"Gujarat Pipavav Port Limited
Q2 FY2020 Post Results Analyst Conference Call"

October 24, 2019

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Moderator: Ladies and gentlemen, good day and welcome to the Gujarat Pipavav Port Limited Q2 FY2020 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 will now hand the conference over to Mr. Varun Ginodia from Ambit Capital. Thank you and over to you Sir!

Varun Ginodia: Thank you Lizann. Good afternoon everybody and welcome to Gujarat Pipavav Port Q2 FY2020 Earnings conference Call. We have today with us Capt. Padminikant Mishra, Head of bulk and RoRo business and Mr. Santosh Breed, CFO of Gujarat Pipavav. To start the call, Mr. Padminikant Mishra will give opening remarks and then we will open the floor for question and answers. Over to you, Sir!

Padminikant Mishra: Thank you. Good afternoon ladies and gentlemen. Let me take you through the key highlights for the quarter ended September 2019, Q2FY2020. So in the container business we did around 224,000 TEUs and that is an increase of 1% over the previous quarter. This is driven more by higher transshipment volumes. Compared to the last quarter if we see, the EXIM volumes have grown by 5%.

On the dry bulk, we did 674,000 metric tonnes, which is higher by 32% compared to the preceding quarter mainly because of higher coal and mineral volumes.

On the liquid side, we did about 235,000 metric tonne. This is an increase of 19% over the previous quarter. This is mainly driven by higher LPG volumes and also in line with imports growth pan India.

On the RoRo business, we have done around 20,000 CEUs of cars, which is an increase of 27% over the previous quarter.

Now coming to the financial performance, we have done better than the previous quarter and now report a revenue of Rs.1992 million. Expenses are at Rs.725 million and the EBITDA margin stands at 64%. Santosh will take you through the financials in detail later.

Now if I see the volumes development, so on the container side we have seen an increase in the ICD volume compared to the last four quarters and it stands at 143,000 for this quarter. Liquid we have been able to maintain a run rate of over 200,000. Of course we have done 235,000 and the bulk we have seen an increasing trend now in the last three quarters and have maintained a run rate above 500,000 metric tonnes. As discussed earlier, the RoRo volumes have been a bit better this quarter. However, we see that the muted export outlook continues due to a general slowdown in the automobile market globally.

Finally, I am also happy to announce that in the board meeting today, the Board of Directors have declared an interim dividend for the FY2019-20 of Rs.2.1 per share. I would now hand over to Santosh to take you in detail on the financial performance.

Santosh Breed: Thank you Captain Mishra and good evening to everybody. Let me take you through the financials for the quarter and half year ended September 30, 2019. The total operating income for the quarter at Rs.1992 million is up by 12% from the immediate preceding quarter due to higher income from non-container business.

Total expense at Rs.725 million is lower by 4% as compared to the previous quarter. Operating expenses at Rs.335 million are higher by 8% due to higher dry bulk handling expenses.

Other expenses at Rs.254 million are lower by 14% as compared to the previous quarter due to lower repairs and maintenance expense. EBITDA at Rs.1267 million is higher by 24% and margin at 64% is higher by 600 basis points than the previous quarter.

Other income at Rs.116 million is lower by 28% as last quarter included dividend from associate company Pipavav Rail Corporation Limited of Rs.38 million.

The net profit for the quarter at Rs.671 million is higher by 19% as compared to the previous quarter. In the current quarter in the revenue, there is a one-off rebate reversal of Rs.84 million for container business and excluding this one-off adjustment, the EBITDA margin is at 61% and a net profit growth is at 9%. In comparison to the same quarter last year, EBITDA is higher by 30% and the net profit is higher by 22%.

Now for numbers for the H1 of the financial year, both EBITDA and net profit are higher by 21% for the H1 of FY2020 as compared to the H1 of FY2019. So we also have the consolidated financials published and the published consolidated financial include Rs.86 million in the current quarter as a share of net profit from the associate company Pipavav Rail Corporation Limited. So now we are happy to take questions.

Moderator: Thank you Sir. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

Mohit Kumar: Good afternoon Sir and congratulations on a good set of numbers. Sir on the topline, there has been a sequential jump despite volume I think has really 2% increase Q-o-Q, but the revenue has jumped by 16% and EBITDA is up by 30% Y-o-Y and 24% Q-o-Q, can you please explain the reason why the realization has gone up?

Santosh Breed: So as I informed earlier there are two key reasons. One if you look at the overall volumes for the quarter has gone up so yes the container volumes have gone up marginally by 1%, but the non-container business has seen a significant increase in those volumes so that is the key reason. Apart from that as I mentioned earlier around Rs.84 million reversed during this quarter.

Mohit Kumar: And this Rs.84 million reversal is in the expense item, am I right?

Santosh Breed: This is a rebate reversal so we have volume-driven contracts and the provisions are made for those contracts…

Mohit Kumar: This is for other expense or operating expense?

Santosh Breed: It is part of the revenue.

Mohit Kumar: Okay. I understood and Sir my second question was pertaining to Pipavav, our share of net profit was Rs.2 Crores in the Q1 FY2020, which had gone up to Rs.8.5 Crores in this quarter, so why there was a dip in Q1? I believe the run rate is around Rs.8 Crores right per quarter?

Santosh Breed: This question is related to Pipavav Rail Corporation right?

Mohit Kumar: Pipavav, yes share of net profit that was shared in the consol results?

Santosh Breed: This profit actually has been driven mainly by the volumes from the port. When we see this incremental volumes going on train then obviously this goes up and as you are seeing we handled a lot of dry bulk cargo this quarter so accordingly there was an increase in Pipavav Rail Corporation profit as well.

Mohit Kumar: Why was there a dip in last quarter? Generally I see the profit is generally reached around to Rs.8 Crores per quarter, but Q1 FY2020 it was merely Rs.2 Crores?

Santosh Breed: It is purely volume driven.

Mohit Kumar: Okay Sir. Thank you. That is it.

Santosh Breed: The container ICD volumes have actually also gone up this quarter compared to what we usually do around 130,000 to 132,000.

Mohit Kumar: Okay Sir. Thank you Sir. Thank you.

Moderator: Thank you. The next question is from the line of Surbhi B from Macquarie Group. Please go ahead.

Inder: This is Inder here. Thanks for the opportunity. My first question if I look at the volume numbers especially on the dry bulk and on the liquid side, are there a component of kind of a onetime increase here? Can we have some visibility on sustainability of this kind of volumes or what is the right number to kind of work with?

Santosh Breed: Inder on the liquid volumes, so it is mainly driven by the LPG and it is also in line with the pan India growth in the imports, which we have seen a spike just before and it is normal also just before the festive season. There is a general spike in the volumes and it was also built up from the last quarter where there was some problem in the market and the imports were actually lower than what we had this quarter pan India. So as per the markets, the volumes have also been driven at Pipavav.

Inder: Second is on the container side, has there been any further change in the trade in terms of movement of kind of shapes or some of realignment happening among your key customers? Is there that any kind of a development that we should be aware of?

Santosh Breed: Not really Inder. So there have not been any changes. I think your question is more to do with the trade wars, which is happening right now, so we have not really seen any changes in terms of the services calling at Pipavav. As of now, we do not have any indication into this.

Inder: My last question is on this you staying with this old tax regime so if you could just specify how much is the MAT credit, which is pending and basically how much time we should take to kind of consume that before we kind of move to that lower tax regime?

Santosh Breed: Inder as of March 31, 2019, we have a MAT credit of around Rs.159 Crores on the balance sheet and that is the precise reason why we continue to be on the existing tax rate and not opted for the lower tax rate and we expect approximately a couple of another financial year to consume this credit and then move to the lower tax rate.

Inder: Just on the consumption of the MAT credit point if you could explain us a technicality as to how much can be used in one particular year or something like that? Can we use as much as possible out of this in a single year?

Santosh Breed: It depends on our financial performance and your total tax liability.

Inder: That I understand, but there is no upper limit to how much credit you can use right?

Santosh Breed: No. There is no upper limit.

Inder: I thought that only something, which was created five years back only that corresponding year credit can be used?

Santosh Breed: No. No such upper limits.

Inder: Thank you.

Moderator: Thank you. The next question is from the line of Aditya Shah from Vikram Advisory. Please go ahead.

Aditya Shah: Sir my first question is regarding the financial lease that applies on our balance sheet? I wanted to check that what kind of lease it is and what would be the interest rate on it and when does it expire?

Santosh Breed: So you are referring to the new Indian Accounting Standard 116, which was introduced from April 2019 this year, so we adopted that effective last quarter itself and with that there are certain operating lease contract, which we had were converted to the finance lease and with that when we look at the impact for the H1, I can tell you that we have impact of around roughly Rs.3 Crores on the net profit because of which the profit actually has gone down by Rs.3 Crores and this is mainly because of the incremental finance cost, which has been written in the books of account.

Aditya Shah: Sir my question is when will it expire kind of? For what is the longevity of this?

Santosh Breed: There is no expiry date per se because these contracts are running contacts and we will continue to use those services and accordingly will continue to get classified as finances.

Aditya Shah: Sir, but just back of the envelope calculation if I make let us say Rs.1.8 Crores is the quarterly interest, which is reflected as the finance cost and let us say if you divide that by 400 it comes out to around 4.5% per quarter interest, so am I right in calculating that? So annual interest of around 18% on the Rs.400 Crores lease so what is the annual finance cost that we should count in our assumptions?

Santosh Breed: I am sorry I do not really understand your calculation of I do not know 400 number what you are picking up, but just to make it simple I think if you are looking at…?

Aditya Shah: Sorry Rs.40 Crores and not Rs.400 Crores, Rs.40 Crores? No problem Sir I can talk to Santosh later on that? Sir my next question is that on RoRo, the development that happened between Mahindra and Ford how does it affect our business and do we have some minimum annual capacity contracts with them like…?

Santosh Breed: You are referring the JV between M&M and also the Ford where they have joint venture and where Ford has ceded control to Mahindra, so as of now I think the impact what it would have in the market is still not clear. So it would only be clear when this takes some shape fully, but at the same time we also understand that there has been a lot of collaboration and there are a lot of things planned between them, probably they would be also developing different models on platforms. So it would take some time to have a clarity on actually the volumes, which would be affected or it should grow and it can also happen that they are also going into electric cars and still that clarity is not there in terms of impact it will have on the volumes, but just to add as per the media news there has been a statement from the MD of Mahindra & Mahindra, but they have shown intent to use the plant facility also to participate in the export market, which today Ford is accessing, so we expect with that we may surely see some volumes in the future.

Aditya Shah: Fine. Do you have some minimum annual capacity contracts with them or it is just like whenever they want to export they export or like do we have some minimum understanding that they will export let us say 1000 to 2000 kind of for example like is there any…?

Santosh Breed: So we do not have any minimum volume contract with the customer.

Aditya Shah: Any progress on the Suzuki Tyres for RoRo or is work in progress?

Santosh Breed: It is still work in progress so we do not have anything to report as of now.

Aditya Shah: Alright Sir and my last question is on the LPG volumes? Can we safely assume that probably going forward the volumes that we see in this quarter or the last quarter is something that we wish to attain across all quarters?

Santosh Breed: As of now as I said it actually depends on, there is certain kind of seasonality attached to the volumes in LPG and as of now, I think it is this quarter has been good and we also understand that this seasonality it is part of the business. And of course some good domestic demand in this quarter right and we hope that because this has been one of the key initiatives from the Government of India so we hope that this continues?

Aditya Shah: Alright let us hope. Thank you.

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

Bhavin Gandhi: Congratulations on a good set of numbers Sir. A couple of questions from my side. Sir firstly GMB had recently announced some policy changes for captive jetties so does it have any impact for us as such?

Santosh Breed: Yes actually so that policy, which has been announced, we also are doing an internal review, but the initial inputs I can of course share the initial inputs right so if you look at, it is for the existing captive jetty and the commercial cargo and what we see as impact there may be some impact on the dry bulk side because the existing captive jetty are mainly into handling of dry bulk and because of that we do not see an immediate threat, but as these are very initial assessments and we are surely looking more into this and possibly may provide some future updates in the subsequent calls.

Bhavin Gandhi: Sure Sir. Secondly Sir if we can have the total transshipment plus empty volumes handled during the quarter?

Santosh Breed: So we do not normally break down this by each category wise, so I can surely give you some indication. You already know the total container volumes, which is 224,000 TEUs, which has been mentioned earlier and in terms of as Captain explained as compared to last quarter, same year last quarter then we have grown EXIM volumes by 5%.

Bhavin Gandhi: Just a couple of things from my side. On the inland ICD volumes side also there seems to be a good jump on a sequential basis and also on the number of trains handled, so why is there such as sharp jump in the number of trains handled during the quarter?

Santosh Breed: So this also comes in because there have been some great changes in the market from the operators and this also strengthens our rail product, which is very important and we have a customer who has also started a block train, so this is as a result of combination of factors.

Bhavin Gandhi: Sure got it Sir and just finally Sir if you can give us a split of bulk volumes and realizations?

Santosh Breed: Yes so bulk we handled 238,000 metric tonnes of coal. Fertilizer we handled 325,000 metric tonnes and then minerals and others is 110,000 metric tonnes. That is a split of the dry bulk and in terms of realization of course for container realization, we continue to maintain our realizations as we mentioned in the last quarter as well. EXIM realization has been in the range of around 6400 to 6500. Bulk continues to be there in the range of around 515 to 530. Liquid has been in the range of around 500 per metric tonnes. That is the range chart.

Bhavin Gandhi: Thank you so much and best of luck.

Moderator: Thank you. The next question is from the line of Mohit Pandey from Citigroup. Please go ahead. Mohit your line is unmuted please go ahead. Mohit Pandey your line is in talk mode. Please go ahead. As there is no response from the current participant, we will move on to the next participant that is from the line of Paras Jain from HSBC. Please go ahead.

Paras Jain: Sir two questions I have got. First if you can share any progress has been made with respect to renewal of concession? I appreciate, which is still due nine years away and my second question I did not hear when you responded to one of the listener about contribution from PRCL in this quarter? Thank you.

Santosh Breed: So on the concession agreement, it is work in process, but we also understand that probably the government is looking at Port Policy… and they are also working on a framework for the renewal of concession of all the private ports, so it is still work in process and on the PRCL, so we actually consolidated around 86 million this quarter.

Paras Jain: 86 million?

Santosh Breed: Yes.

Paras Jain: Is it the path of this P&L that you have submitted, which is standalone or it is a part of the consolidated one?

Santosh Breed: It is a part of the consolidated mentions.

Paras Jain: It is not here the one that came out? Thank you.

Santosh Breed: So we have published both standalone as well as consolidation.

Paras Jain: Okay. Thank you.

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

Ankit Panchamati: Thanks for taking question and congrats on a good set of numbers. Sir one question from my side, Sir the volume growth has been if I see that actually Y-o-Y, there has been a volume degrowth of 1%, but then too the revenues have increased? So I would like to know the math behind it? Is it more driven by realization improvement, which was 6000 earlier and now 6400 is now or what is it majorly related to? Is it because of higher tonnage growth, which has not been indicated into the TEUs? Can you give me a rough math behind this how we can see?

Santosh Breed: So Ankit I think first of all I will try to understand your question you are referring to the container volumes right?

Ankit Panchamati: Yes.

Santosh Breed: And on the Y-o-Y basis, we see that volumes have not grown much. The revenue shows an improvement. That is mainly because of the mix of the cargo because if you see last year we had a significant amount of transshipment volumes, which we handled in the last quarter that is last year. As we have mentioned also in the earlier calls the transshipment comes at a very low realization whereas in this quarter the cargo mix have improved. There have been more of EXIM and that is the key reason why the revenue goes up. The second is when you compare again with the last year, we have also taken a tariff hike from April this year, so that is also one of the reasons that the realizations are better.

Ankit Panchamati: Sir just wanted to understand the Ind-AS impact on our expenses side of it if I need to adjust the EBITDA, what kind of positive impact the Ind-AS adjustment has on…?

Santosh Breed: On the expense side of the first half, the expense has gone down by 92 million.

Ankit Panchamati: 92 million?

Santosh Breed: Yes. This is for the first half. Not for the second, and first half.

Ankit Panchamati: Sir just wanted your feedback regarding the new MD how or what process or what point of process are we at this point of time and how soon we can expect this announcement?

Santosh Breed: We will get back to you soon and we will have some announcement coming out very soon.

Ankit Panchamati: Right. Great Sir. All the best and thank you.

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

Achal Lohade: Thanks for taking my question Sir. Sorry I missed out the MAT credit number. What is the amount you said?

Santosh Breed: Rs.159 Crores as of March 31, 2019.

Achal Lohade: Got it and secondly with respect to price increase what is the price increase on a Y-o-Y basis for container as well as bulk?

Santosh Breed: For container, we have taken roughly approximately 4% increase on the total revenue. So that is on the container and then I think it will be in similar range 2% to 3% may be on the bulk so.

Achal Lohade: This was affected if I remember correctly about two quarters back?

Santosh Breed: From April 7, 2019.

Achal Lohade: Got it and secondly with respect to DFC what is the current scenario in terms of preparedness for us at our end and by when do you think the port connectivity to play out for DFC?

Santosh Breed: We are fully prepared for the DFC compatibility and I think we will be able to complete that by the time the DFC for the feeder line is ready and that is around Q3 2020 calendar year.

Achal Lohade: In terms of the capex for this feeder line I presume it is done by the PRCL what kind of investment PRCL is incurring to be compatible for DFC?

Santosh Breed: There are two parts. One feeder line is from Mehsana to Surendranagar, which is being done by Western Railway. PRCL does it from Surendranagar to port boundary and the infrastructure inside the port is taken care by port GPPL and approximately PRCL is going to spend around Rs.300 Crores on this project. We will be spending around Rs.70 Crores approximately.

Achal Lohade: How much have we already incurred?

Santosh Breed: This is at the initial stage, so there is not much capex spent as such because right now we are in more of contract finalization stages.

Achal Lohade: Would this cause any disruption at the time of work in progress for the feeder lines or at the time of commissioning?

Santosh Breed: No we do not expect any operational disruption as such. It will be a normal business.

Achal Lohade: Right understood. Would you be able to talk about how much of the rakes are double stake at our port at the moment?

Santosh Breed: We are almost 70% to 80% of our double stack rakes.

Achal Lohade: Right and would it be possible to highlight the reason behind the increase in the ICD volume? Is it a particular customer? Is it particular location or particular ICD?

Santosh Breed: I think we have earlier also explained it, so growth has come in because there has been certain rate changes from the CTOs and it is also because of one block train, which has been started by our customers and overall it demonstrates the strong rail product, which we have.

Achal Lohade: Right and just last question if I may with respect to the EXIM cargo, what would be the EXIM cargo growth at this western coast and have we gained market share? Have we maintained market share or otherwise?

Santosh Breed: We have maintained our market share on an overall basis and the growth is in the range of around 6% to 8%.

Achal Lohade: For the West Coast?

Santosh Breed: That is right.

Achal Lohade: That is for the first half or the particular quarter you are talking about?

Santosh Breed: For the quarter.

Achal Lohade: For the quarter, I understood, so we are broadly in line with the market so to say.

Santosh Breed: So, we are maintaining our market share.

Achal Lohade: Right got it. Great. I will come back in the queue for any further questions.

Moderator: Thank you. The next question is from the line of Aditya Shah from Vikram Advisory. Please go ahead.

Aditya Shah: Sir one followup question. It is regarding the employee cost? I see a reduction of 10% as compared to the quarter last year whereas there is an increase throughout volumes in container, liquid, dry bulk and RoRo, so what is the reason for the decrease in employee cost by 10%?

Santosh Breed: We have been also looking at our valuation input for gratuity with the changes in the discounted rate and the interest rate and because of that there has been some changes, which has actually reduced the liability, which was taken in the books earlier and we can also see a corresponding impact on OCR, which has been reflected separately.

Aditya Shah: It is like not reduction in number of employees? It is just the difference in calculations, which has reflected that, right?

Santosh Breed: Yes that is right. Of course it is a continuous process of working on efficiencies and that happens across on all the costs so we keep on looking at that and there is no major impact on the volume numbers.

Aditya Shah: Alright. Thank you Santosh.

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

Swarnim Maheshwari: Thanks. Sir I just wanted to understand so we had this bank guarantee and cash amount of Rs.18 Crores to Rs.19 Crores couple of quarters back? You actually did mention that you will be following so just wanted to understand what is the status over there because it is a considerable amount?

Santosh Breed: We continue to engage with Gujarat Maritime Board on this. We have made some representations and we had some meetings so that is work in progress and that is why we continue to maintain this in the balance sheet as receivables.

Swarnim Maheshwari: Sure so you see possible outcome in FY2020?

Santosh Breed: Yes we have in fact we would like to see it much earlier within the quarter, so that is what we are trying to drive along with GMB to resolve it as early as possible.

Swarnim Maheshwari: Alright Sir. Thank you and wish you all the best.

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

Pratik Kumar: Good evening Sir. Sir my first question is on, so on services addition if we have added any new service or are we looking to add in the near term for EXIM operations?

Santosh Breed: So in the current quarter of course there is no additions of service, but then that is a continuous process so we are in continuous dialogue with our customer to explore new options and new trade links so there we are actually regularly following up with our customer, but as of now I do not have anything specific to really share on that front.

Pratik Kumar: On the realization front versus like let us say Q1 numbers so in bulk segment and in liquid both seems to be like higher by around like Rs.30 to Rs.50 per tonne, is that correct and that is also helping for revenue?

Santosh Breed: Actually as I mentioned earlier we have more or less maintained our realization both for bulk as well as for liquid, so that realization we continue to maintain. There may be small variations depending on the vessel size, which keeps on happening quarter to quarter basis, but we have not seen any drastic change in our realization.

Pratik Kumar: There is a lower maintenance cost, which help other expense what is that quantum Sir and is it sustainable? There is like this Rs.30 Crores to Rs.40 Crores number?

Santosh Breed: This was a one-off maintenance costs what we incurred in the last quarter. It was roughly around Rs.18 million. This is a one off. So this is not a regular preventive maintenance. Obviously it will not be there in the future quarters.

Pratik Kumar: This quarter's Q2 maintenance expense was lower, which was…?

Santosh Breed: Because you are comparing with the previous quarter and the previous quarter had this one-off replacement maintenance expense.

Pratik Kumar: So, current quarter number is more like regular run rate?

Santosh Breed: That is right.

Pratik Kumar: Sir regarding capex so we have spent like around only Rs.11 Crores in the H1? We are looking to have like Rs.70 Crores for the full year as on previous guidance?

Santosh Breed: As we mentioned earlier more or less when we look at our capex right now it is mainly on the maintenance capex, which was the range why we have given as Rs.70 Crores, but at H2 now we expect to spend more than the H1 for the DFC project, which we already have kicked off. So there we can expect should be closer to that number of Rs.70 Crores.

Pratik Kumar: Rs.70 Crores includes maintenance capex how much?

Santosh Breed: Basically around say Rs.40 Crores to Rs.50 Crores will be maintenance and as I mentioned this spend on DFC will be gradual so it is not necessary everything is going to be spent in the next half. Overall basis we expect we should be around Rs.70 Crores in the full year.

Pratik Kumar: One last question on the working capital so working capital seems to have slightly deteriorated because of some decrease in liabilities? What is this related to from the cash flow statement I am referring to?

Santosh Breed: The working capital is in fact, yes your observation is right that there has been some deterioration, but that is mainly on the regular trade-related matters, so we see this up and downs in terms of the trade receivables, but there is no concern as of now because these are all regular customers and we have got significant of this amount post the balance sheet date as of September 30, 2019, so there is not much concern on the working capital.

Pratik Kumar: Understood. Thanks for all the answers. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Surbhi B from Macquarie Group. Please go ahead.

Inder: Hi Santosh. Inder here. Just one question. Can you just talk about what is now the current thinking of our parent merge in regards GPPV, so I think there were earlier moves to appoint somebody from the logistics side as MD? If you could just kind… any insight you can share on that, that would be helpful?

Santosh Breed: Inder I am not really sure where you are getting this information, but then just to answer about the parent of course, the parent is very closely involved in our business and we have been greatly supported by the parent and there is also good engagement with Maersk line just like we engage with our other customers to keep on looking at avenues where we can jointly work and grow the business, so that continues and that will continue.

Inder: So on a global level, there was a plan to kind of get merged line and the APM Terminals to work together and possibly kind of get merged clients to use more of APM Terminals? Does India figure in that plan and has that already been implemented to as much possible?

Santosh Breed: Absolutely and India is surely part of that. That has been the global strategy where the group wants to synergize between various entities and see how we can actually provide end-to-end solutions to our customers, so that has been the drive globally and it also applies to India and we have been working along with other entities to provide those services.

Inder: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Anuj Upadhyay from Emkay Global. Please go ahead.

Anuj Upadhyay: Thanks for the opportunity Sir. Sir I just need one clarification on the adoption of new accounting standard on the leased parts? You mentioned that the operating expenses have gone done by Rs.92 million. This is for the quarter or for the half year?

Santosh Breed: For the half year.

Anuj Upadhyay: How much would that be for the quarter Sir?

Santosh Breed: It will be around 50% of this amount.

Anuj Upadhyay: Okay and secondly the financial expenses has gone up by Rs.18 million. This is for the quarter right?

Santosh Breed: That is right.

Anuj Upadhyay: Okay. Fair enough Sir. Thanks.

Moderator: Thank you.

Santosh Breed: So if there are no further questions of course we can end the call with some closing remarks.

Moderator: Sure Sir. Would you like to have some closing remarks?

Santosh Breed: Thank you so much for all your support and all the good questions, which we got in the call. I hope it sends a good analysis to the market and thank you so much. Thank you so much for your support and also your interest in GPPL.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital Limited that concludes today’s conference. Thank you for joining us and you may now disconnect your lines. Thank you.