the 460 crores we were planning for the growth CAPEX?
- Hariharan Iyer:** Yes, I think it would be in the range of about 40 crores to 50 crores because what we need to pay is only the initial advances with respect to various activities that is why it is more back end as it get's completed.
- Achal Lohade:** Right. So I am coming to the next question is about we generating strong cash flows if you could talk about FY-15 what was the operational cash flow and so I will calculate free cash flow given the CAPEX number. What the operational cash flow and how do you see what are your thoughts about the dividend payments?
- Hariharan Iyer:** In fact, you know interest upon a question and that is also precisely the reason why we cancel the availment of the loan because of the good cash flow that we are currently having. As far as the dividend part of it is concerned as you would that we had carry forward losses the law requires that until the carry forward losses are cleared then that is the time that we would be eligible to pay dividends.
- Achal Lohade:** So of March '15 I believe we are out of now carry forward losses?
- Hariharan Iyer:** No, we are not yet out of the carry forward losses you can already see it in the balance sheet but assuming the current trends then we expect during the course of this year or the calendar year 2015 then we would have cleared up the carry forward losses.
- Achal Lohade:** So we would be looking at dividend payments one can assume actually?
- Hariharan Iyer:** That is fair assumption to make based on what the current trends are.
- Moderator:** Thank you. Our next question is from Chockalingam Narayanan of Deutsche Equities. Please go ahead.
- Chockalingam Narayanan:** Just wanted to understand last quarter you had mentioned that on the tariff hike you were still in discussion with some of the customers. Now has the entire you know tariff hike being passed on to the customer all the customers or are there still some pending?
- Hariharan Iyer:** No, Chockalingam, all the tariff hikes have been already implemented.

Chockalingam Narayanan: It has being implemented. And also on the RO-RO facility we expected to be commissioned by the Q2 of this year, right or rather the June quarter or?

Hariharan Iyer: No, it will be in the Q3 of this year.

Chockalingam Narayanan: Q3 of this year so volume pick-up will is there any take up arrangement there or is it only based on the volumes that we would be receiving?

Hariharan Iyer: It will be based on the volumes that we are receiving.

Chockalingam Narayanan: Okay. And lastly on the exceptional item the charges taken seem to the tune of about \$6 million roughly. Now for a \$150 million out of loan \$6 million how should we look at this if you can help us understand this slightly better?

Hariharan Iyer: Sure, Chockalingam, actually if you recall this was a loan that was sanctioned in the year 2012 so we had the initial payments to be made in 2012 so it was for an amount of 152 million which we then reduced it to \$60 million in the year 2014, right and then now in 2015. So the initial payments were all made on \$152 million thereafter, there are commitment fees until the time that we cancelled.

Chockalingam Narayanan: Okay. So this is an accumulated number for the last three years or so?

Hariharan Iyer: That is correct.

Chockalingam Narayanan: Okay. Because I thought this would have ideally been taken as finance charges on a yearly basis whenever it was due that was not...

Hariharan Iyer: This was relating the project so until the project gets completed then initially whatever the payments are would have ideally got capitalise to the project and then thereafter it will get charged on an amortised basis. Since we are no longer taking the loan then it would be prudent for us to actually take this directly into the P&L and which is what we have done now as an exceptional item in this current quarter.

Moderator: Thank you. Our next question is from Akshay Soni of Morgan Stanley. Please go ahead.

Akshay Soni: Two or three questions, fairly simple ones. One is if you could help on the export-import ratio for this quarter? It is still at 50-50 or...

Hariharan Iyer: It is not significantly changed Akshay, it could be a percentage point here or there so we have not seen any significant change in that.

Akshay Soni: Okay. So still fairly balanced despite the local addition, etc., and how much is going to be the local other than these two vessels is there anything specific?

Hariharan Iyer: Not on the coastal trade at this point of time because these are the first two coastal trade that got added into kitty this quarter.

Akshay Soni: Understood. And is there any kind of long-term plan on the coastal side and also more strategically on that side are you seeing any change from the new government are you seeing any movement on the cabotage side?

Hariharan Iyer: I do not see any specific developments on the cabotage side there are a lot of discussions going in different forums and also engagement with the government but there has not been any clear indication in terms of where it leads. As far as the domestic trade is concerned there is again a lot of positive developments because that is also the thrust from the government with respect to promoting more coastal trade and we will see how things develop these are early stages. There a lot of discussions going on. We as a port are also closely engaged with several customers on that and that is also the reason why you see some of these fructifying.

Akshay Soni: Understood. And one last thing as far as the SFI is concerned from my understanding it is based on your doing CAPEX right so as you do CAPEX you can basically take in more of that, is that correct?

Hariharan Iyer: No, the SFI thing had the regime has there are new developments or new changes which the government has announced effective 1st of I think April, 2015 but prior to that until 2015 whatever SFI income is there largely related to the end user. I mean you need to use it for payment of custom duty or any such thing. Going forward this is also a tradable script if you are not able to utilise you will still be able to actually trade it but these are very initial announcement we will see how it practically works in the coming quarters.

Moderator: Thank you. Our next question is from Aditya Mongia of Kotak Securities. Please go ahead.

Aditya Mongia: Sir my question was slightly forward-looking and was essentially related to DFC, dedicated freight corridor. So the question was that once this DFC gets commissioned if the cargo has to go from your port say to northern part of India would this be a single journey or the fact that the DFC track is a slightly different and would imply that there would break in journey?

Hariharan Iyer: No, Aditya, we will also connect to the DFC at a certain point so therefore the Pipavav Rail Corporation movement will continue to happen and then while are connecting to the main grid today tomorrow we will connect it to the DFC so that would be the only change.

Aditya Mongia: So are you saying that will be a seamless transfer of cargo or would it be a different train to which the cargo would be offloaded at the point at which your route kind of comes to the DFC was the question.

Hariharan Iyer: See I do not believe that this will be any disruption at this point of time. As far as I understand now this will continue to be a seamless movement as what it currently is today. But as we get closer to the actual operations of this which I believe will be at least another few years from

now then we will get more inputs on that. I do not believe there is any reason to any different from what it currently is today.

Moderator: Thank you. Our next question is from Nitin Arora of Emkay Global. Please go ahead.

Nitin Arora: Just one thing want to understand is there any realisation change that happens when you start doing local cargo it remain same as the shipping line as you charge for the international side like about 6,000 TEUs?

Hariharan Iyer: The tariff remains the same, the tariff is not really different for the coastal as well the international cargo. However, there are always arrangements to encourage this trade right for us incremental volume is more key and important so tariff is not necessarily the key driver, it is also important to see how we encourage development of these new businesses.

Moderator: Thank you. Our next question is from Santosh Hiredesai of Edelweiss Securities. Please go ahead.

Santosh Hiredesai: Couple of things, on the OPEX side you have been historically stating that since you are coming closer to your capacity utilisation you have the option of hiring some of the equipments to handle cargo. So the last couple of times where you touch close to 200,000 TEUs your like for example last quarter sequential last quarter you had OPEX was higher at around close to 47-odd crores but Q2 of last calendar year also you had 37 crores but this time it is sequentially down compare to both these quarters. So are we seeing despite handling this kind of high cargo that even at OPEX level we are able to optimise on cost?

Hariharan Iyer: See let me explain this to you, I think we talked about it even in the last quarter that was to handle a specific surge in volumes because of delay in the ICD locations in Delhi, okay. So there was some chock-a-block in Delhi that required additional space and additional movement while Pipavav was able to handle all these additional movements it would require that we had deploy certain additional equipments at the port that is what was the additional cost that you see in quarter three and four which got de-hired so it is not necessarily on the total volume it is also on the flow of the cargo which is moving from one direction to the other.

Santosh Hiredesai: Okay. So whatever is happening in this current quarter is that a much more steady state kind of thing?

Hariharan Iyer: Normally that is a steady state that is what happens but there are times when there are scenarios where the ICD locations in the north get chock-a-block in that scenario the boxes remain for a longer period of time in the port and that would result into additional handling.

Santosh Hiredesai: Okay. And a couple of small book-keeping kind of questions. Is there any further outstanding SFIs credit that we can take or everything is exhausted?

Hariharan Iyer: No, this is on a regular process based on what our earnings are for each of these years. This will continue to happen. But it depends on and you can recognise it only after you have

physically there is process that you need to follow after we have filed applications and you complete the process and when you physically get the script that is the time that you can recognise it as an income.

Santosh Hiredesai: That I understand, just because you have said the norms have changed starting April 2015 and because all these things you would have done in the past most of the other things your new CAPEX is going to start going forward. So under the earlier regime whatever was done you have taken credit all of them?

Hariharan Iyer: Yes, that is continuous process as I mentioned to you, right, it is a continuous process year after year we continue to keep filing these applications and based on our utilisation and based on our physically receiving the scripts and approvals then it get recognised as an income.

Santosh Hiredesai: Okay. And lastly, because of not drawing the loan IFC loan there would have been a component of IDC in your entire project cost so what is your revise project cost now?

Hariharan Iyer: You know what, we gave you as a number was the total project cost outlay, right we have not gone into the specific with relevant...

Santosh Hiredesai: So there will be a reduction in project cost is what I am saying now that you have...

Hariharan Iyer: No, there is no what we have given is only the pure project cost. It should be in the range of about 400 crores to 450 crores that is the total project outlay.

Santosh Hiredesai: Between 400 and 450?

Hariharan Iyer: Yes.

Moderator: Thank you. Our next question is from Pawan Kumar of Unify Capital. Please go ahead.

Pawan Kumar: Sir these 400 crores to 450 crores will be spent to our FY-16 and FY-17 or FY-16 itself?

Hariharan Iyer: A large part it will be until the first quarter of 2016 there are some equipments which will in a phased manner so that could actually go on to say 2017 or 2018.

Pawan Kumar: Okay. So can we assume around 300 crores to 350 crores is being spent in this particular year itself?

Hariharan Iyer: That is a fair assumption.

Pawan Kumar: Okay. And sir, regarding this liquid capacity expansion that has happened, how much further ramp-up is expected in the next quarter? This quarter I assume they have done around 126,000.

- Hariharan Iyer:** Yes, I think we already address this question a little while earlier. I think these are early days giving an indication at this point of time it is a bit difficult but we are seeing positive trends with respect to handling of liquid.
- Pawan Kumar:** Okay, sir. I just wanted to get an idea, I assume we have a capacity of 2 million on the liquid side...
- Hariharan Iyer:** That is correct.
- Pawan Kumar:** So can we assume around 50% of utilisation next year or it would too early to say.
- Hariharan Iyer:** I keep saying you know we are ramping up this thing this is in a continuous process that is happening so therefore, putting a number behind it at this stage is a little bit too early.
- Moderator:** Thank you. Ladies and gentlemen that was our last question. I now hand the floor back to Mr. Nitin Bhasin for closing comments. Over to you, sir.
- Nitin Bhasin:** Thanks a lot to the Gujarat Pipavav Portfolio management for giving us an opportunity to host this. And sir any last remarks from you otherwise we will wrap it up. I think you have answered most of the questions.
- Hariharan Iyer:** Thank you so much for some insightful questions here and I would ask even Keld if he would like to add anything?
- Keld Pedersen:** Yes, I would like to say thank you for the very high interest here today and for the many questions and we look forward to continue doing our best here to develop our business. So thank you very much.
- Nitin Bhasin:** Thanks, sir.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Ambit Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.