

“Gujarat Pipavav Port Limited 4QFY20 Post Results Analyst Conference Call hosted by Ambit Capital”

June 9, 2020



**MANAGEMENT: MR. JAKOB FRIIS SORENSEN, MANAGING DIRECTOR,
GUJARAT PIPAVAV PORT LIMITED
MR. SANTOSH BREED, CFO, GUJARAT PIPAVAV PORT
LIMITED**

MODERATOR: MR. VARUN GINODIA, AMBIT CAPITAL

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Gujarat Pipavav Port Limited 4QFY20 post-results analyst Conference Call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Varun Ginodia from Ambit Capital. Thank you and over to you, Sir.

Varun Ginodia: Thank you so much, Lizann and Good Afternoon everyone, welcome to Gujarat Pipavav’s 4QFY20 earnings call. We have with us Mr. Jakob Friis Sorensen, Managing Director; and Mr. Santosh Breed, CFO. The Management will give a presentation on their earnings and then we will open for Q&A. Sir, over to you.

Jakob Friis Sorensen: Good Afternoon everybody, I will ask Santosh to go through the numbers and present our results for the year finalized now.

Santosh Breed: Thanks Jakob. Good Evening everybody and thanks for joining and my sincere apologies for having this a bit late, we had some technical challenges at our end in uploading the results and the presentation on the stock exchanges, so this has been now uploaded on the NSE, so you can have that information there, but let me just take you through the key numbers of our financial results, so I am starting with the full year results for March 31, 2020, FY19-20. The total operating income at INR 7,354 million is up by 5% due to higher revenue from container, bulk, and liquid business. Total expenses at INR 2,888 million are lower by 8%. Operating expenses at INR 1,271 million are lower by 12% due to reclassification of operational leases to financial leases on implementation of accounting standard, Ind-AS 116. Other expenses at INR 1,049 million are lower by 4% due to lower administrative and other costs. EBITDA at INR 4,466 million is higher by 15%. Margin at 61% is higher by 500 basis points on account of tariff increase and implementation of Ind-AS 116. Other income at INR 509 million is higher by 12% includes INR 38 million of dividend from associate company, Pipavav Railway Corporation Limited. The net profit at INR 2,911 million is higher by 42% on account of reversal of deferred tax liability. The net profit excluding the tax adjustment is at INR 2,311 million higher by 13%, so just to summarize the financial result for the full year, the key highlights of these results have been that we have increased the revenue by 5%, the EBITDA has increased by 15%, and the margin has increased by 500 basis points.

Moving onto the quarterly performance, this is a performance for the fourth quarter of Financial Year 2019-2020, so as you are aware that this current quarter was impacted due to pandemic, COVID-19, and we also had some impact on the overall volumes and result because of the lockdown which happened during the month of March, so excluding this impact the volumes on the container side would have been higher by almost 5% to 7% than what you see currently in our results. With that note, I will share some details of our financial results for the quarter, total operating income at INR 1619 million is down by 18% from immediately preceding quarter due to lower volumes. Total expenses at INR 615 million are lower by 23% as compared to the previous quarter. Operating expenses at INR 254 million are lower by 32% due to lower bulk

handling expenses. Other expenses at INR 220 million are lower by 22% as compared to the previous quarter due to lower repairs and maintenance and administrative expenses. EBITDA at INR 1004 million is lower by 14% and margin at 62% is higher by 250 basis points. Other income at INR 118 million is higher by 4%. The reported net profit of INR 472 million is lower by 61% as compared to previous quarter and this is mainly due to the deferred tax reversal which was there in the previous quarter, so excluding this impact of the deferred tax reversal, the net profit would have been lower by 21% as compared to the previous quarter.

We also have the consolidated financials shared with you. The share of profit what we received from the associate company, Pipavav Railway Corporation, which was consolidated with the financial year for the full financial year profit, the share of profit was INR 308 million and with that the consolidated net profit for the financial year ended March 31st is at 3181 million, so the key highlights just to summarize for the current quarter, so here the volumes have been impacted mainly because of COVID, we had multiple skipped calls, but the port was fully operational and we had handled all the vessel in a very safe manner. We also have worked consistently to ensure our cost are getting reduced in line with our volumes and with that we have ensured there is a limited impact of this current situation on the financial result, so as a result of this by ensuring control in the cost, we have ensured the margins have been maintained and we report a 62% margin for the current quarter.

On the volume front, I would just like to give a quick update on the key volume developments, so we have a separate slide on our presentation for the volumes here, we have done 197,000 TEUs on the container business of which 117,000 TEUs were the ICD volume, liquid we have done 0.19 million metric ton, dry bulk we have done 0.41 million metric ton, and RoRo has been a very low of around 3000 cars, so this has been the business stream have been overall impacted globally now and same impact had also been seen at other ports when we look at the RoRo exports. I would also like to share with you that in the Board meeting today, the Board of Directors have proposed a final dividend of INR 3.50 per share which is subject to approval from the shareholders at the forthcoming annual general meeting of the company, so with this 3.50 per share, the total dividend paid for Financial Year 2019-2020 is INR 5.60 per share, so this was the overall update on our results. We will be happy to take questions now.

Moderator: Thank you. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Sir, first question is, is it possible for you to share some kind of outlook for FY21 and especially for Quarter-1 given that the Covid situation? Would you like to comment qualitatively how the things are panning out, how do you see looking forward in the next six to nine months how the volumes should ramp up?

Santosh Breed: Mohit first of all of course we are not giving guidance on the future volumes, having said this, things are very, very uncertain as of now, so because of the lockdown in India and also earlier in Far East and Europe, we have seen some impact on the overall volumes in the trade, both import as well as export. Having said this, this also creates certain opportunities because we are

working very closely with our customers to ensure that there has been limited impact on their supply chain and with that we hope that we have a very minimal impact on our volumes at Pipavav. On the global front what numbers which are coming up on the global front are generally they expect a reduction of around 20% in the overall annual volumes, but as I mentioned when I look at Pipavav, we are hopeful and we are working towards to ensure that it is a very minimal impact on the port volumes at Pipavav.

Jakob Friis Sorensen:

I just want to say as part of APMT global guidelines what we have been focusing on is a couple of priorities. Number one has been to keep our people safe and that has been of course with regard to not only the day-to-day operation, but certainly also to the COVID-19, so we have ensured that anyone working in the port has been kept completely safe with the appropriate PPE gear and all the measurements have been taken. Also when we have people from outside, third-parties entering the port whether that be by sea or by land, we have followed all the prescribed security and safety and quarantine measures including myself who spent about two months in the port part of that on the quarantine, so we have been very successful in ensuring that people also feel safe which again leads me to say that we have ensured that we have had adequate number of labor and we have not faced the situation which has been prevailed in other ports. The second thing I wanted to say is that Santosh alluded to before we have made sure that our cost is under control, so that if we are seeing a volume dip and the volume forecast is indeed very, very difficult to make into the future, but we have ensured that we have a good grip around cost and especially variable cost so that if the volume go down that we have the corresponding variable cost savings and the priority has been to take care of our customers business and Santosh also said that we are in close coordination with our customers, so they know better to forecast then we do and so when it goes regarding to shipping lines, we have ensured that they can take a new support both containers and non-container activities when it goes to the land side of servicing our port, I believe we have been very much reassured through PRCL and other rail operators that access to and from Pipavav port on the land side has been continuously and in fact when the railway network has been absent of passenger trains, we have been able to break a few records. In April, we ran 293 block trains to the Northern part of India, which was an all time high, so I think those three parameters are giving us some confidence in this uncertain times that we can service our cost and also going forward, but what is remaining very difficult to forecast is the volumes. We see some signs of course of India opening up again and that is good for manufacturing side of it, but also, we are depending on the rest of the world in terms of demand and we still need to see some openings in certain key markets.

Mohit Kumar:

My second question is, are there any evacuation challenges from Pipavav especially on the road side or has it eased out or do you think it has some challenges which are still remaining?

Jakob Friis Sorensen:

On roads, the road conditions themselves are improving but they are not complete, but we are following up with the local authorities in terms of the road network. The challenge with regard to trucks and road evacuation has primarily been the lack of drivers and that is a challenge that is faced by all ports and my point before was that for Pipavav, we are to a larger degree also relying on evacuation by rails and that has been working absolutely perfect.

- Mohit Kumar:** My last question, have you taken any tariff hike from April or it has been postponed for now?
- Jakob Friis Sorensen:** I think we had a slight tariff adjustment earlier in the year in this financially closed year, but we have so far not done so.
- Santosh Breed:** That is right Jacob, so we had taken a tariff hike in April 2019 and this was limited to our evacuation on the rail, so that is where we have taken a hike, so it roughly is around 4% of the total revenue.
- Moderator:** Thank you. The next question is from the line of Parag Jain from HSBC. Please go ahead.
- Parag Jain:** I have two questions actually, first I am not sure if I heard correctly Santosh during the call you said that like industry is guiding 20% volume for this year or you were referring to April to June quarter because I have not seen that number. In fact two days back, the fact that you are almost nine weeks into the second quarter, can you tell us how your April and May months were tracking and do you see India's EXIM cargo to lag behind the global cargo front and going into this quarter or perhaps this year? Second question is more regarding like whenever I look at your quarterly numbers, if you look at container in particular, the volume declined 15%, you had a lower transshipment volume, so the quality of the cargo handled has gone up, Rupee has depreciated on an average by about 3%-4% quarterly, why is the revenue down shaper then the volume, it is a mismatch in terms of timing or it is a kind of discount that you have given to your customers in this quarter?
- Santosh Breed:** Okay, Parag let me answer your first question which is about the volumes, so what I mentioned was the global expectation on the overall volume drops on an annual basis was 20%, so that is the global expectation. It is not specific to India and I have also mentioned when we look at India and specifically at Port Pipavav then we do expect it to be much lower than what the global guidance is coming out right now. It will be very difficult for me to comment on the volume specific.
- Jakob Friis Sorensen:** Santosh, I just would like us to clarify that when you say lower, you mean less than 20% drop?
- Santosh Breed:** That is right.
- Parag Jain:** Santosh, what I wanted to clarify is that when you say global expectations, is it GPPL expectation of global trade because I have not seen that number anywhere and even your parent company was talking about 20% decline only in this quarter and whether you look at Burry, whether you look at Alphaliner, Clarksons, nobody is guiding anything worse than probably 10%-11%, I just wanted to understand if I heard you correctly?
- Santosh Breed:** This is a guidance on the global numbers, Parag, so this is our internal assessment which has been done on a global level, but as I mentioned and has Jakob also said at Pipavav when we look at then we do not really expect it to be down by 20%, we expect much lower reduction in volumes and primarily this is because we have seen the Far East ports are opening up now and slowly

even in India now the lockdown is being phased out and we are hoping that the consumption will start and with that we should not see a significant drop in the volumes at Pipavav.

Jakob Friis Sorensen: First of all, I just want to be absolutely clear that what has been said globally has been a 20% volume reduction in this quarter and a U-shaped recovery, so we do not expect the spike in recovery, we expect a U-shaped recovery over the next couple of quarter, so I think that matches up with your general information and what Santosh said we in Pipavav are looking at a lesser drop in volumes compared to that global outlook for a number of reasons, but we have seen containers as you pointed out the transshipment has gone down, but that was the least profitable business and we have seen coastal volume go up and export go slightly off, so it is a better combination of the container volumes and we have seen some strong indications in the bulk primary in fertilizer and coal.

Parag Jain: One thing to clarify and maybe it will Jakob like are you guys in a position to comment on how April and May were in terms of volume and when we talk about India gradually opening up, are you seeing any signs of improvement I do not know on a week-on-week basis or any color that you can give on how India's cargo are tracking the transition from entering into COVID to coming out from COVID.

Jakob Friis Sorensen: What I would say that is across a myriad of factors that are impacting now of recovery and the opening up of India, but I think what I would say, yes, we are seeing week-on-week improved volumes that are coming, but you did not have other bottlenecks, you have manufacturers that needs to get restarted, you have still migrant labor that are potentially missing in the manufacturing site, you have still a lack of truck drivers etc., but the net effect is that yes, we are seeing India coming back to life and there is some week-on-week recovery, but I also said that we are expecting that to be a U-shape and the U could be a long U, if there is a spike in recovery.

Santosh Breed: Parag, your observation has been right when you look at our quarterly numbers, yes, the container volumes have been down, but a significant part of that has been the TP volume, so when I compare it with the immediate quarter, that is, December quarter then there has been an up in our realization. Likewise, when you compare it with the last year, then it also has improved, so typically last year we were in the range of around 5800 to 5900 per TEU which was a composition of coastal EXIM transshipment together and of course the increase was not there. Now, that has moved in the range of around 6000 to 6100. As a tariff increase, we have taken tariff only on a small component of our rail evacuation, so it was not an increase across all this revenue items only certain parts, so that is the reason you cannot see a substantial jump.

Moderator: Thank you. The next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.

Ankit Panchmatia: Sir, I wanted the Ind-AS impact on our expenses for the current quarter if you can give me?

- Santosh Breed:** Ankit, basically Ind-AS just let me explain what Ind-AS is all about is basically all our operational leases have been now taken into the financial leases, so what happens there is operating cost has gone down and our right to use of asset has been capitalized so that is why you can also see that item in our balance sheet number.
- Ankit Panchmatia:** Sir, I wanted the number for this quarter, I got your point, I wanted to what extent it has kind of reduced our operating expenses and inflated our finance cost and depreciation cost, just that number I wanted to know?
- Santosh Breed:** If you look at our operating cost, the entire reduction in the operating cost is mainly because of Ind-AS implementation, so from that you can of course derive the number that is the main driver for reduction in the cost.
- Ankit Panchmatia:** Sir, I wanted your bulk split if you can just give how much is fertilizer, how much is other cargo?
- Santosh Breed:** As far as our volume breakup of bulk is concerned, we have 136,000 metric ton of coal, 218,000 metric ton of fertilizer, and 58,000 of others which includes minerals and other commodities.
- Ankit Panchmatia:** Sir, just wanted your view, what is the total volumes contributed by APM Terminals for the current quarter or maybe for complete FY '20 if you can provide that number?
- Santosh Breed:** Basically can say around 40% is coming from Maersk in the current quarter and for full year it will be in the range of around 45%, a bit on the higher side.
- Ankit Panchmatia:** Sir, our preparedness regarding DFC, has the CAPEX through any guidance, any timelines around the same would be much helpful?
- Santosh Breed:** Yes, DFC we are already on track, but we are working closely with our associate company Pipavav Railway Corporation Limited on this project and we are also aligned with Indian Railways, so there have been some delays because of COVID-19 by couple of months, but as far as we are concerned, we will be ready in line with DFC by Indian Railways, so that is expected in the last quarter now of 2020.
- Moderator:** Thank you. The next question is from the line of Anuj Upadhyay from Emkay Global. Please go ahead.
- Anuj Upadhyay:** Sir, could you just highlight what was the transshipment volumes of the total containers for Q4 and FY '20 if you can?
- Santosh Breed:** For the container volumes, we actually have not been providing this split by each type of cargo.
- Jakob Friis Sorensen:** Santosh, I think it is fair to say that the transshipment was empty containers, so the volume is maybe less, but the reality is that it was maybe not best paying cargo, so we are not that concerned that we have reduced that number significantly.

Anuj Upadhyay: Sir, of the three segment like we have container, bulk, and liquid, could you just mention which were the one which got impacted the most during the lockdown period or now in the unlocking phase, which are the one who are performing much better compared to the loss which we have seen during the April or May, I am not talking about the volume but just the trend on how things are panning out across the container, bulk, and the liquid segment?

Jakob Friis Sorensen: The container business has followed the trend that Santosh talked about before, so there is a skip call and there is reduction in the volume in containers although we have had some specific projects for large customers where we have been making up for that, but there is a volume drop in containers. On the liquid, bulk in fact the stock in the port in the tanks have been quite high, so we faced a structural issue in getting more liquid volume in and that seems to be easing up. We are also working on with one of our big customers to build a railway siding, so we can have LPG by rail going forward so that is also in the works and will be coming in the future. Where we have seen the growth must be said should be in the coal and the fertilizer business and that is probably seasonal where you know the monsoon is coming and fertilizers are high in the month now and we expect that to be seen also in this quarter.

Anuj Upadhyay: Sir, you mentioned about the major concern which you are facing in the logistics are the availability of the drivers, so any timeline or thought process of when we can expect the normalcy as far as the availability of the drivers are concerned whether it will be during the Q2 or any such...?

Jakob Friis Sorensen: That is the big question, because there is a lot of factors that are impacting the drivers and some of them are migrant workers who have been going back to their native state and so on, now they have to revert back and travel, but what I can say and what I mentioned before is as well and I am glad that there was a question earlier on DFC, what we are glad to say is that Pipavav Port has a lesser dependence on the truck evacuation and quite reliable service in terms of rail and if you can say that something is going to be different from the recovery after COVID-19, in our mind that would be customers looking for reliability rather than speed and for that simply rail evacuation is going to be a good thing for the future.

Moderator: Thank you. The next question is from the line of Bharanidhar Vijayakumar from Spark Capital. Please go ahead.

Bharanidhar Vijayakumar: Sir, my first question is on the volumes on the entire Western coast, so our competitors like JNPT have reported close to 20% to 25% decline for the year-to-date ending May, so we are expecting for the full year it would be much lesser, so does it mean we are expecting over the next 10 months for the Pipavav volumes to just scale back and what would be the reasons for that?

Santosh Breed: Just to answer your question, one of course at the ports in JNPT I think they had a major challenge mainly because what we discussed just now on the evacuation side where there were multiple issues on the drivers not being available to evacuate the cargo and there was a congestion at the port. At Pipavav luckily for us things have worked fine, yes, we also had

challenges in terms of migrant labor and drivers, but it was not to that extent because we were in the green zone and we continue to operate. To answer your question about the projection for the next 10 months, then yes, we do expect further recovery now from here on the volume front. Things are slowly getting to normal, the only challenge what we see is on getting the migrant labor back and that is what we are working on to ensure that we have a continuity of seamless operation which we have achieved so far, so Pipavav certainly believes that the volume should start coming back now in the rest of the year.

Bharanidhar Vijayakumar: Given for us the import component would be higher than the export component, you had also mentioned how the Far East services are also scaling back in terms of calling our ports, so we do not of course see any major hiccups there, right, for the rest of the year?

Santosh Breed: Not really, because as you rightly said we are Far East based services and then more imports, and since last month, we have Far East ports opening up to much larger extent than what we are seeing right now in other parts of the world, so that is why we are quite hopeful to revive the volumes in the rest of the year.

Jakob Friis Sorensen: I would just add to that on the volume and on the export as well because we are seeing potentially a more balanced picture between import from Far East but also export with the season coming up now for Middle Eastern export of Indian agricultural products to the Middle East, so it is looking like a more balanced import/export picture.

Bharanidhar Vijayakumar: The final question is on the tariff hike that we had taken in April 2019, so this 4% has been passed on entirely to the shipping lines or has some part been passed on to the rail operator also?

Santosh Breed: It has been entirely passed on to the shipping lines.

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

Ashish Shah: Sir, couple of questions, one could you give the realizations across the cargo, containers is something that you gave, but if you can give about for bulk and for liquid?

Santosh Breed: For bulk the realizations are in the range of around Rs. 550 to Rs. 600 per metric ton depending on the mix of the cargo and on liquid we are in the range of around 540 to 560 range on the liquid realization.

Ashish Shah: Would you state the liquid realizations have kind of inched up a little because I guess earlier we used to be at probably around 500 or slightly lower, so has there been any change in the mix which is driving this or nothing of that sort?

Santosh Breed: It was in the range of around 535-540, so it has increased marginally because of the cargo mix and also a bit on the parcel size, it also depends on the parcel size because the marine income is depending on what parcel size the vessels are carrying, so that is the reason why it keeps on fluctuating a bit.

Ashish Shah: Secondly, you did talk about the Ind-AS impact on the operating expenses, as I understand the Ind-AS impact has been there across the year, it started from the first quarter itself, so I am saying when I look at the operating expenses let us say from Q3 to Q4, the impact entirely is because of the bulk volumes being lower and because of the mix issues or there is anything which is a little one off for the fourth quarter because frankly the decline sequentially seems to be quite steep, obviously I know volumes have also been lower, but is there anything one off there or this is the reduction that you have managed to achieve?

Santosh Breed: Ashish, there are two factors one of course is Ind-AS 116 and now also I have some specific numbers with me which Ankit was trying to get at earlier, so if Ankit is also on the call then we can also note this down, so on annual basis when I look at my operating expenditure then the overall impact of Ind-AS 116 is around 220 million INR where the cost have reduced because of this reclassification and for the quarter also because there is some additional contracts which has got moved from operating lease to the financial lease, there is also an impact of around 56 million in the current quarter for the operating expenditure, so these are the impact of Ind-AS, but other observation also right, yes, because of lower fertilizer volume in the current quarter then the handling cost have gone down and as Jakob mentioned earlier, there is continuous focus on reducing cost taking into account the challenging situation and we have really worked hard on reducing our indirect cost as well, so apart from the volume variations and cost moving with that, we also have reduced the indirect cost.

Jakob Friis Sorensen: Santosh, I think also we should just highlight to the people on the call here that there is a little silver lining in all the crisis that fuel costs have also gone down and that is probably mostly impacted us in the last quarter.

Ashish Shah: Lastly, can you tell us what is the EXIM growth on a year-on-year basis for the fourth quarter?

Santosh Breed: EXIM actually we have as compared to December quarter it has remained flat and on year-on-year basis, it has improved by around 3% to 4%.

Ashish Shah: Right, so 3% to 4% YOY on the EXIM growth and sequentially will be flattish?

Santosh Breed: That is right.

Moderator: Thank you. The next question is from the line of Nimish Shah from NK Investment Managers. Please go ahead.

Nimish Shah: Sir, just wanted one data point, what has been the container mix in terms of our total revenue, how much percentage would contain the contribution to the total level?

Santosh Breed: The container is in the range of roughly around close to 70%, the total revenue is 70% roughly comes around container.

Nimish Shah: Can you share the realization for the container volumes as on EXIM container volumes?

- Santosh Breed:** Yes, I mentioned earlier it has moved now in the range of around 5900 to 6100 in that range.
- Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** The first question was more to get a sense of the mix of containers, so what exactly goes inside on a relative basis versus other ports, would you be able to kind of suggest what is the broad mix for the container may be a long lines of key products inside or like say between industrial manufacturing, consumer staples and discretionary?
- Santosh Breed:** Sorry, we do not really track on a commodity basis, but yes just to answer your question then there are various mix of cargo, so we do have Agri products, we do have handicrafts, we do have brass, we do have electronics, and of course our reefer market which is basically the meat and fish exports, so this is the major commodities which are being exported right now.
- Aditya Mongia:** I just wanted to kind of think through whether the discretionary element of consumer spending is much more visible in your cargo mix versus that of other ports or not?
- Jakob Friis Sorensen:** I think we are little bit on the indicative facts are here because our customers are primarily shipping lines and then the shipping lines customers are the manufacturers and potentially also the retailers, so I think it is giving a better indication to look at the various shipping lines composition of cargo, but I think it is fair to say also that it is maybe not surprising that what we have seen exported out of India has been cargo that has been on stock, so there has been cargo that has been available for export not depending on some manufacturing going on in advance and what is coming in import would be also components for manufacturing and that has seen a little bit of a delay obviously because since manufacturing has been stopped and what we are pleased to see now is that there is an indication that especially from Far East consumer electronics and so on that there are some components that are coming in now which is picking up again. On top of that as Santosh said, we have export of meat, we have export of Indian agricultural products which also is a bit seasonal, but we have a variety of cargo mix that comes up now.
- Aditya Mongia:** My second question was more on Jakob's comment that in terms of the decision to be taken how to evacuate containers from the terminal, there have been a shift towards rail, I just want to kind of get a sense from you as to, do you think this is something that can be more permanent or once the truck driver comes back that you would broadly against the same model mix as was prevalent prior to COVID?
- Jakob Friis Sorensen:** That is a very good question and if I can answer that Santosh, first of all we have a structural change that will happen going forward and that is the commissioning of the DFC and it is only months away before the DFC can open up its Phase-1 and that gives a lot more capacity on the cargo rail tracks and it also of course depends on the customers and what we are predicting is that customers in general will try to redesign their supply chains in various ways, you could predict some people would be less dependent on certain country, you could predict that people

are prioritizing the reliability rather than speed and what we see is that with extra capacity on the trains that is that we will be able to provide some more certainty and reliability. The other factor is that it is more environmentally friendly to transport cargo by rail compared to truck, so hopefully also what we would see coming out of the COVID situation, we have already seen remarkable change in the color of the skies, we have seen of course limited airplanes in the sky as well and you know very well that opening up in India for the air traffic is going to take a long time. I would say that hopefully we can hold onto a good percentage of the cargo moving by rail and in this respect, I think it is also due to give a compliment to CONCOR, which is a Government of India corporation which has acted very much as a good citizen in this crisis here, CONCOR has been tremendous in helping the movement of goods and given a lot of its flexibility on their services, so I would like just to recommend everybody to take notice on CONCOR how they have acted as a very loyal servant of India.

Aditya Mongia: Just a follow up thing Sir, if there is a meaningful change in the likability of railways as a mode of transportation, do you think it can lead to any port specific changes of volumes that could actually benefit Pipavav port?

Jakob Friis Sorensen: I am quite hopeful that it will because we are investing in the DFC as well as Santosh was just saying, we are investing in electrifying the tracks together with PRCL and I do believe that we will have a head start with the DFC compared to Maharashtra port because of the delay in finalizing Phase-2 through the State of Maharashtra. In Gujarat, we will see the benefits of the DFC before and will see that in January.

Santosh Breed: Just to add to what Jakob said, the rail product has been our USP and we have been doing maximum double stack trains, so with that ability, we strongly believe that once we have DFC in place then we should be able to access some new markets which today are accessible only by road and with that we are quite hopeful to see some additional volumes coming to Pipavav.

Moderator: Thank you. The next question is from the line of Anuj Jain from ValueQuest. Please go ahead.

Anuj Jain: Sir, can you provide the revenue split by segments, container, liquid and bulk?

Santosh Breed: Container is around 70% of the revenue, bulk is in the range of around 20%, and the balance is around 10%.

Anuj Jain: Similarly what is the EBITDA split across the segment?

Santosh Breed: Sorry, we have not been sharing this by business , so we do not really give the EBITDA split by that.

Anuj Jain: Which was the most profitable segment?

Santosh Breed: It is container business which is most profitable.

- Anuj Jain:** Going forward, how do you see the split for the revenues in near term, medium term two to three years?
- Santosh Breed:** We expected more or less to be in the same line what I have given now, so we do not expect a substantial change in the split.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Sir, my first question is on realizations, you mentioned realizations for container segment as 5900 to 6100 that was for the quarter I believe, so this compares to around 6500 range which we have been talking about for like I think past three quarters, so is there is a disconnect here, we have taken some price, how is this mix change and some impact?
- Santosh Breed:** For the past quarter, we have been giving a range of around 5600 to 5800, in that range we have been going, so what happened in this quarter as I mentioned in April 2019, we have taken a tariff increase in one of the tariff items, so that has helped us to improve the realization and second is the cargo mix because in the earlier quarters and in the past year, we had a higher amount of transshipment volumes, which has gone down.
- Prateek Kumar:** I mean in 4Q and 3Q you mentioned about 6500 kind of price realizations for container segment, but in general because of volume slowdown expected this year is there any general pressure on realizations from competition, from JNPT or Adani ports?
- Santosh Breed:** No, I do not really expect that, if you look at our tariff, we are very, very competitive as compared to other ports, so I do not think pricing will be an issue for us and we will not need to really worry about on that front.
- Prateek Kumar:** When you mentioned this Ind-AS impact of 220 million plus 56 million, so 276 million this was for Quarter-4 or year as a whole you mentioned?
- Santosh Breed:** So 220 was for the full year and 56 was only for this quarter.
- Prateek Kumar:** So that means it is roughly similar impact like all four quarters, but still like QOQ and operating expenses, I am just reiterating one of the previous questions, QOQ saw sharp drop in operating expenses that is due to fertilizer segment as you suggested?
- Santosh Breed:** That is right.
- Prateek Kumar:** Just something on your segment wise volumes, can you just give a breakup of this bulk segment for last year 4Q?
- Santosh Breed:** Total bulk volume, the breakup is coal is 136,000 metric ton.
- Prateek Kumar:** Q4 '19 I am asking?

- Santosh Breed:** Q4 '19, coal was 75,000 metric tons, fertilizer was 387,000 metric tons, and others were 56,000 metric tons.
- Prateek Kumar:** Sir, on DFC you mentioned we are still expecting by December, it looks like a similar timeline which we are expecting earlier also or are you factoring some delay?
- Santosh Breed:** Earlier, it was expected to be almost end of Q3, current year 2020 and now it has been delayed by couple of months, so we expect to be done in the last quarter of this calendar year.
- Moderator:** Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.
- Swarnim Maheshwari:** Sir, two questions, first you can just tell us what is actually the railway coefficient at Pipavav port and you did mention that once the DFC commences, it will of course change but in interim where do you expect this railway coefficient to be, and the second part is actually on the CAPEX side, so we had actually earlier guided for 150 odd crores of CAPEX so are we on to it or is there some change in the CAPEX guidance over there?
- Santosh Breed:** Just to answer your first question, it is almost 70% of our volume that moves on rail, so we hope to keep on improving on that coefficient with DFC coming in, so that is the first one.
- Swarnim Maheshwari:** Second was on CAPEX guidance?
- Santosh Breed:** CAPEX guidance remains the same, so we have already initiated our DFC CAPEX investment, so that will continue.
- Swarnim Maheshwari:** Sir, a bulk of our investments would be in the liquid asset, so in this debacle of the rundown on debt instrument and everything, we have not taken any it, right?
- Santosh Breed:** We follow different model at Pipavav, so we have a landlord model for this business. The tank farm investment is done by the tank farm operators, so Pipavav port has not done a direct investment there. Our investment is only on the seaside where we have constructed our berth for the liquid operations.
- Jakob Friis Sorensen:** Then we are constructing also a liquid rail siding so we can evacuate with the tanks on rail, but operation and investments in tank farms itself is done by our customers.
- Swarnim Maheshwari:** Sir, I am so sorry probably you misunderstood, I was trying to ask our bulk of current investments is in the liquid investments not the liquid cargo investment I was saying, in the liquid products in the current investments and I was saying that because of the rundown on the debt instruments that you have seen because of Franklin Templeton debacle, have we seen any rundown in our investments as well, that is what I was asking?
- Santosh Breed:** No, not really because when you say liquid investment then most of our investment is in the fixed deposit, so we are not really investing in any of these liquid instruments per se.

Moderator: Thank you. The next question is from the line of Jayakanth Kasthuri from Way2Wealth. Please go ahead.

Jayakanth Kasthuri: Sir, any news regarding the extension of lease from Gujarat Maritime Board and your current cost of borrowing if it is, highlight anything on that?

Santosh Breed: We do not have any debt on the balance sheet, so we do not have any cost of borrowing, number one. As far as the extension is concerned that our follow-up continues with Gujarat Maritime Board. We are in close dialogue with them, however, we do not have any further update as compared to what we have given in last quarter because with the lockdown situation, we are not able to really meet them face-to-face, having said this, this is a top priority for us and we are continuously liaising with them on this matter.

Jakob Friis Sorensen: Let me add here that the concession is expiring in 2028, so there is of course a little bit of time left in the current concession, but the operations that we have performed over the last quarter I think is very good quality stamp on Pipavav Port and the way that APMT has been operating it, so Santosh said we are continuing to talk to Gujarat Maritime Board. We think we are adding a significant value to India by running a very efficient operation.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to Mr. Varun Ginodia for his closing comments.

Varun Ginodia: Thank you Lizann and thank you so much Sir, Mr. Jakob and Mr. Santosh, I hope everyone found the call helpful, thank you so much and keep yourself safe.

Jakob Friis Sorensen: Thank you everybody and stay safe.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Ambit Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.