



# “Gujarat Pipavav Port Limited Q1 FY 23 Earnings Conference Call”

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**Moderator:**

Ladies and gentlemen, good day and welcome to the Gujarat Pipavav Port Limited Q1 FY'23 Earnings Conference Call hosted by Spark Capital Advisors India Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” and then “0” on your touch-tone telephone. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Bharanidhar Vijayakumar from Spark Capital. Thank you, and over to you, sir.

**Bharanidhar Vijayakumar:**

Yes. Good evening, everyone. Thank you for logging in to the 1Q FY'23 earnings call of Gujarat Pipavav Port. From the company, we have Mr. Jakob Friis Sorensen, Managing Director, and Mr. Santosh Breed, Chief Financial Officer.

Without further ado, over to Mr. Sorenson sir for initial remarks.

**Jakob Friis Sorensen:**

Yes. Thank you very much, and good afternoon, to everybody on the call. We've just had the Board meeting, as you know, and also finalized our AGM for '21- '22. And then we presented the numbers for people I have brought here for Q1 for the calendar for the financial year of '22- '23. And I just want to say, to begin with that, when you're looking at comparisons with a similar quarter last year, obviously, that comparison will not make a lot of sense to you, because that was the quarter where we had the cyclone. But looking at the trends and looking at how we are performing, if you're looking at the last quarter of '21-22 compared to this first quarter, then we are on an upward trend. Volumes, month-on-month looking very good when it comes to containers. And also, we can comment later on, on the volume developments. But we are satisfied with the results that we presented and also with the outlook and the volumes that we were seeing coming our way.

Santosh, I don't know, if you have something to add on this?

**Santosh Breed:**

Yes. Thanks, Jakob. And let me just quickly give you an overview of the financial numbers. As Jakob mentioned, previous year numbers are not directly comparable, so we'll focus on the previous quarter number.

To start with the operating income, the total operating income was at INR2081 million, and was lower by 6% as compared to the previous quarter. And this was mainly due to our dry bulk volumes. As you remember, in the previous quarter, we had a good support from our minerals volume, which was imported by few customers to stock their supplies. So that's why when you compare on the quarter-on-quarter, there is a reduction in the dry bulk.

The container volumes were higher by 14%. Our EXIM volumes have grown by 5% quarter on quarter. And then we also have transshipment volumes. So, we have a new service which has been added, carrying a transshipment volume for us. So that's one of the reasons why this year good improvements in the volumes during the current quarter.

Liquid volumes continue to be about 200,000 metric tons. So that's consistent run rate which has been maintained now for last three quarters. And we expect that to continue in the coming quarter as well.

Total expenses were at INR949 million, and were higher by 3% as compared to the previous quarter. This was mainly driven by the operating expenses. So operating expenses, in fact were lower as compared to the previous quarter. This was due to the dry bulk volume being lower, but the increase came mainly from the employees benefit and the other expenses. So, the Employee Benefit includes annual salary increase of average 9%. And in the previous quarter, we had some provision reversal due to the retiral benefits valuation. So, we do our actual evaluation as to the accounting requirement and the year end and that has resulted in some reversal. So that's why when you compare quarter-on-quarter, you will see a 14% increase in the employee benefits.

Other expenses are also higher. This is mainly due to the increase in the fuel expenses, the fuel rate has been up and also some one-off which we had on account of the insurance cost.

EBITDA at INR1132 million is lower by 12% and the margin was at 54%, lower by 400 basis point. The net profit INR575 million. This includes cyclone related restoration cost of INR125 million, which has been shown as exceptional item in the P&L. And if we exclude this exceptional adjustment for cyclone, then the net profit will be at INR668 million for the current quarter, as compared to INR689 million in the previous quarter. So, in the previous quarter, we had some recoveries from our insurance claim. So, that's why, that was the reason why the exceptional item was negative in that quarter, and if we exclude all these adjustments, then the reports sorry, the net profit has been almost flat.

So that's the overview of the financial results. We are happy to take the questions now.

**Moderator:**

Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Mohit Kumar from DAM capital. Please go ahead.

**Mohit Kumar:**

Good evening, sir and congratulations on a very, very good set of numbers. So, my first question is in the annual report, you've alluded to the fact that we had a very bad year as far as container is concerned. And this is primarily on account of congestion at the port and the skip calls. Has situation improved dramatically in the Q1? And can we expect to go back where FY'20 numbers of containers which used to be at 200K TEUs?

**Jakob Friis Sorensen:**

Yes. So, I think we are seeing a slight ease up on the skip calls. And for that matter, I think also we can say that on the global basis, the container market is easing up. The rates indication is that the rates are falling. And the waiting time in Europe and U.S. is also going down. And that has directly been manifested in our container volumes. So, in fact, if you're looking at our monthly recordings, I'm very happy to say that we have now seven months in a row where months on months the container volumes are slightly climbing upwards and even here now in the we have the numbers for the month of July. That trend continues. So, this is of course, grounds for encouragement for us because it means that we are seeing shipping lines are delivering according to our agreements with them. And it's a good trend.

**Mohit Kumar:**

And sir, my second question is, the last year the bulk was very high number, and the one of the primary reasons was UltraTech. I think we did around 4.1 million tons. Do we expect to repeat that number or better than that number in this fiscal, given the knowledge we have right now?

**Jakob Friis Sorensen:**

I think we definitely were very happy to be able to help out UltraTech following that they had some damages done by the cyclone. And we've had an extremely healthy cooperation on both import and export of commodities for UltraTech for their cement manufacturing and export as well. They are now starting to take back some volume because their old jetty is back in operations, but it's not a full-fledged transfer. And in fact, we were discussing with them. There are some synergies and some benefits of also of mutual kinds, where we will see some of their volume continue with GPPL as well. But that is to be seen. And we of course, looking at all the opportunities to retain that volume.

At the same time, I would add to that that we were very happy to find our first export of bulk guar gum that went out in the month of June. And that means it's a new avenue for bulk business. We have not done export before. But now as you know the Russian war in Ukraine and the international market for foodstuff and so on, it seems to be an opportunity where India will export different commodities in that market. And we were doing a lot of efforts to be catering for that new opportunity.

**Santosh Breed:**

And just to add, we continue to add new customers, even for our main commodities. So, whether it's coal or fertilizer, and then we are adding commodities. So as Jakob mentioned that we did a export of the agri commodity Guar gum and then we also have handled some wood pulp in the last few quarters. So, with this addition of new customers and new commodities, we are quite optimistic about the volumes from dry bulk as well.

**Moderator:**

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

**Ashish Shah:**

My first question is on the transshipment volumes that we alluded to. So, we can give a little more detail on the liner where we have added the volume. For what period is the current visibility that we have on the volumes, and any indication on the contribution of such transshipment volume during the quarter?

**Jakob Friis Sorensen:**

Yes. So, it's a service from Maersk Line. And it's a little bit a spillover effect on the uncertainties that you will observe in Colombo. We expect that this will remain at least for the rest of the calendar year. As we've said before, transshipment is not really our core business and the margins for transshipment volume is smaller than for EXIM, but it helps to cover costs, and I think as well, even if you check out these transshipment volumes, it's not a big number of containers. Our growth in containers is still happening in months and months, both for EXIM, export and import. So, it's not really say, a big, big thing, but it means any way that we can help out some of our customers to do this transshipment when we have this geopolitical issues and sad things that are happening in Sri Lanka.

**Ashish Shah:**

So, just to dwell a little further on this. Now, my question basically arose from the point that while we have seen a good quarter-on-quarter improvement in the container volumes, the ICD volumes have been flat. So, from the fourth quarter to the first quarter, we have not seen any pickup in the ICD volumes, the rail volumes. So is there a change in the mix, where there is more container coming from the nearby vicinity by road, or the incremental push is largely because of transshipment? How to look at it is what I'm trying to understand.

**Jakob Friis Sorensen:**

There is an incremental push, even if we take out the transshipment volumes, and as I have been saying many, many times, we still believe that the DFC and movement by rail is a game changer and a big opportunity. But it's taking a bit longer to materialize. As you know, we've added a train to for Morbi with export of commodities from that area. But from the northern market as well, we want to keep on pushing the benefits of the DFC. And Pipavav is really the pioneer here. We are the first Indian ports with electrified double stack trains. And I think it will just take a little bit of more effort, and it will take longer time for our commercial team to continue to convince customers to take more advantage of the of the rail connectivity that we have.

And then maybe, as a blessing in disguise, I'm happy to say that the road connectivity to Pipavav is improving and the roads, the Bhavnagar Road for example, or the road from Diu and from Rajkot, the roads are in a better condition. And that of course, is also encouraging. But our target market is still the northwestern markets, which is more conducive by rail.

**Santosh Breed:**

And Ashish, if you see of course, the numbers for the earlier quarters. So I agree with you that quarter-on-quarter in Q4 FY'22 and FY'23 are same on the ICD, but it has improved as compared to the earlier quarter. And we see that improvement happening on month-on-month basis now, because as things are improving on the DFC, we see more volumes coming in.

**Ashish Shah:**

Sure. Would do you have Santosh, that this is in the past, we have given this kind of number, what would be the EXIM Y-o-Y growth? I mean in the total numbers that we have reported, what's the Y-o-Y growth in EXIM, so that to give us a better sense of the growth which is happening in the EXIM part?

**Santosh Breed:**

Let me come back to you on that, Ashish. So, look for the quarter-on-quarter, which is 5%, but let me come back to you on Y-o-Y. 5% on quarter-on-quarter. So, when we look at the year-on-year, so same quarter, if you look at the same quarter last year, the reason we're not really focusing on that number right now as a comparable, because the last year we were hit by cyclone in the month of May, and then we had disruptions operations almost for a month. So that's why that's not right comparison. But I can of course, share with you that percentage increase.

**Ashish Shah:**

This should be okay. Actually 5% quarter-on-quarter, this could be --- that's fine. Also, the last one from my side on the, could you just give us any update on the on the CapEx plans that we have? Last time, I think there was some discussion around the fact that we may not necessarily wait for clarity on the concession extension to start the CapEx

plans and we may actually decide to go ahead pending that clarification. So, any thoughts on that we want to share?

**Jakob Friis Sorensen:**

A lot of thoughts about that. But I would say at this point in time, it's not something we ready yet to come out and share. But we are looking at that additional investment opportunities beyond. Rightfully, as you said, we were talking about upgrading our crane capabilities with new cranes that we wanted to do on a condition that we got the concession extension. I don't think that that's the only opportunity we are looking at, and we are probably not going to make further conditions. But we're still not ready to share specifically what we're working on in terms of the investments and capital expenditures.

**Santosh Breed:**

So just to add to this, as Jakob mentioned, right, we are looking at opportunities, and it will certainly not limit us from investing because of the concession coming to an end. So, we will certainly invest further as per the business requirement.

**Jakob Friis Sorensen:**

And I would say that that goes just to elaborate on that, it's not only in the container business but we are looking but we're looking at all our verticals, business verticals. And I think there's opportunities I mentioned before, for example, given the global conditions now India starts to export grain. And in order to accommodate that, there's no doubt that we are looking into expanding our warehousing facilities.

**Moderator:**

Our next question is from the line of Priyankar Biswas from Nomura. Please go ahead.

**Priyankar Biswas:**

Yes. Good afternoon, sir. So, my first question is regarding this LPG terminal expansion that you had planned for --- to make it be able to accommodate VLGC. So how far are we on that? I mean, potentially, when can we see its commissioning? And if you can give a broad idea that how much incremental volumes, let's say on liquids that you expect to achieve out of this?

**Santosh Breed:**

Yes. So, on the on the VLGC. So, the work is already in progress. And we expect somewhere mid of September this to complete and to commission that VLGC. So that's the estimate what we have now. In terms of volume growth, of course, with a very large gas carrier coming in, we do expect volume increase, but this is a mix of one on the waterfront operation, and the second, on the land side, because the evacuation of the cargo also depends on the storage facilities on the land side. So, we are working with our tank operators, how we can get best efficient operation done and handle maximum volume on the waterfront. So, at this point in time, I'm not probably able to give a number on what increase we can be looking at. But certainly, we look forward for incremental volumes, specifically on the LPG.

**Jakob Friis Sorensen:**

Yes, and I think reason why Santosh is a bit hesitant on this question is as well, while we of course, still is in the monsoon season here, we have finished some of the superstructure work and dredging and other things, but we're still working on firefighting equipment and we need also the environmental or safety clearances for us to commission the VLGC. So, depending on that timing, that obviously will have an impact on the volumes that we expect to see in the rest of this year.

**Priyankar Biswas:**

But would it be fair to say that it should be a significant ramp up in the liquid volumes once it happens? So, you are not quantifying, I understand that. But today you're doing something like a point to 0.2 million tons to 0.25 million tons per quarter. So, there should be a significant growth from that. Would it be right assessment?

**Jakob Friis Sorensen:**

I think it would be fair to say that we are equally, as you put it, optimistic on this year.

**Priyankar Biswas:**

Okay. And sir, one more question from my side. Like in the past, I recall that we were highlighting about that this Pipavav Rail that probably with DFC opportunity opening up, maybe converting it into a full-fledged container train operations, covering to the very end markets. So, where are we at this moment with regards to its marketing activities? And what sort of let's say volume benefits do we expect at the port because of these activities? If you can give some color on that?

**Jakob Friis Sorensen:**

So, of course, we are minority shareholder in PRCL, but it's a really good capability that we have access to there in terms as you point out yourself, container train operations, not only the rail operation, but also the container train operation, and PRCL

is in the market to get more rakes. And then this is definitely again linked to the opportunities that we see in connection with the DFC. We are marketing this full speed ahead. And in fact, we just opened our office in New Delhi in the very same office building as the PRCL office, just to be very near to them. And, again, cooperation is going very well. We are optimistic about the DFC opportunities and so on.

The volume number is still a commitment that I think is difficult to say at this time, and it will take more efforts and more marketing and convincing to take full advantage of but I'm absolutely convinced that it's a very strong value proposition for our customers.

**Priyankar Biswas:**

So, what I meant was, what is like the feedback from your customers that you are marketing that? So how enthusiastic are they about the value-proposition?

**Jakob Friis Sorensen:**

Yes, I think they're very excited because what we are really illustrating here is that this container train operation business is not just a state operation monopoly, but there's definitely CTOs out there, and it's a very competitive segment. So, our customers, which will be shipping lines, and also our partners, which will be ICD operators in the north, are all very excited about this.

**Priyankar Biswas:**

And sir, the last question from my side. So, this is coming from the annual report. I see that there is a significant dip in on a percentage basis, of course, from in terms of revenues from the parent. So, was there any loss of volumes from the parent or some diversions in the past year like FY'22? And how do you see this year's pan out with respect to the parent volumes?

**Santosh Breed:**

So as we mentioned I think in the earlier call, so what we experienced because the global supply chain disruption, all the shipping lines have done adjustment to their network. And with that adjustment, trying to focus more on the Asia-Europe and Asia-U.S. trade line there has been adjustment to the vessel calls at other ports. And that's why we have seen skip calls at our port. And that is one of the primary reasons why you see this variation in the volume. Having said this, we have not lost any service. It is more of the temporary adjustment done by the shipping line, including the parent. And we are seeing it getting gradually back to normal. So, we are very optimistic on the volumes even from a parent in this year.

**Jakob Friis Sorensen:**

Yes, on top of that, as we mentioned earlier, we have in fact got another transshipment service from Maersk. So, we have full cooperation there. But if you notice in the press, the parent is also announcing some very, very good financial results. And some of the reasons for this is that they have sought out the best segments of the market, as Santosh was explaining earlier, and that means that they have focused on the TransPacific and the Asia to Europe, and we have probably here in Pipavav have suffered a little bit from that choice, but which was obviously driven by the economics and the outlook that they show. So, they're taking an opportunity. But I think that we despite that, we see that the volumes are coming back and that the situation is normalizing on the international container market and the global freight rates are coming down.

**Moderator:**

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

**Bharanidhar Vijayakumar:**

So, this is coming from the annual report where a lot of discussion around benefits of the DFC to the port and then an overarching argument given is that the efficiency gain needs to be passed on to reduce the cost for the ports and the value chain to benefit significantly. So do you see this happening? When is it likely to happen?

**Jakob Friis Sorensen:**

When you're talking about the cost of the DFC, then, of course, it's a railway charge. And I can assure you that I'm not wasting any opportunity to call on the Indian Railways to adjust tariffs so that the market can take full benefits of this massive, massive infrastructure investment. There is no doubt some different opinions of that within the railways, and as well, politically, but we are definitely pushing for all the stakeholders to understand the benefit to the society, from reducing the train freight rates and inducing cargo to move by rail on the DFC rather than by road, because there's absolutely obvious opportunity here for India to become more competitive. And that means that the cost reduction has to be given back to the market, so that the market will take full benefit of it.

**Bharanidhar Vijaykumar:**

Sure. So, do you see that happening in this year or it is going to take more time?

**Jakob Friis Sorensen:**

I would think that it would be really smart of the Indian railways to do so. And as I said, we are saying that continuously, India is doing quite well. But there may be a recession looming out there in U.S. and Europe and so on. And I think it'll be a good opportunity for India to become more competitive and reduce the overall logistics cost by reducing the rail tariffs. That's one thing. But the other thing is that, of course, when you are moving cargo by trucks, then you are burning diesel oil, all that diesel oil is important. Whereas if we're moving it by rail, it's a considerably lower cost of transport, and we are moving cargo by electric trains and so on.

So those benefits, of course, they're not directly in our power, but I do believe that the arguments are so compelling that all the influencers and stakeholders understand that. So, answering your question, will it happen? I think there will be some adjustments to this because it just makes complete economic sense to do so. But I can't tell you when it's going to be successful.

**Bharanidhar Vijaykumar:**

Sure. So, my next question is on the CapEx plans. Though, you said that it would not be dependent on the concession agreement getting extended. Again, the annual reports don't seem to suggest that we would rather wait before the concession agreements getting extended than committing CapEx. So, what is the status of this concession agreement getting extended? Where is it at?

**Jakob Friis Sorensen:**

I think the two things goes hand in hand. The communication that we're having with GMB is conducive and in fact, we know that GMB is delivering on a recommendation for a policy for the private-public-partnership port cooperation. And of course, what they do with us in GPPL will be a precedence for other ports in Gujarat. So, there is work going on there. And I'm hoping that despite elections and other things that we could see something happening here before the end of the year. And then at the same time, internally, we are working on various investment proposals, which we will take through our Board and get the internal backup for and it is because we're working on all of these things that we are not yet ready to go public on this, because we do need to get the internal approvals in order before we can start communicating about this. But at the same time, we are definitely, clearly saying that we are committed to investments in Pipavav, also in the remaining five years of the concession. So, we are not putting any sort of an ultimatum or pressure on GMB in that regard. I think there's so many business opportunities that in themselves over the next five years will be compelling enough for us to say that we should invest irrespective of whether there's an extension or not from 2028.

**Bharanidhar Vijaykumar:**

So just for clarity's sake, what is the hypothetical scenario when the concession doesn't get extended, so what happens then?

**Jakob Friis Sorensen:**

Okay, so, there's kind of like a process of assessing the performance of the incumbent and in this case, of course, it will be us in GPPL. So, GMB will assess whether they are happy with the performance we have delivered so far that will be a structured calculated effort, but it will be in terms of our investment, it will be in terms of our volume, it will be in terms of our value creation for society. And that structure is being recommended to GMB by an international consultant based on their study, both internationally and locally, and also vis-à-vis, rules and regulations in India.

So that process then becomes a binary. Is the incumbent, somebody we want to continue? Yes, no? So, if the question is, if the answer to that question is yes, then we expect that it will be a negotiation of the rollover of terms and conditions in our concession. If the incumbent is performing unsatisfactory, then GMB has two options. Then GMB can say we take the port over ourselves, or they can say, we will let this port concession go out to public tender. So that's, that's sort of the mechanism we are operating in and to our best understanding, we are performing satisfactory to GMB's requirements, and we will roll this into a discussion about the extension of the concession.

**Bharanidhar Vijaykumar:**

Sir, that's encouraging. But what would be the conditions? Like, would there be some new royalties levied or one-time payment for the concession extension? Your sense?

**Jakob Friis Sorensen:**

That's the million-dollar question. So that we don't know. When we get to the table, we will come with us a number of business expansions, a number of investment plans and a number of we will in fact, come with a whole new master plan for the port. And that would be our starting point for negotiations with GMB. And then of course, they will have some expectations as well for what they want us to deliver in the coming period. And I think the parties will then find a mutual way of finding a win-win solution to that.

**Moderator:**

Thank you. We'll take a next question from the line of Nicola Bianca from DAM capital. Please go ahead.

**Nikhil Abhyankar:**

Thanks for the opportunity, sir, and congrats on good set of numbers. I wanted to ask you, earlier in the last quarter, you told us that we have taken a 5% tariff hike to the container customers and we will take another 5% hike to all the other customers in June. So have we done that in June?

**Santosh Breed:**

So, I think what we mentioned was of course, we are taking tariffs increase and which was around 6% on the tariff. And then what you mentioned that we will we will --- we are working with all of our customers, because there are contracts which have been made, and we are working with all our customers to pass on this increase to all our customers. So that was a gradual process. And we have now completed that and increase has been passed out to all the other customers.

**Nikhil Abhyankar:**

So, to all the customers, the average tariff hike would be 6%, right?

**Santosh Breed:**

It is again, is contract to contract. So, on an average, it will be in that range.

**Nikhil Abhyankar:**

Okay. No problem. So, I also wanted to know what is the profit for PRCL in this quarter? And once we start getting the full tariff benefit, what will be the projected profit for it?

**Jakob Friis Sorensen:**

I don't know if we can comment on the PRCL profit right because we are minority shareholder there. And PRCL being the majority shareholding being Western railways, so Santosh, something we can share there?

**Santosh Breed:**

Oh, yes, certainly. So, looking at their future profits. So, we are in discussion with PRCL and so as you know, for PRCL, the revenue allocation and the cost allocation come from Railways. And so right now, they are not getting the full benefits of the electrification of the infrastructure. And that's what is working progress with the railways. So, that that will happen. And once that happens, then that we have put benefits to PRCL and in terms of reducing their costs. So that's one.

And then of course, for the current quarter, the profit is around INR47 million and this is because of some additional cost allocations of some arrears which are allocated to them for Railways, by Railways. And, again, as I mentioned, this does not include the benefit of the electrification. So, they still get the fuel costs allocated to them. And that's what they're working on, to get this resolved with Railways.

**Jakob Friis Sorensen:**

We expect that the investment that has been made already electrifying the entire track is going to give us some future benefits on the operating cost because the electricity is much cheaper than the diesel. So that's, not yet to be seen in the accounts of PRCL, but that is because of the Railways being a bit slow in making that trickle down.

**Santosh Breed:**

And Nikhil, just to add, so, I mean, we also mentioned about this in the earlier quarter, so, PRCL has also started a new business stream of the container train operations and they are working on increasing the number of rakes. So, they are leasing and also looking at purchasing rakes. So, that, we also expect that they will go up in the in the coming quarters. So, we will see a different or improved number for the PRCL financial as well.

**Nikhil Abhyankar:**

Understood. Okay, and just one last question. A. T. Kearney was appointed as the consultant for the concession agreement report to be submitted to GMB. So has the consultant submitted its reports till now?

**Jakob Friis Sorensen:**

Yes. So, that was what I was explaining to the previous caller, that we understand that, that process has been recommended but it's probably a little bit of a back and forth

between now the A.T. Kearney entity and various stakeholders within GMB on clarifications and I don't think that we can confirm, at least I have not heard that A.T. Kearney has now delivered the final version of their proposal. Because there's a handover process here where I think I know that GMB says thank you very much, very good.

And on this item here, can you elaborate, how have you come to this recommendation and on this item here, what will be the mechanism and so forth? So that, of course is between A. T. Kearney and their clients. And I think that's a good process, because that will really acid test the proposal itself, and as I mentioned, that proposal will become the guiding policy for future concession extensions. So, it's a good solid piece of work that's been done here. And we expect in the hopefully, before the elections in Gujarat, we expect to come to the table and discuss this directly with GMB.

**Moderator:**

The next question is from the line of Bharanidhar Vijaykumar from Spark Capital. Please go ahead.

**Bharanidhar Vijaykumar:**

Yes. So, could you give the split of the dry bulk volumes between coal, minerals?

**Santosh Breed:**

Yes. Certainly. So, on the dry bulk then we have done 429,000 metric tons for this quarter. Fertilizers is 339,000 metric tons and others, which includes many minerals and some agri commodities, which is 163,000 metric tons. And the presentation is there and these details are also available in our presentation which has been uploaded on our website, as well as in stock exchange.

**Bharanidhar Vijaykumar:**

Sir, could you highlight the realizations for the containers and for the dry bulk, sir and how it has moved up?

**Santosh Breed:**

So, container we continue to maintain a range of around INR6,900 per TEU to INR7,200 per TEU realization and same thing on the bulk as well. So, realizations have been maintained. So, it continues to be INR450 per metric ton to INR550 per metric ton for the dry bulk.

**Bharanidhar Vijaykumar:**

Sir, could you highlight the fixed cost nature of our business and how even though the cost across inflation has been raising, we were able to still maintain about it 54%, 55% EBITDA margins. So, will you highlight how it's playing out for you, the costs and how we are able to manage the margins?

**Santosh Breed:**

So, there are two things. One, of course, is when you look at our container business, it comes at almost 60% to 70% of the cost as fixed, because we had a very heavy investment on infrastructure on the container business side. So, any incremental volumes, even with a lower realization, like what you mentioned about transshipment, does help us to add that to the EBITDA number, and that's why helps us to improve the margin.

Apart from that, there are a lot of cost initiatives, which we are working on internally on a continuous basis to, so, there are various programs been rolled out right up to the front-end employee as well to bring in efficiencies in the operations, and that has always helped us to keep on improving our processes, and to get to the efficiencies and control our costs. So, that will be a continued process going forward as well. And with now, container volumes, gradually improving for EXIM as well then then we are quite hopeful of maintaining and improving these margins.

**Jakob Friis Sorensen:**

Yes. And similarly, on the bulk volumes, the variable costs are quite high and they are following basically linear to the parallel to the volume than the operational cost per ton. And so that means if the volume spikes, then we have higher costs, but if the volume goes down, we are equally flexible, and we can reduce costs.

**Moderator:**

Thank you. Our next question is from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.

**Nikhil Abhyankar:**

I missed out on this question the last time. So, we have got an exceptional item of INR125 million. So, if I have to put it properly, we have already received INR300 million from the insurance and we had booked around INR45 million in the last quarter

itself as an exception item. So, this INR125 million is over and above that INR46 million, right?

Yes. That's right.

**Jakob Friis Sorensen:**

**Santosh Breed:**

Yes, certainly. So, you're right. So, this as we have mentioned also in our earlier calls, we are in a process of restoration from cyclone. The main distortion was completed much earlier to ensure there's no impact on the operations. So, we were back to operations very fast. But then there are some additional damages to the bund, which need to be put in place, which is now the work in progress. And what you see here as exceptional cost goes as a claim to the insurance company and then we will recover this in the future quarters.

**Moderator:**

**Priyankar Biswas:**

Our next question is from the line of Priyankar Biswas from Nomura. Please go ahead. Sir, thank you for the follow-up. One question from my side. So, sir, in the event, let's say that concession is not extended. I mean, let's say worst-case scenario. So, what is the nature of let's say, terminal payments that the company can get probably?

**Santosh Breed:**

So, Priyankar, of course, we will not have to quantify that, but I can just share with you one of the terms of our concession agreement. So, it speaks about a depreciated replacement value to be paid to the operator for taking over the assets. And when we say depreciated replacement value, the word replacement becomes important here, because it, the valuation will be done on what is the replacement cost of those assets on the day of the end of the concession.

And of course, with the inflation and rising costs what we have, the replacement costs will be much higher than what we had purchased the asset for and that higher value will get depreciated over the actual use of the asset, and that value will get paid to the operator. So that's how the clause has been defined. But it's not good, it's not easy to really quantify that at this point of time because it's of course, the future valuation date, right. So, that's what we have example.

**Jakob Friis Sorensen:**

So, I think what Santosh is trying to imply here is that with the rise in inflation, with import of steel and stuff like that, then it looks the depreciated inflation cost will be quite substantial. It will be hard to replace these assets here with the market. Or let me say, it will be expensive to get the assets replaced, given that expected market price.

**Priyankar Biswas:**

So, you if I understand rightly so, there would be a, let's say, a joint assessment by both you and probably GMB to arrive at a valuation at that point of time if such an event happens?

**Santosh Breed:**

That's right. And the valuation will be based on the replacement of those assets. So, that is very clearly defined in the constituent agreement.

**Moderator:**

As there are no further questions from the participants, I now hand the floor back to the management for closing comments.

**Jakob Friis Sorensen:**

Right. Thank you very much for all the interest and for the good questions here for this quarterly results. I think recapping here, we have put the cyclone behind us, and now can actually some of the say benefits, if I can use that expression, of the cyclone because we have replaced a lot of the assets. We have repaired our warehouses and we've got a port that is --- let's say, we caught up on maintenance following the cyclone. So, in fact, today, I'm very happy that we had the Annual General Meeting also in the port and the shareholders could see how the port is standing as almost new in terms of maintenance and appearance.

The volumes, as mentioned, again, we've had months on months consecutive increments in the container volumes and we think the skip calls and the challenges we've gone through on the international container market is starting to ease out and it's looking better. We still sit on a tremendous opportunity on taking full advantage of the DFC. And while all this is happening then, on the Bulk, Liquid as well as Dry Bulk, we've done very satisfactory business and we started as a new activity export of foodstuff from India. So, we are appreciative of all your interest and we are certainly optimistic about the future going forward.

**Moderator:**

Thank you very much. Ladies and gentlemen, on behalf of Spark Capital Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines