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APM TERMINALS

APM Terminals Pipavav

Gujarat Pipavav Port Limited



ANNUAL REPORT 2017-18

CHAIRMAN'S STATEMENT



Dear Members,

For and on behalf of the Board of Directors, I am pleased to present the Company's Annual Report for the year ended 31st March 2018. It comprises Standalone financial statement as well as the Consolidated financial statement for the year ended 31st March 2018.

Your Company holds 38.8% shares in Pipavav Railway Corporation Limited (PRCL), an Associate Company as per the provisions of the Companies Act, 2013. The Consolidated financial statement enclosed includes the Company's share of profit in PRCL for the year ended 31st March 2018.

During the year your Company reported a Standalone Net Profit of Rs. 1,985 Million, lower by 21% compared to the previous year. The reduction in Net Profit is on account of certain one-off income in the previous year and higher tax payout in the current year with the completion of the Tax Holiday scheme upto 31st March 2017. The

Company had declared and paid an Interim Dividend of Rs. 1.70 per share in November 2017. In accordance with its objective of a sustained and consistent distribution of profits, the Company is pleased to recommend a Final Dividend to the shareholders of Rs. 1.70 per share. This recommended amount constitutes an amount that is almost the entire distributable profits of the Company.

As per the IMF estimates released in January 2018, the global economy is expected to grow by 3.9% and India and China are expected to be the leading economies driving the growth. The growing Indian middle class has strengthened the consumption story resulting in strong imports into the country. The growth in exports from India has been muted, resulting in a trade imbalance for the shipping companies as well as for the country. The Government of India in its review of Foreign Trade Policy in December 2017, has announced several measures for encouraging Exports from various sectors namely Leather, Textiles, Handloom etc. and that should hopefully improve the country's exports and the trade imbalance.

The consolidation process that commenced in the Global Shipping Industry a couple of years back is yet to stabilise and its impact on the Indian port sector remains to be seen. Meanwhile, the shipping lines continue to operate through various alliances/ consortiums to improve vessel utilization and to reduce their per unit cost of operation.

The Container shipping industry on the West Coast of India that handles almost two-thirds of the country's container business grew at ~12%. These are encouraging signs of recovery in India's growth story in global trade albeit driven by strong imports. The export promotion measures announced by the Government should hopefully only improve this growth and become more sustainable. But the trade protectionism practices by countries, inflationary pressures in certain advanced economies and increase in global crude oil price could pose a challenge. It is also difficult at this stage to predict whether a trade war will play out between the US, Europe and China. But if it does happen then it is likely to create collateral damage impacting the trade amongst all emerging markets because today China is the world's largest trading nation. It will adversely impact economic growth globally as well as the financial markets.

As far as the dry bulk cargo business is concerned, the trend of reduction in imports of two main commodities namely Coal and Fertiliser continues. On an annualized basis, Coal imports on the West Coast of India reduced by ~10% and Fertiliser decreased by ~25% year on year. The reduction in Coal is driven by the priority for supply of domestic coal and the growing Renewable energy sector which is witnessing a new low level of tariff. Fertiliser imports are driven by the Government's policies. The Government's directive for compulsory Neem coating of fertilizer by the Port at which it is discharged, in order to prevent diversion of this subsidized commodity, has also resulted in a reduction of imports.

The target for supply of LPG under Government of India's Pradhan Mantri Ujjwala Yojana scheme has been brought forward. It is now proposed to cover ~96% of the population by December 2018 for supply of LPG. In order to ensure that the country meets the target, LPG imports are likely to strengthen in the coming years.

With Gujarat developing into an automobile hub, your Company expects the RORO business to contribute to growth.

The Financial Year 2017-18 witnessed a historical event for the country with the introduction of the Goods and Service Tax (GST). The implementation of GST will not only simplify the country's overall tax structure, but it is also expected to bring down the cost for the manufacturer/ service provider. Despite being a low-cost service providing country, the overall logistics cost in India has been high due to the complex tax structure and requirement of various clearances by multiple authorities adding to the delays and overall cost to the manufacturer/ service provider. All these together adversely impacted Indian exports and made them unviable in the international markets. The roll out of GST by the Government will certainly address the tax complicity and enable seamless movement of goods. Now it is upto the companies engaged in the business of providing Logistics support to bring efficiencies through technological advancement, best in class multi-modal transportation and building of integrated warehouses to bring down cost in their two main activities namely Transportation and Warehousing/ Storage. These actions will strengthen the Exporters of the country, it will contribute in the country's growth, generate more employment and create a multiplier effect in the economy.

Your Company along with all entities within AP Moller- Maersk Group observed Global Safety Day on 2nd May 2018 with an aim of raising awareness about Safety amongst all its employees. Each year has a different theme to focus on and this year's theme was **"Stronger and Safer Together"**. Various events were organized on that day involving the company employees, the contractor employees and families of employees. Your company encourages employees to submit reports on all unsafe acts/ unsafe conditions. In order to motivate them to continue reporting such acts/ conditions, the reports were evaluated and the Top 3 reports were given an award. The children are the future of the country and in order to sow the seeds of safety at the right time, your company conducted Safety Poster Competition for children of the employees. Safety workshops, Safety Skits and Safety Spot Quiz were conducted.

On behalf of the Board of Directors of the Company, I take this opportunity to thank our Shareholders for their faith in us.

My colleagues on the Board join me in expressing their sincere appreciation of all our Customers and Vendors for their continuous support. Our Associate Company Pipavav Railway Corporation Limited and our Employees have played a key role in the Company's performance and I thank them for their dedication and commitment.

I also thank the State and Central Government bodies and my colleagues on the Board for their support, guidance and valuable insight.

India is on the cusp of exciting times and I look forward with optimism for a sustained growth of the country and a very exciting and prosperous year ahead for your Company.

With Best Wishes,
Yours truly,

Tejpreet Singh Chopra
Chairman

BOARD OF DIRECTORS

Mr. Tejpreet Singh Chopra	Chairman
Mr. David Skov	
Ms. Hina Shah	
Mr. Jan Damgaard Sorensen	
Mr. Julian Bevis	
Mr. Pradeep Mallick	
Mr. Pravin Laheri, IAS (Retd.)	
Mr. Keld Pedersen	Managing Director

CHIEF FINANCIAL OFFICER

Mr. Hariharan Iyer	(upto 30 th June 2017)
Mr. Santosh Breed	(Interim CFO from 2 nd November 2017)

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Manish Agnihotri

STATUTORY AUDITORS

Price Waterhouse Chartered Accountants LLP
(Firm Regn. No. 012754N/N-500016)
Mumbai

REGISTRAR & SHARE TRANSFER AGENTS

Karvy Computershare Private Limited
Karvy Selenium Tower B, Plot 31-32
Gachibowli, Financial District, Nanakramguda,
Hyderabad 500032

REGISTERED OFFICE

Pipavav Port, At Post Ramapara- 2 Via Rajula
District Amreli, Gujarat 365560
CIN: L63010GJ1992PLC018106
Website: www.pipavav.com
Tel: 02794 302400
Fax: 02794 302413

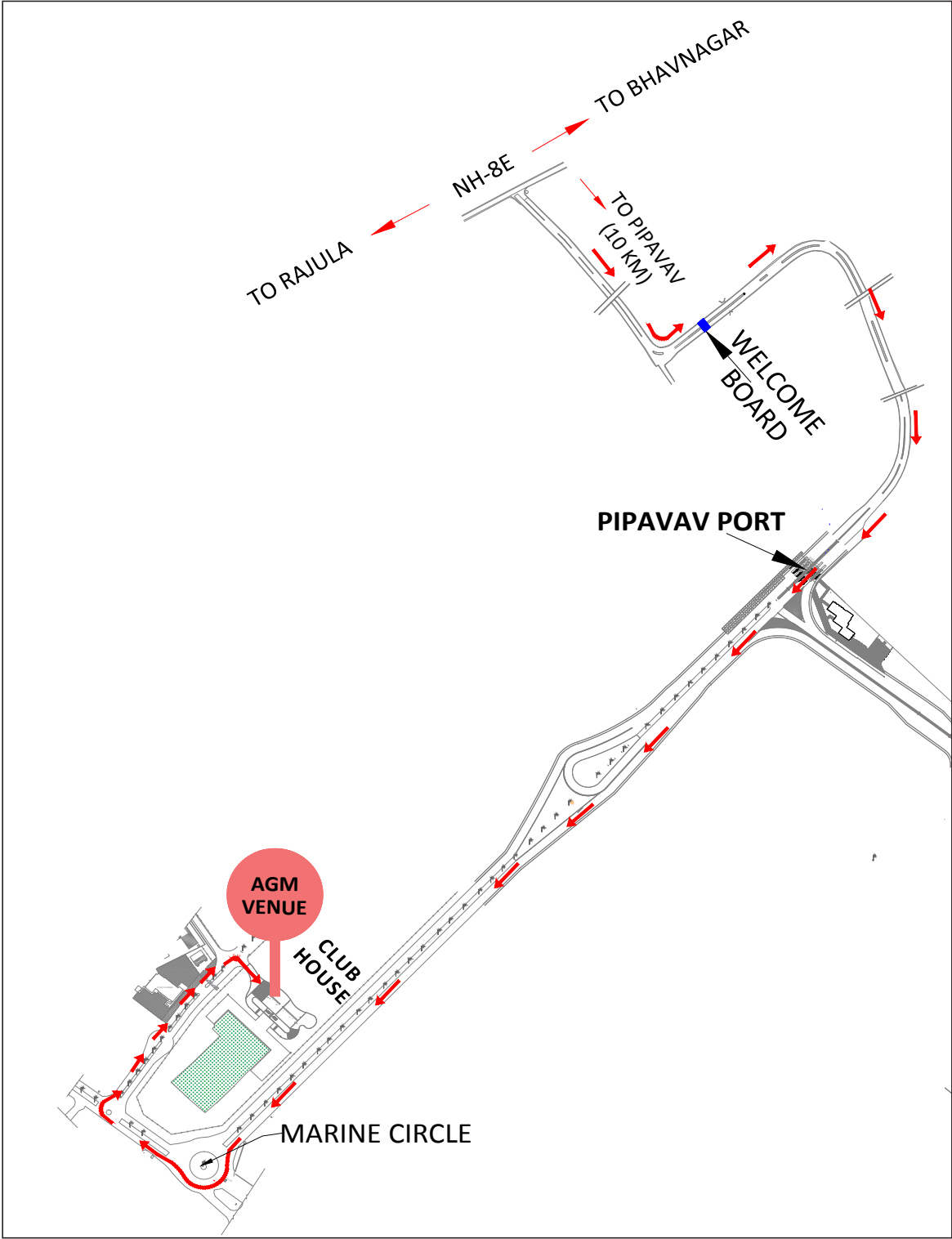
CORPORATE OFFICE

301, Trade Centre
Bandra Kurla Complex, Bandra (East),
Mumbai 400098
Tel: 022 30011300
Fax: 022 26522422

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ROUTE MAP TO THE VENUE OF THE AGM



NOTICE is hereby given that the 26th Annual General Meeting of the Members of Gujarat Pipavav Port Limited (CIN:L63010GJ1992PLC018106) ('the Company') will be held at its Registered Office at Pipavav Port, At Post Rampara-2 via Rajula, District Amreli- 365560 on Thursday 9th August 2018 at 2.00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt:
 - a. the Audited Standalone Financial Statements of the Company for the financial year ended 31st March 2018, along with the Reports of the Board of Directors and Auditors thereon; and
 - b. the Audited Consolidated Financial Statements of the Company for the financial year ended 31st March 2018, along with the Report of the Auditors thereon.
2. To declare a final dividend of Rs. 1.70 per equity share and to approve the interim dividend of Rs. 1.70 per equity share already paid during the year, for the financial year ended 31st March 2018.
3. To appoint a Director in place of Mr. David Skov (DIN: 07810539) who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

4. **Re-appointment of Mr. Keld Pedersen (DIN: 07144184) as Managing Director of the Company and approve payment of his remuneration**

To consider and if thought fit, pass with or without modification(s) the following as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") read with Schedule V to the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and any other Rules framed there under (including any statutory modification(s) or re-enactment or amendments thereof for the time being in force), pursuant to the recommendation of Nomination and Remuneration Committee and subject to the approval of Central Government, and such other approvals / permissions, if and as may be required, consent of the Members of the Company be and is hereby accorded for Re-appointment of Mr. Keld Pedersen (DIN: 07144184) as Managing Director of the Company upto 3 years from 1st May, 2018 on the terms and conditions including those relating to remuneration as set out under the Statement setting out the material facts annexed to this Notice dated 17th May 2018 for Item no. 4.

RESOLVED FURTHER THAT the Board of Directors ("Board") / Nomination and Remuneration Committee of Directors ("NRC") of the Company be and is hereby authorised to alter and vary the terms and conditions of the said appointment including authority from time to time to determine the amount of Salary, Performance Linked Incentive as also the type and amount of perquisites, other benefits and allowances payable to Mr. Keld Pedersen in such manner as may be agreed to between the Board / NRC and Mr. Keld Pedersen, subject to the limits prescribed under Section 197 and Schedule V to the Act (including any amendment, modification, variation or re-enactment thereof) and to do all such acts, deeds, matters and things and execute all such agreements, documents, instruments and writings as may be required in regard to the said appointment as it may in its sole and absolute discretion deem fit, to give effect to this resolution without being required to seek any further consent or approval of the shareholders."

By Order of the Board of Directors
For **Gujarat Pipavav Port Limited**

Manish Agnihotri
Company Secretary
ACS 12045

Registered Office:

Pipavav Port, At Post Rampara-2 via Rajula,
District Amreli, Gujarat 365560
CIN: L63010GJ1992PLC018106
Mumbai
17th May 2018

Notes:

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (“AGM” or “Meeting”) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

Proxies in order to be effective, must be received by the Company, duly filled, stamped and signed, at its Registered Office not less than 48 hours before the Meeting.

Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions / authority, as applicable, issued on behalf of the nominating organisation.

A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or Member.

- b) The Statement setting out the material facts pursuant to Section 102 of the Companies Act, 2013 (“the Act”) and Secretarial Standards on General Meetings issued by the Institute of Company Secretaries of India, concerning the Special Business in the Notice regarding Re-appointment of Managing Director, is annexed hereto and forms part of the Notice.
- c) Corporate Members intending to send their authorised representative to attend the AGM are requested to send a duly certified copy of their Board Resolution authorising their representative to attend and vote at the AGM.
- d) In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
- e) Members / Proxies / Authorised Representatives should bring the enclosed Attendance Slip, duly filled in, for attending the Meeting. Copies of the Annual Report or Attendance Slips will not be distributed at the Meeting.
- f) Relevant documents referred to in the accompanying Notice and the Statement, are open for inspection by the Members at the Registered Office of the Company on all working days, except Saturdays, during business hours up to the date of the Meeting.
- g) The Register of Members and Share Transfer Books of the Company will remain closed from Friday 3rd August 2018 to Thursday 9th August 2018 (both days inclusive).
- h) If the Final Dividend recommended by the Board of Directors is approved at the AGM, the payment of such dividend will be made on or after 10th August 2018, within the stipulated time limit as under:
- (i) To all Beneficial Owners in respect of shares held in dematerialized form as per the data as may be made available by the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as of the close of business hours on 2nd August 2018.
 - (ii) To all Members holding shares in physical form after giving effect to share transfer requests received as of the close of business hours on 2nd August 2018.
- i) SEBI has mandated the submission of Permanent Account Number (PAN) for participating in the securities market, deletion of name of deceased holder and for transmission / transposition of shares. Members are requested to submit the PAN details to their Depository Participant (DP) in case of holdings in dematerialised form or to Karvy Computershare Private Limited (Karvy) in case of holdings in physical form, mentioning your correct reference folio number.
- j) Members holding shares in physical form are requested to convert their holding to dematerialised form. It will eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact Karvy for assistance in this regard. As per SEBI Regulation effective 5th December 2018 transfer of physical shares will be prohibited.
- k) Members who have not updated their bank details with the DP are requested to do so in order to enable the Company to execute NEFT/ Electronic Transfer of Dividend amount to their bank account to eliminate all risks associated with physical dividend warrants.

- l) In order to support the 'Green Initiative', Members who have not yet registered their email address are requested to register it with their Depository Participants if the shares are held in electronic mode and with Karvy if the shares are held in physical form.
- m) The Annual Report 2017-18 of the Company along with the Notice convening the AGM is being circulated in electronic mode to the Members whose email address is registered with Karvy/ Depositories unless the Member has asked for a physical copy of the Report. The Members who have not yet registered their email address, the physical copies are being sent to them. The Annual Report along with the Notice will also be made available on the Company's website www.pipavav.com
- n) Members desirous of getting any information about the Accounts of the Company are requested to write to the Company at least seven days in advance of the Meeting, so that the information can be kept ready at the Meeting.

o) Voting Options:

Remote E-voting: In compliance with the provisions of Section 108 of Act, Rule 20 of the Companies (Management and Administration) Rules, 2014 and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Members are provided with the facility to cast their vote electronically, through the remote e-voting services provided by Karvy Computershare Pvt Ltd (Karvy), on all resolutions set forth in this Notice.

Voting at AGM: The Members who have not casted their vote electronically can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the venue.

The instructions for Remote E-voting are as under:

- A. In case a Member receiving an email of the AGM Notice from Karvy [for Members whose email IDs are registered with the Company/ Depository Participant(s)]:
 - i. Launch internet browser by typing the URL: <https://evoting.karvy.com>.
 - ii. Enter the login credentials (i.e., **User ID and password aforesaid in this letter**). Event No. followed by Folio No. / DP ID-Client ID will be your User ID. However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
 - iii. After entering these details appropriately, Click on "LOGIN".
 - iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.
 - v. You need to login again with the new credentials.
 - vi. On successful login, the system will prompt you to select the "EVENT" i.e., (Gujarat Pipavav Port Limited)
 - vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut Off Date under "FOR/ AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding as mentioned therein. You may also choose the option ABSTAIN. If the Member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head
 - viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each folios/demat accounts.
 - ix. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.
 - x. You may then cast your vote by selecting an appropriate option and click on "Submit".

- xi. A confirmation box will be displayed. Click “OK” to confirm else “CANCEL” to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any numbers of times till they have voted on the Resolution(s).
 - xii. Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter etc. together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail id: hsk@rathiandassociates.com with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format “Corporate Name_ EVEN NO.”
 - xiii. In case a person has become Member of the Company after the dispatch of AGM Notice but on or before the cut-off date i.e. 2nd August 2018, may write to Karvy on the email id: evoting@karvy.com or to Mrs. C Shobha Anand, Asst.Gen. Manager, Contact No. 040-67162222, at Karvy Computershare Private Limited [Unit: Gujarat Pipavav Port Ltd.], Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500032, requesting for the User ID and Password. After receipt of the above credentials, please follow all the steps from Sr. No.(i) to (xii) as mentioned in (A) above, to cast the vote.
- B. In case of Members receiving physical copy of the AGM Notice by Post [for Members whose email IDs are not registered with the Company/Depository Participant(s)]:
- i. User ID and initial password as aforesaid in this letter
 - ii. Please follow all steps from Sr. No. (i) to (xiii) as mentioned in (A) above, to cast your vote.
- C. The remote e-voting period commences on **Monday, 6th August 2018 (9.00 a.m. IST)** and ends on **Wednesday, 8th August 2018 (5.00 p.m. IST)**. During this period, the Members of the Company holding shares in physical form or in dematerialized form, as on the cut-off date being **Thursday 2nd August 2018**, may cast their vote by electronic means in the manner and process set out hereinabove. The remote e-voting module shall be disabled for voting thereafter. Once the vote on a resolution is cast by the Member, the Member shall not be allowed to change it subsequently. Further, the Members who have casted their vote electronically shall not vote by way of poll, if held at the Meeting.
- D. In case of any query pertaining to remote e-voting, please visit Help & FAQ's section of <https://evoting.karvy.com>. (Karvy's website).
- E. The voting rights of the Members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date being **Thursday 2nd August 2018**.
- F. **Voting at AGM:** The Members who have not cast their vote electronically can exercise their voting rights at the AGM. The Company will make necessary arrangements in this regard at the AGM venue.
- G. Mr. Himanshu Kamdar of Messrs Rathi and Associates, Practicing Company Secretaries, (Membership No. FCS 5171, CP No. 3030), has been appointed as the Scrutinizer to scrutinize the voting process (electronically or otherwise) in a fair and transparent manner.
- H. The Scrutinizer shall unblock the votes in the presence of at least two witnesses not in employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company and the Company shall submit it to the Stock Exchanges within Forty-eight hours of conclusion of the AGM.
- I. The resolution(s) will be deemed to be passed on the Annual General Meeting date subject to receipt of the requisite number of votes in favour of the Resolution(s).
- J. The Results declared along with the Scrutinizer's Report(s) will be available on the website of the Company www.pipavav.com and Karvy website <https://evoting.karvy.com> and the communication will be sent to the BSE Limited and the National Stock Exchange of India Limited.

STATEMENT SETTING OUT MATERIAL FACTS UNDER SECTION 102 OF THE COMPANIES ACT, 2013

Item no. 4

The Board of Directors in their meetings held on 30th January 2018 and 17th May 2018, approved Re-appointment of Mr. Keld Pedersen (DIN: 07144184) as Managing Director of the Company upto 3 years from 1st May 2018 and the terms and conditions, subject to the approval of shareholders and Central Government, as applicable.

Mr. Pedersen has been the Company's Managing Director from 1st May 2015. During his tenure, as Managing Director of the Company he has been able to successfully handle the challenges in the global shipping industry that have also impacted the port industry. Further, despite the loss of services of the shipping lines by the Company due to external factors, the Company has not witnessed significant loss of market share of container cargo. The Company also became eligible to declare dividend during the year ended 31st March 2016. During the period from 31st March 2016 to 30th September 2017, the Company generated a distributable profit of Rs. 4,414.18 Mn out of which the has Company paid Rs. 4,309.74 Mn by way of dividend to the shareholders. The Company operates in an Industry that has high potential of safety risks. With extensive focus on Safety standards and practices followed by the Company, it achieved a rare feat of over 1000 days of LTI- free (Lost Time Incident) Port Operations during the year ended 31st March 2018.

To familiarise with the background of Mr. Pedersen, he is aged 52 years and has been with the A. P. Moller Maersk Group since 1987. He started his career as Navigator in the Merchant Fleet and went on to become Captain. Since 1994 he shifted to shore assignments and held various positions within different businesses of A. P. Moller- Maersk Group in various countries. He was the Project and Operations Manager in Cameroon, General Manager- Operations, APM Terminals, Chief Operating Officer at Port of Tanjung Pelepas, Malaysia and Managing Director of APM Terminals Gothenburg before being appointed as Managing Director of Gujarat Pipavav Port Limited from 1st May 2015.

He has Master Mariner Certificate from Copenhagen Navigation School, Diploma in Economics and Management (Bachelor level) and has undertaken Executive Program at London Business School and IMD Switzerland.

It is proposed to Re-appoint Mr. Keld Pedersen as Managing Director of the Company upto 3 years from 1st May 2018 as per the terms and conditions set out below:

Salary & Allowances: Rs.1,891,922 per month

Perquisites:

- (a) Contribution to Provident Fund as per the applicable laws
- (b) Annual Performance Bonus as per Company's Rules
- (c) Completion bonus of Rs. 4,913,159 upon completion of assignment
- (d) Company Car, Driver and telephone
- (e) Medical Insurance for self and family as per Company's Rules
- (f) Annual leave as per Company's Rules
- (g) Company provided housing
- (h) For each full year of assignment, Company paid home leave for self and family by way of two economy class round trip airfares
- (i) For each full year of assignment, the Company will pay for 5 working days leave for self and family. The air ticket cost will be maximum Rs. 36,000 per person and a lumpsum allowance of Rs. 60,756 per leave.
- (j) Costs of international schooling for dependent children at actuals
- (k) Retirement Benefits: Company contribution of Rs. 190,000 per month. Depending upon the exchange rate the amount will be revised annually

Mr. Pedersen will also be entitled for Severance Payment of maximum upto one-year Salary and Allowances.

The last drawn remuneration of Mr. Pedersen for year 2017-18 was Rs. 52.54 Million comprising Salary, Perquisites and Performance Bonus.