"Adani Ports and SEZ Q1 FY2022 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Adani Ports Q1 FY2022 result update call hosted by Edelweiss Securities 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities Limited. Thank you and over to you, Sir!

Swarnim Maheshwari: Thank you Mallika. On behalf of Edelweiss, I welcome you all for this Adani Ports Q1 Conference Call. From the management today we have with us Mr. Karan Adani, CEO and Wholetime Director, Mr. Subrat Tripathy CEO of the Port Vertical, Mr. Vikram Jaisinghani, CEO of the Logistics Vertical, Mr. Satya Prakash Mishra from the IR Team. Without further ado I would like to handover the call to Mr. Karan for his opening remarks post which we will have the questions and answers session. Over to you Karan!

Karan Adani: Ladies and gentlemen welcome to the conference call to discuss the operations and financial performance of APSEZ for the quarter ending 30th June 2021. Let me start by quoting our Chairman from his message in our recently published integrated annual report. He said "We must believe in our own capability and must be able to depend on it for economic construction, especially in times of crisis to ensure our economy builds the intrinsic robustness to manage disruptive black swan events like COVID-19. We must unhesitatingly write our own definition and only when we are able to fully mobilize the efforts of our own people, we will be able to develop our economy in a way that we can take advantage of our country's demographic dividend that we have not yet been able to fully unleash." In lines with this wise advice, we believe APSEZ is competently placed to address the new normal. We possess the advantages arising out of efficient port operations, seamless multimodal integration, proprietary cargo evacuation network and ability to manage large volume. Our strategy of increasing investment and cutting-edge technologies to integrate our strength will create an enhanced customer experience. To evolve and emerge as logistics partner of reference, we will continue to manage port cargo of our customers while growing proportions of our revenue is likely to be derived from logistics where we delivered directly to our customers, saving them time, cost, and effort.

We have started the year FY2022 by hitting the ground running. All our large ports have performed well and have grown in high double digit. This is on account of our strategy to add capacity during the time when sweating of the existing capacity was a constraint, but this has turned the tide in our favor and helped us turn this adversity into an opportunity. APSEZ has gained 310 basis points in terms of market share and overall cargo and stands at 28.6% and 153 basis points in container, which now stands at 42.7%. Mundra, our flagship port is the largest commercial port and in the past year has overtaken JNPT as the largest container handling port. Our growth journey will further fortify with the recent announcement of the acquisition of Gangavaram port. Our efforts to create a transport utility, which banks on our network of ports as its cornerstone is forging ahead. We are expanding our capacity in rail logistics and now currently operating 66 trains, which includes containers, trains, auto and bulk rates. We have started consolidating all rail track assets under one group in APSEZ and we are in the process of acquiring SRCPL from the group entity, which will take our rail track assets to 620 km.

Coming to the operational performance for the quarter, the presentation on operational and financial highlights were sent to the stock exchange and uploaded on our website. I hope you have had time to look at it. APSEZ handled a cargo volume of 76 million metric tonnes, a growth of 83% as against 33% growth registered by All India Ports. Our strategy to achieve East Coast West Coast parity, handle all types of cargo and diversify cargo mix ensured continuous gain in market share in India. Our cargo basket is well diversified with dry bulk constituting 48%, container 40%, and liquid cargo which includes constituting 12% of our total basket. You may refer to the presentation on further details on ports and cargo segment wise breakup.

Now, let me give you a brief on the status of the announced acquisition. On Gangavaram Port, the intent is to acquire 100% stake of Gangavaram Port Limited. We have already acquired 31.5% stake from Warburg Pincus as a consideration of Rs. 1954 Crores, which works at Rs. 120 per share. We have also signed an agreement with DVS Raju and family for their 58.1% stake at the same price of Rs. 120 per share. We are in advanced talks with Government of Andhra Pradesh to buy out their 10.4% stake, the process is expected to be closed in the next 30 days for GoAP stakes. If GoAP stake is acquired then our first option is to merge Gangavaram Port and APSEZ. To evaluate that merger, a committee of independent directors has been formed. If the merger is approved, then DVS Raju and family will be paid in the form of APSEZ shares. In this case, we do expect that the financial consolidation of Gangavaram Port will happen as of 1st April 2021 on APSEZ balance sheet. As announced in March 2021, APSEZ has also commenced the process of consolidation of its rail track asset and acquisition of SRCPL from one of the group entities through a composite scheme of merger, which is approved by stock exchange, will now be filed with NCLT for seeking approval of stake holder. This includes seeking approval from minority shareholders, which is in line with our APSEZ board approved policy on related party. The entire purchase consideration will be paid through equity swap of a volume weighted average price of Rs. 675 per share resulting in issuance of 7.06 cr new shares of APSEZ. The meeting of stakeholders for approving the merger will take place in last week of September. We expect the transaction to complete in next few months and financial consolidation with APSEZ will happen from April 2021. I am happy to inform you that in July 2021, as part of our capital management plan, APSEZ has become the first Indian Infrastructure Company to issue 750 million, dual tranche of 10.5 and 20 years of maturity, at a fixed coupon of 3.8% and 5% respectively in global capital market. APSEZ has given a longer yield curve to investors and has elongated its debt maturity profile to seven years.

Let me now introduce you to Mr. Subrat Tripathy, who is now heading our Port vertical and Mr. Vikram Jaisinghani, who is heading our logistics vertical. Subrat and Vikram will brief you about performance of their respective verticals and I will give you the update on the strategic and financial performance at the end. Over to you Subrat.

Subrat Tripathy: Thank you Mr. Karan Adani. Good evening everyone on the call. Let me give you an overview of the performance at the port vertical. I will start by cargo segment wise, in the container business in Q1 FY2022, APSEZ handled a total container volume of 2.08 million TEU, a growth of 69% compared to an all-India growth of 51% on a year-on-year basis. This was led by Mundra Port which grew by 65%, Hazira which grew by 32%, Ennore by 211%, Kattupalli by 16% and the addition of Krishnapatnam volume by nearly 84000 TEU. Mundra Port continues to stay at the top in terms of container volume. In Q1 of FY2022, it handled 1.61 million TEU, which is nearly 18% ahead of JNPT, its nearest competitor. This is on account of strategy of partnering with large shipping lines of the world through our strategic JVs and continuous gaining of market share. During the period, two new container services were added, one each at Mundra and Hazira which will contribute about 1,25,000 TEUs of container volume per annum. In the dry bulk segment, in Q1 FY2022, the total dry bulk cargo handled was 36 million metric tonnes, a growth of 104%. Within this segment, minerals grew by 90%, coking coal by 42%, fertilizers by 32%, and agri product grew by 37%. Coal volume registered a grow of 126% on the back of higher imports by Adani Enterprises, Adani Power, JSW, and TATA Steel. As a part of the diversification of cargo basket, we have added two new cargo types namely sulphur at Dahej Port and dolomite at Kattupalli port. In the liquid segment in Q1 of FY2022, APSEZ handled liquid cargo including crude of 9 million metric tonnes, a growth of 57%, this was led by higher volume handled at Mundra and Hazira ports. As a part of our cargo diversification, we added LPG and LNG cargo into our portfolio. In Q1 of FY2022, APSEZ handled 3,55,000 tonnes of LPG and LNG. The volume in this segment will continue to grow to cater to the addressable market segment, which is set for growth as a result of the government's favorable policies on the gas-based economy.

Coming to the recently completed acquisition of Krishnapatnam port, the port is progressing well for the past nine months under the management of APSEZ, with integration of operation fully completed, which is reflected in it is superior cargo and financial performance. I am confident that it will achieve new heights. The port has registered a cargo volume of 13 million metric tonnes, which is a growth of 39% on a year-on-year basis. Similarly through our efforts to eliminate bottlenecks, reorient operations by benchmarking into APSEZ standard, we have been able to further enhance its EBITDA margin by another 250 basis points and reach 73%. We expect the port to handle up to 52 million metric tonnes in FY2022, which is a growth of 30% on a year-on-year basis. As demonstrated in case of Krishnapatnam port the operating team of APSEZ have been advising the Gangavaram port team to benchmark its operations to APSEZ standard leading to savings in cost and improvement in efficiency. This has resulted in EBITDA margin improving from 59% to 70% in Q1 FY2022.

In the current year of FY2022, Gangavaram Port is expected to handle a cargo volume of 39 million metric tonnes, generate revenue of Rs.1400 Crores and EBITDA of Rs.970 Crores. As briefed by Mr. Karan Adani, APSEZ has commenced consolidating its rail track assets and is in the process of acquiring Sarguja rail corridor, SRCPL. As all of you know it is an annuity business with take or pay contract with sovereign equivalent counter party. In the full year of FY2022, the business is expected to handle cargo volumes of 19 million metric tonnes, generate revenue of Rs.500 Crores and EBITDA of Rs.430 Crores. Now I handover to my colleague, Vikram to update you on the logistics vertical. Over to you Vikram!

Vikram Jaisinghani: Thank you Subrat**.** Good evening everyone on the call. Let me give you an overview of the performance at the logistics vertical. Adani logistics is continuing with its strategy of expanding our logistic footprint across India, building multimodal logistics park, warehousing, and rail distribution network in line with our vision to become an integrated logistics service provider in India.

Coming to logistics operations, Adani Logistics has witnessed an increase in rail volume for Q1 FY2022 as compared to last year that is 84717 TEUs versus 76925 TEUs, translating into a 10% y-o-y growth. This is achieved despite disruptions at Kila Raipur logistics park. Currently, we have two logistics parks at Nagpur and Virochannagar under development. We have also received ICD approval for Panipat for which construction will commence this year. GPWIS vertical continued its growth trajectory and we handled 1.42 million metric tonnes in Q1 FY2022 against 0.89 million metric tonnes in Q1 of FY2021, translating into a 59% y-o-y growth. Five new rakes were inducted in the last quarter and we have a firm induction plan for this year to take the total GPWIS rakes up to 25 within the year. New circuits with respect to movement from mines to power plants have been kick started and this is expected to gain further momentum. We have successfully commissioned the Katihar Silo project with 50000 metric tonnes capacity in agri logistics business in the last quarter, and another three projects are under construction each having 50000 metric tonnes storage capacity at Panipat, Kannauj, and Dhamora. Warehousing transactions across top eight cities expected to achieve CAGR of 19% for the next few years as we continue to witness strong demand in the grade A warehousing segment. Accordingly, we have commenced construction of new projects totaling 0.8 million square feet in Indore and Mumbai in Q1 FY2022.

Back to you Karan.

Karan Adani: Thank you Subrat and Vikram. Coming to the financial results for Q1 FY2022, the strong performance in operation is reflected in the financial performance. Consolidated revenue grew by 99% from Rs. 2293 Crores in Q1 of FY2021 to Rs. 4557 Crores in Q1 of FY2022. During Q1 of FY2022, the total EBITDA grew by 82% from Rs. 1438 Crores in Q1 of FY2021 to Rs. 2620 Crores on the back of 99% growth in revenue. Revenues from port operation increased by 75% from Rs. 1904 Crores to Rs. 3339 Crores. Increased cargo volume and operational efficiency and 6% saving in operating cost enabled post EBITDA to grow by 78% from Rs. 1324 Crores in Q1 of FY2021 to Rs. 2356 Crores in Q1 of FY2022. Overall port EBITDA margin has improved from 70% to 71%. In Q1 of FY2022, the logistics business have reported an EBITDA of Rs. 62 Crores, a growth of 42%. EBITDA margins improved by 125 basis points to 23%. Tax incidence during the period was lower due to the lower composition of profit from APSEZ standalone entity, which was impacted by Forex movement. Profit before tax and profit after tax increased by 60% and 77% respectively due to higher operating profit.

To conclude, I must acknowledge the resilient spirit of Adani Port's work force who through the thick and thin of these times stood resolute to deliver the spectacular performance in the first quarter of FY2022. During the first four months of FY2022, we have handled a cargo volume of around 100 million metric tonnes. Based on the current market trends, we expect the cargo volume in FY2022 to be in the range of 350 to 360 million metric tonnes, which includes approximately 39 million metric tonnes for Gangavaram port. The consolidated revenue is expected to be in the range of 18,000 Crores to 18,800 Crores. Consolidated EBITDA is expected to be in the range of 11,500 Crores to Rs. 12,000 Crores. We expect our port EBITDA margins to be at 71% and capex for the year to be in the range of Rs. 3100 to 3500 Crores. With all of this, we expect our free cash flow to be in the range of 7100 to 7600 Crores. These guidance keeps in mind that we will be consolidating the Gangavaram and Sarguja Rail balance sheet and P&L as of 1st April 2021.

In the end I want to say that, we are well on our target of achieving 500 million metric tonnes of cargo throughput and target to have 40% of India's trade, EXIM trade. We do believe that we will be able to achieve this target much ahead of our timeline given of FY2025 and this will also ensure that progressively we increase our port EBITDA margins to the range of 72% to 73% and doubling our EBITDA well before earlier guidance of FY2025, which obviously results increasing our ROCE on an consolidated basis of 20% and above. With this we can open the lines for question and answer.

Moderator: Thank you very much. We will now begin 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 DAM Capital. Please go ahead.

Mohit Kumar: Good evening sir and congratulations on the good set of numbers. My first question is on the guidance, do you think the guidance is conservative given the opening up of global and domestic economy, I think we are just at 10 million tonnes additional and the related question does the raising container freight prices is a worry is the first question?

Karan Adani: I do not think guidance is conservative. I think what we have given guidance now looking at the four months of operation as well as looking at global scenario as well as COVID scenario, we think it is a realistic guidance that we have given. In terms of your question on the container freight, I think it is not a worry, we do even with the rising freight we have seen that market has bounced back quite significantly on a pan INDIA basis and we do believe that the similar growth will continue for the rest of the year.

Mohit Kumar: Second question is on DFCCIL, I think we are reaching closer to the DFC operation, sir my question is does the current connectivity from Palanpur to Mundra, which does not have doubling electrification do you think that affect our efficiency in near term, and is there any proposal to upgrade the railway line connecting Mundra to Palanpur to 25 million tonnes axel load and when we expect the doubling electrification to be completed?

Subrat Tripathy: Thank you. The DFC is slated for completion by about mid of next year and by the COVID standpoint, we are expecting it to get completed by December 22, in line with our aspiration to connect with DFC, we have taken two steps, one is that the present line from Adipur to Mundra port is a double line, we are electrifying to coincide with the electrification of Palanpur-Samakhiali and DFC connectivity. Also in line with the aspiration and not waiting for the DFC to kind of commence with what is the best offering is to run double stack trains, we have already started running double stack trains from Mundra to the NCR region and you would be pleased to know that we have had quite a significant growth in double stack in this particular year across the all of last year. So we are in line to coincide with the DFC's commissioning as well as the electrification. Your question on 25 tonnes axel load, this would be more prevalent for the eastern part of the country where we run bulk. On the western part of the country where train loads and tonnages of each train is lesser than what is required on the eastern side, on the eastern, the legs we are already getting converted to 25 tonnes axial load and we will be in line with the DFC's expectations. Thank you.

Mohit Kumar: Sir you do not require 25 million tonnes axel load upgradation of railway line connecting from Mundra to Palanpur is that right?

Subrat Tripathy: Yes it is 25 tonnes axel load, which means that each axel over the boggy exhibits a load downward on the railway track for 21, which is over the conventional railway track of 22.5, which we have already aligned with. The 25-tonne axial load is basically for heavy haul of trains for open and dry bulk, which we are in our eastern ports at Dhamra, Gangavaram and Krishnapatnam, so you do not require a 25-tonne axel load on the western DFC literally because the loads per container train are much lesser than the dry bulk drains. but let me also clarify as and when 25 tonnes axial load does happen. we would be increasing to 25 tonnes axial load between our Adipur and Mundra lines, which is basically a combination of increasing the sleeper density and the rails which we have already equipped with. Thank you.

Mohit Kumar: Understood sir. Thank you and best of luck.

Moderator: Thank you. The next question is from the line of Paras from HSBC. Please go ahead.

Paras: Thank you. My question is more around given the recent flurry of acquisition, can you talk about how much room does your balance sheet have on further acquisition, I am particularly interested on your thoughts on potential divestment of container corp from Government of India and secondly just a clerical one, does the first quarter FY2022 volume does it include Gangavaram already?

Karan Adani: Let me answer your second question first, the Q1 FY2022 numbers does not include Gangavaram volume, it is ex of Gangavaram, this 76 million tonnes. To answer your first question in terms of acquisition, today net debt to EBITDA is around 3 and the way we are looking at growth and we are looking to hit our target, we do believe that our balance sheet would remain at a net debt to EBITDA of 3. So that gives us a head room of almost one turn on net debt to EBITDA minimum, without hampering our investment grade ratings to do acquisition. In our view, CONCOR is a very strategic acquisition and we do believe that raising funds and without stretching the balance sheet we should be easily be able to do that acquisition.

Paras: Okay, perfect and thank you so much Karan.

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

Prateek Kumar: Good evening everyone. My first question is regarding guidance for logistics segment. Since there is some reduction in the guidance in target revenue for the segment, any specific reasons there when we are looking to like sort of axillary in this segment?

Karan Adani: I think the guidance reduction is mainly because of the Kila Raipur ICD which as you would know from the news item that it has been shut that is the only reason. Otherwise we are on track on other assets.

Prateek Kumar: Sir ICD revenue which we are losing to an extent of 300 Crores from that particular asset.

Karan Adani: No, the ICD plus the rail revenue which we would be getting out of moving boxes over there.

Prateek Kumar: So we do not have any terminal which can compensate for losses at Kila Raipur and Biswaspur straight away to some competition before business in the period

Karan Adani: Yes that’s right.

Prateek Kumar: Secondly, last quarter we said that we will be integrating all our businesses, acquired businesses, SRCPL and GPL from hopefully 2022, why has this been generally accelerated or like sort of take effect from 2022?

Karan Adani: let me clarify, GPL Gangavaram port earlier when we gave the guidance, we were not too sure whether it will be a cash deal or share swap deal, after negotiation we have come to an agreement that we will be merging both the companies that is GPL with APSEZ and once we are merging, we have the option of consolidating the balance sheet from 1st April and we have opted for it and keeping that in mind, we have also put in management in place from 1st April 2021. On SRCPL as well since we are going through the merger route, we have followed the same strategy and that’s the reason for the addition.

Prateek Kumar: Okay and in terms of this 10 million tonnes guidance related to I mean the revised number of 350 to 360, now incorporate full yean of numbers, so this is related to container segment doing better than expected or overall any other commodity doing better?

Karan Adani: I will ask Subrat to explain to you where we are seeing growth in commodities.

Subrat Tripathy: Thank you, so we are seeing a very robust growth both in the container segment, you would be watching that Mundra our flagship port has emerged truly as the gateway port of India in EXIM trade and its nearest competitor which we kind of outrun last year and we continue to hold a very strong lead in this quarter and we believe this will continue as well as across the eastern growth, you will see that we are balancing growth both on east and west and that is part of our strategy, so the growth clearly comes from two large segments, containers at Mundra, Hazira and the southern cluster which will catch up after the lockdown has improved and also on the sector eastern and dry bulk, with our very robust connectivity to the steel plants. You are aware that you have seen kind of unprecedented growth of steel industry in India and that is being propelled through our eastern ports of the gateway, so clearly and truly we see the growth areas on two fronts, containers in the west which Mundra will continue to lead and hold its pole position as well as dry bulk in the east, which will continue to align with a major industries and these will be growth drivers on both the sides. Thank you.

Prateek Kumar: Thanks and one last question there is some adjustments in Krishnapatnam port revenue and EBITDA onetime adjustment, which is mentioned in excel what is this related to?

Satya Prakash Mishra: Prateek this is an one-time income that we have booked in Krishnapatnam this time, so we expect this income not to be repeated hence we have kind of kept it out of our port business. I will probably take you through the details offline.

Prateek Kumar: Thank you that's it from my side.

Moderator: Thank you. The next question is from the line of Amish Shah from Bank Of America. Please go ahead.

Amish Shah: Thanks Karan. Karan if I look at port market share broadly, it is about 50% with major ports, almost 30% now with you guys, and about 20% with smaller private companies, question was if it is possible to know how much of this 20 overtime would you argue can be acquired from the smaller ports and how does the major ports authority bill help us to get some share of the 50% major ports as well.

Karan Adani: The major port authority bill does not per se help us in terms of acquisition of market share. In terms of to answer your first question, we do believe that on our market share currently 27% to 28%, we do believe that we can go up to 40% and it is not necessary just from minor ports but we also believe there is an opportunity from taking market share from the major ports, on the minor ports side as I have been mentioning there are basically two acquisitions, which could be on the block, which is Karaikal port and Gopalpur port, which combined volume is in the range of 40 to 45 million tonnes. So it is not a major shift in terms of market share but that is the possible upside if you are asking me.

Amish Shah: Got it Karan, it is about 15% of the existing volumes and while I understand acquisition in the major ports is not possible but could we look at them as a private sector outsourced operator within the major ports?

Karan Adani: Amish to be honest if you look at our past experience where we have assets in Vizhag, Goa, Ennore, Tuna financially they are not one of the best operating assets for us that's mainly because of constraints that are there in major ports, I think it is a conscious decision that we are taking to stay away from major ports especially where you have one particular commodity that you can handle, so we have seen that as part of risk you cannot have capacity linked to only one particular commodity and unless it is very very strategic in nature like just thinking of large if it is like something in JNPT or in Haldia port, we would ideally be avoiding getting into biddings into major ports.

Amish Shah: Got it and Karan, is it possible to give some update on potential policy of the land utilization around ports in general?

Karan Adani: We are looking at development in large-scale development in Mundra and Krishnapatnam, that's where we are looking at large-scale industries to come, we are seeing a lot of uptake happening now that the overall economy improving and capacity utilization increasing, we are seeing lot of people looking to build new capacity. You know our guidance of around 800 to 1000 Crores of revenue coming out of port development income, those guidance continue and as you have seen in this quarter we have already booked majority of it but we do expect the similar guidance to continue in the near future as well for the next five years minimum.

Amish Shah: Okay, got it, thank you Karan.

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

Ashish Shah: Sir my first question is on the through process of merging Gangavaram instead of keeping it as sperate. Any particular reason we are looking at Gangavaram differently as compared to all the other assets which continue to be operating?

Karan Adani: We are merging Gangavaram mainly because of tax reason as well as to give a tax efficient share swap, basically that is the only reason.

Ashish Shah: Okay, so that will be bought out in cash, that is not contemplated as a share swap?

Karan Adani: No that will be bought out in cash and we expect that to be completed by 15th August.

Ashish Shah: Sure, thanks. Second question is on the multimodal logistics park, so the annual report you have spoken a lot about that and we have also been acquired big land parcel so can you just update where are we on the development on those logistic parks and what kind of potential we see in terms of let us say raising our EBITDA out of that, the next three, four or five years?

Karan Adani: I will ask Vikram to answer that.

Vikram Jaisinghani: So we are seeing that the next few years there is a lot of demand for built to suite grade A warehouses both for e-commerce and for industrial purposes and in line with that demand, we have acquired these two land parcels where constructions have already commenced. In Bombay, we are building about 5,38,000 square feet e-commerce warehouse for Flipkart and this development will continue. We got about 442 acres of land for development in Bombay. Similarly in Ahmedabad, Virochannagar, we have made an MoU with the Government of Gujarat to develop 1450 acres of land for multimodal logistics park, primarily focusing also on grade A warehouses, out of this about 850 acres of land has been acquired and we should be breaking ground in a couple of months to start development of the rail connectivity and the grade A warehouse in line with the aspirations I just mentioned.

Ashish Shah: Sure both of these facilities should they be completed by 2023 is that the number you are looking at?

Vikram Jaisinghani: No I think this development is on a pretty large parcel of land that we are talking about. We are talking about 1400 acres in Gujarat and 442 acres in Mumbai, this will typically consume the next five years and at least five years for full development of both these land parcels.

Ashish Shah: Lastly in Dhamra you have the port development income that we booked, is it for the LNG business?

Karan Adani: In Dhamra as you know that we have joint venture with Total for the LNG terminal and as part of that deal, the Dhamra port is constructing the jetty and now that asset has been completed and handed over to the JV company that is why we have booked that thing.

Ashish Shah: Sure thank you.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Good evening sir. Thanks for taking my question. Karan just few questions from my side. One is if I look at our guidance increase in the cargo volumes assuming that we were earlier contemplating Q4 integration of Gangavaram and now Q1, the incremental Gangavaram volume that we are looking at is around 50 million tonnes, so the 10 million incremental project that we are expecting is from the other port for portfolio, so any specific support that we believe that will probably have a large trunk of this incremental growth that we are looking at or is it going to be just driven by the overall macroeconomic recovery and will be spread across all the ports.

Subrat Tripathy: Thank you. It is going to be a combination of all that you mentioned, one it is an overall macroeconomic growth we are seeing that a much better kind of slated to handle the third wave and as and when it were to happen, we are seeing the ports registering very robust growth, we are seeing that all the Indian maritime sector has come back in a sense we have come back with a bang, apart from that we are expecting is clearly facing a lot of bets on India's EXIM trade, you have seen that Mundra is leading and this lead is consolidating to become a gateway, so the growth will come from clearly containers at Mundra, Hazira, we have also mentioned that we have added new services, we are consolidating services at the southern side of Ennore where we are having mainline vessels, so the overall gateway trade ventures that are opening up both in the west at Mundra and Hazira and the East at Ennore will give us the opportunity to drive growth in containers. Coming to other balance growth that comes out of the very very strong growth we are seeing in major industry, particularly in steel and the fact that our ports are very intrinsically connected to the steel sector in the east and this is also visible in a kind of balance that we are having between our east and west strategy, so you see that Dhamra, Gangavaram as and when it is entirely getting consolidated into the APSEZ portfolio and Krishnapatnam, these will be the drivers for our growth so the balance growth will come from container and from the dry bulk from these main ports that I mentioned Mundra, Krishnapatnam, Gangavaram, and Dhamra clearly. Thank you.

Vibhor Singhal: So thanks for that, just one more last question from my side, on the SEZ side we booked a very strong income this quarter of around 740 Crores, of course, what is the total income that we are looking at for the remaining part of the year, overall what is the kind of revenue that we are expected to achieve for FY2022.

Karan Adani: For this year, FY2022, this is the total amount that we have, we do not expect any more transactions for the year. As I mentioned earlier, we do have projects which are in pipeline, which will get materialized in the coming two to three years. Our guidance continues of approximately 800 Crores of port development income recurring almost every year.

Vibhor Singhal: Thanks for taking my question and wish you all the best.

Moderator: Thank you. The next question is from the line of Atul Tiwari from CitiGroup. Please go ahead.

Atul Tiwari: Thanks a lot and congrats on pretty good set of numbers. One more question on these two large land parcels, which have been acquired. Annual report mentions about Rs. 2310 Crores, but on an individual basis how much we have paid separately for these land parcels and is that the final amount or do we need to pay more in the future?

Karan Adani: It is the final amount. I do not have the exact amount in place Atul what I will request is the IR team to share with you separately what is the exact amount each parcels wise, but this is the final amount that we have paid and there is no more further payment on it. Whatever capex will be going, which is in our capex guidance of 3000 to 3500 Crores that goes into the development of our assets, part of that development also is construction in these parcels.

Atul Tiwari: So broadly Rs. 2310 Crores is the total final amount for both of these parcels.

Karan Adani: Yes that's right.

Atul Tiwari: Broadly, I do not know how best to ask this question, but what would be the comparable prices of land in this area, I am asking because if you see Bombay land 442 acres first of all it is very large parcel for an area like Bombay and here the prices could be much higher than what is implied by this Rs. 2310 Crores number, so any idea what could be the market price for industrial land around these two areas that is acquired?

Karan Adani: So market price for industrial land near the area where we have acquired in Bombay, there the market price is approximately 5 Crores per acre; however, you will see that we have acquired at a much lower price than what the market is going at and in Ahmedabad in Sanand, there the price is going roughly at 2 Crores an acre and again over there if you see our acquisition cost is much lower than the market rate.

Atul Tiwari: Let me kind of test my luck a little bit, so why would you be able to acquire at much lower prices than the market price, any color on that whatever you can share?

Karan Adani: That's secret we will take offline.

Atul Tiwari: Okay. I will leave it there.

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

Sita Raman: First question is on the Gangavaram port the volume that you are guiding close to 39 MMT, what is the commodity split that you are expecting with that?

Karan Adani: We have given the split in the presentation, let me just pull that out. So if you see from the 39 million tonnes that we are guiding, approximately I would say 60% comes from minerals and coking coal, roughly 10% comes from other dry cargo and then the remaining comes from thermal coal. We have given the breakup in the presentation, pg. 25.

Sita Raman: My second question is basically in the logistic segment you have acquired few new assets along the DFC to be done as CFS for ICD right, so what is the plan on development of those land parcels.

Karan Adani: So the bid there was an open bidding process run by DFCCIL and we have acquired eight in our opinion strategic assets on these DFC corridors, on the western DFC as well as the eastern DFC, now the conditions stipulated in the LOA is that we have to sign the formal agreement in the next few months and we have to construct ICD in these eight strategic locations in the next three years, which means acquisition of land, making the detail project report, commencing the construction, and operationalizing this asset. In these eight stations, we are well poised to complete it within the stipulated lines of three years and this will add on to our current fleet of ICD where we will incur a capex of about 50 Crores per station to develop this ICD.

Sita Raman: And what is the capacity that you expect to handle similar to or at an individual level in these ICDs.

Karan Adani: So each station will have a different capacity that we will keep in line with the market demand of the region around that station. So I cannot give a fixed number that it will be 40,000 or 50,000, but it does vary between 20,000 to even 40,000 some places like Dadri which is right in the heart of NCR, the capacity will be much larger in some of the other stations like Ankleshwar and Jaipur, it might be even 20,000 to 25,000 to use to start with. Just to supplement over there, there is no condition in the bid that you have to build a particular capacity so it is left to the developer looking at the market scenario how much they want to develop.

Sita Raman: Is there any sort of guidance that you can give what is the total capacity from the eight you are planning to build?

Karan Adani: Give us a month's time, we will give it to you separately?

Sita Raman: Okay.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Thanks a lot for taking my question. Sir my first question is on the logistics business, I mean when the government put CONCOR on the block it used to be a 3-billion-dollar company, today it is a 5.5-billion-dollar company. Just wanted to get your thoughts given that we are already investing into logistics, is it not that we can create a business of that size on our own in the next few years or something like this would be essential for us to get the scale that would be my first question?

Karan Adani: Pulkit to answer your question it is possible to create an alternate, but it takes 10 years' time to create that alternate, you are paying basically time value that you are paying to fast track your strategy.

Pulkit Patni: Sure, so even at 5.5 billion it is an asset that's definitely interesting. My second question is on Kattupalli, we have seen last couple of quarters the performance there has been relatively weak, so just wanted to get a sense of what is happening there and when should we expect a return of growth for that asset.

Karan Adani: I will give you broad strategy and then Subrat can give you the numbers, but the way to look at Kattupalli especially in container is to look at Kattupalli and Ennore together, the reason I say that is because we look at both the terminals together and we give a solution to our customers looking at the windows that they want, so when you look at both of them together and also one or two shipping lines have shifted from Kattupalli to Ennore so it is not that we have lost to our competition it is just that we look at both the terminal together, I will ask Subrat to give you the details.

Subrat Tripathy: In continuation to what Mr. Karan Adani has clarified, if you look at the southern cluster of ports and if you look at where Chennai and Ennore and Kattupalli are situated, so we are looking to maximize Kattupalli's presence over a bouquet of cargos. One on the container front which Mr. Karen clarified, we have not fairly lost, it is that we have taken merger service to Ennore and then on Q3 we will be seeing volumes coming back to Kattupalli that is our belief and we have got some strategic discussions already with new shipping line on the container front. You will also understand Kattupalli is also replacement for the entire portfolio maritime activities that go in and around Chennai, Ennore may not be entire answer to that, Kattupalli been slightly situated away from the city, little more distant from Ennore will be handling cargos and testaments of that is that in this quarter we added a new cargo dolomite in the dry bulk, we are looking to enlarge the liquid business so in a sense we want to establish the footprint of Kattupalli handling a bouquet of cargoes, that particular answer as it scales up and gets into the rhythm, you would also understand that the southern cluster was hit rather badly in the COVID, we have experienced more lockdowns in other places and so the south versus other growth has been little subdued but in Q2 we are seeing a revival and Q3 we are very confident with the new lines coming for containers with a preference for dry bulk and liquid business establishing itself where we take a lead over Ennore, Kattupalli will certainly be a port of the future over there. We look to consolidate but it will certainly take a little time to scale up and yes we have not lost between Kattupalli and Ennore, we would like to balance and see that the cargoes get retained with APSEZ as it were.

Pulkit Patni: Sure that's helpful, maybe just one last bookkeeping question after the 25% acquisition, the balance acquisition of Krishnapatnam, can you highlight what is the exact debt and equity split there?

Karan Adani: Debt equity in Krishnapatnam is roughly 60:40

Pulkit Patni: The absolute amount if you could.

Karan Adani: We will share you offline.

Pulkit Patni: I will take it separately no worries. Thank you.

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

Swarnim Maheshwari: Congratulations for the good set of numbers Karan and once again all the acquisitions that you have done are pretty attractive both in terms of valuation and growth, I just wanted to understand from the container side, now we have seen that there is shortage of containers for the past about a year or so, earlier this was supplied, there were supply disruption but then it is more for the demand side, is there any kind of a volume loss on account of container shortages and do you think that the government's recent push towards the container manufacturing in the country it could reduce our dependence on the import.

Karan Adani: Swarnim on a short-term basis we have not seen any volume loss because of the container shortage, we have actually end up seeing is that the supply chain has become more efficient because people are now pushing to reduce as much time as possible. To answer your second question, yes, the container manufacturing initiative by Government of India will definitely help India in terms of addressing these container shortages issues that we are facing.

Swarnim Maheshwari: Okay, alright, thank you so much and wish you all the best.

Karan Adani: Thank you.

Moderator: Thank you very much. I would now like to hand the conference over to Mr. Swarnim Maheshwari from Edelweiss Securities for closing comments.

Swarnim Maheshwari: Thanks to the management of Adani Ports for allowing us to host this call and thanks again for your detail insights Karan and team, would you have any closing comments please go ahead.

Karan Adani: No thank you. Thank you Swarnim. Thank you everybody for joining the call and IR team Satya is there, if there is any questions that any of you have, we are happy to answer. Thank you so much.

Moderator: Thank you very much. On behalf of Edelweiss Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.