"Adani Ports & SEZ Limited Q1 FY19 Earnings Conference Call"

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MANAGEMENT:	**MR. KARAN ADANI - CEO AND WHOLE-TIME DIRECTOR, ADANI PORTS & SEZ LIMITED** **MR. DEEPAK MAHESHWARI – CFO AND HEAD OF STRATEGY, ADANI PORTS & SEZ LIMITED**
MODERATOR:	**MR. ANKUR PERIWAL – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Adani Ports Q1 FY19 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participants' 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 telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ankur Periwal from Axis Capital Limited. thank you and over to you Sir.

Ankur Periwal: Thank you Janice. I would like to thank all of you for dialing into Adani Ports Q1 FY19 Earnings Call and thanks a lot to the Management for giving us this opportunity to host the call on their behalf. The call will be initiated with a brief management discussion on the quarterly performance followed by an interactive Q&A session. Management team will be represented by Mr. Karan Adani – CEO and Whole-Time director, Mr. Deepak Maheshwari – CFO and Head of Strategy. I will now request Mr. Karan to take us through the results and his commentary to start with.

Karan Adani: Thank you. Good evening, ladies and gentlemen, welcome to the conference call to discuss our Quarter 1 FY19 Operational and Financial Performance.

Our consolidated revenue in Quarter 1 FY19 was Rs. 2411 crores compared to Rs. 2745 crores in Quarter 1 of FY18. The revenue was lower as there was no SEZ Port led development income in Quarter 1 of FY19 compared to Rs. 661 crores booked in Quarter 1 of FY18.

Our core operations reported strong performance; port revenues grew by 16% to Rs. 1966 crores and port EBITDA grew by 17% to Rs. 1380 crores. Port EBITDA margins on year-on-year basis expanded by 100 basis points to 70%. PBT and PAT for Quarter 1 of FY19 were lower as we provided Rs. 383 crores of mark to market loss on our foreign currency loan of USD 1.97 billion. Details of financial numbers will be discussed by Deepak later on, let me take a few minutes on highlighting our operational performance. APSEZ continues to outperform and gain market share, we have completed our acquisition of Kattupalli port and re-commenced our operations at Vizag Terminal.

In terms of Cargo volumes, during the quarter we have achieved highest throughputs by handling 48.07 million metric ton of cargo which translates into a year-on-year growth of 9%; this is against a growth of 3% registered by All India Ports. There has been an all-round growth in the cargo that we have handled. Crude grew by 65%, coal excluding Adani Power and Tata Power grew by 19% and containers grew by 16%. Cargo volume grew by 5% at Mundra Port, 14% at Hazira Port, 38% at Dahej and 13% at Kattupalli port. Cargo volumes at our terminals in major ports improved significantly, volumes grew by 70% in Tuna, 459% in Goa and Vizag handled a volume of 150, 000 metric ton.

In terms of our composition:

Containers contributed 43% of the basket, coal 30%, crude 13% and other bulk had a share of 14%. On to containers, our consolidated container volumes grew by 16%, our containers throughput is 1.42 million TEUs, and container volumes at Mundra grew by 15%, at Hazira by 19% and at Kattupalli by18%.

During the quarter, a new Far East Service that is "FIVE" operated jointly by GSL, KMTC, Evergreen and Pendulum Express started calling at our Hazira Port. On coal, we have seen a growth in imported and trading coal and this is reflected in our volumes handled at our various ports. While coal volumes at Tuna increased by 41%, it increased by 32% in Dahej and 459% in Goa. In addition, Vizag terminal handled coal volumes of 150, 000 metric ton.

Adani Power has re-commenced its coal imports from Mundra port in June 2018. On crude volumes at Mundra, it grew by 64%; if you recollect in Quarter 1 of FY18 we could not handle 2 million metric tons of crude for HMEL as they were shut for maintenance and up gradation. In Quarter 1 of FY19, we have been able to recover this entire loss of cargo. Our strategy to diversify and handle various types of high value cargo at all ports continues. Dahej port handled salt for the first time and Hazira has started handling slags and specialty chemicals, mainly ECH for the first time in India. This has helped us to increase our EBITDA and EBITDA margin.

Onto Dhamra performance:

DHAMRA port continues to encounter evacuation issues, in spite of having excellent catchment area of coal and iron ore, non-availability of sufficient rakes due to diversion of the same to Power sector by Railway is hindering the port to increase its throughput. From 15 rakes in Quarter 1 of FY18 which our average per day is currently Dhamra receives only 12 rakes per day from Railways. In order to makeup shortfall in Cargo volume, Dhamra has started handling high value cargo like HR steel coils for Tata Steel and clinker for JSW Cement through container trains. It has commenced an offshore ship to ship handling of POS and we expect 400,000 metric ton through this stream in FY19. Going forward, we will also handle LPG for Bangladesh and Haldia through this stream i.e. STS Operation. Our strategy to handle High value cargo will ensure that we will be able to earn higher revenue and EBITDA even on lower volumes.

New Policy of Own Your Wagon scheme has been cleared by Government of India. We have put a proposal for operating 11 rakes of which we have received approval for 1 rake from Government. It will be operated for Rashmi Metallics in the Kharagpur circuit. Once we receive approval for other rakes, we will operate them for other customers like Tata Steel, SAIL, JSCL. Our strategy to add capacity, increase storage space, handle high value cargo and address evacuation issues will ensure that Dhamra port will grow by 20-25% from FY20 onwards. In terms of cargo growth, in FY19 and new contracts that we have signed.

We have signed new 2-year contract with Chromeni Steels to handle Steel cargo at Mundra port with a MGT of 800,000 metric ton during this contract period. As per the current trends we are confident of achieving 200 million metric ton of cargo volume in FY19 and achieve our earlier guidance of at least 1.5 times of all India cargo volume growth and 2 times of all India container volume.

On SEZ front, we have leased out land of 47 acres to MD Equipment, Anjani Udyog and Adani Wilmar Ltd. during the quarter and earned a revenue of Rs. 115 crores. We have not earned any SEZ port led development income in Quarter 1 of FY19. However as guided earlier, we are confident of a revenue of Rs. 800 -1000 crores through port led development in FY19.

On Logistics Operation:

ALL handled rail volume of 44208 TEUs in Quarter 1 of FY19 compared to 57668 TEUs in Quarter 1 of FY18. Lack of availability of leased rakes impacted rail operations of ALL. 8 rakes which were on lease were called back by the lessor, to counter this we have ordered for 10 rakes on lease model 4 months back and these are long term lease obtained here and expect their delivery in this quarter. We will order for another 10 rakes in Quarter 2 of FY19. This will help ALL to increase its rail operations from H2 of FY19. Our strategy of expanding our logistics footprints continue. We have commenced construction of Private freight terminal at Baroda and Bengaluru. We expect Bangalore to be operational by December of 2018 and Baroda by March 2019. We are in the process of acquiring land for PFT at Panipat and Nagpur. Recently, we have formed a JV with NYK Auto logistics. This JV will offer dedicated train service to transport automobiles in India through rail. We are seeing an increase trends of automobile manufacturers shifting to rail from road to save cost and improve delivery time. Our JV with NYK will utilize this business opportunity and we will be ordering three auto rakes in Quarter 2 of FY19. This is a 50-50 JV with NYK.

In conclusion:

We are confident of achieving 200 million metric ton of cargo volume in FY19 and achieve our earlier guidance of at least 1.5 times of all India cargo volume growth and 2 times of all India container volume. We will continue to focus on sweating our existing capacity, bringing down costs and improve our margin. We expect port EBITDA margins to increase by 100 basis points every year and peaking at 73-74%. CAPEX for FY19 will be around Rs. 2500 crores and we will be able to generate a free cash flow of Rs. 1750-2000 crores in the current financial year. We would further strengthen our balance sheet and continue to practice best Health, Safety and Environment process. Now I request Deepak to take you through the financial numbers.

Deepak Maheshwari: Thank you Karan and good evening Ladies and gentlemen. Focusing on the financials, the consolidated revenue is lower by 12% from Rs. 2745 crores to Rs. 2411 crores as there is no revenue from SEZ port development during this reporting quarter. In Q1 FY18 we had earned Rs. 661 crores as SEZ Port development income on account of CT-4 Terminal sale to JV. If we exclude this revenue from core operations, our revenues have grown from Rs. 2084 crores to

Rs. 2411 crores; an increase of 17%. Similar is the case with the EBITDA, the total EBITDA excluding mark to market FOREX loss was Rs. 1588 crores. In Q4 FY18 the sale of CT-4 Terminal gave us an EBITDA of Rs. 280 crores. If we were to exclude this, the EBITDA in Q1 FY19 has grown by 23% because excluding it the EBITDA would have been for Q1 FY18 Rs. 1287 crores vis-à-vis the Rs. 1588 crores this time.

Consolidated EBITDA margins after excluding FOREX mark to market loss in Q1 FY19 was 66% compared to 57% in Q1 FY18. Focusing specifically on the core Operations in Ports revenue, the ports revenue grew by 16% from Rs. 1698 crores in Q1 FY18 to Rs. 1966 crores in Q1 FY19. The port's EBITDA grew by 17% from Rs. 1179 crores in Q1 FY18 to Rs. 1380 crores in Q1 FY19. The port's EBITDA margin expanded by a 100 basis points from 69% in Q1 FY18 to 70% in Q1 FY19. The finance costs during the quarters have reduced from Rs. 330 crores to Rs. 321 crores. Profit before tax for Q1 FY19 was Rs. 922 crores compared to Rs. 1092 crores in Q1 FY18. The profit after tax for Q1 FY19 is Rs. 691 crores as compared to Rs. 760 crores in Q1 FY18. This is on account of the mark to market loss of Rs. 383 crores in Q1 of FY19 versus a FOREX gain of Rs. 32 crores in Q1 of FY18. This has obviously impacted the overall profit before tax. If we were to adjust the FOREX mark to market loss, our profit before tax would be Rs. 1305 crores translating to a growth of 20%.

I would just like to spend a few minutes on the FOREX exposure:

More than 32% of our port revenue is dollar denominated which is basically based on the container business plus the marine services and more than 46% of the port EBITDA is dollar denominated, thus we have a natural hedge. And just to share some more numbers; one-rupee impact on the dollar-rupee impact or increases our revenue by Rs. 40 crores on a per annum basis and a Rs. 1 impact on P & L because of the loan with Rs. 115 crores per annum but as we have mentioned in the past, we take a look at a 5-year policy and because of our 5-year policy our revenues as well as our payables are matched. We do not hedge the dollar, but we would see a temporary impact on the P & L however, in a 5-year period on the longer period, it would accrue to us to profitability and increase in revenue.

With that statement, I think the lines will now be opened for questions and answers, so please go ahead with that.

Moderator: Sure, thank you very much. We take the first question from the line of Venugopal Garre from Bernstein, please go ahead.

Venugopal Garre: I just have two small questions; one on Dhamra, especially given that this evacuation issue has been going on for a while, this Own Your Wagon scheme when is the earliest you think can operationalize that and how would that sort of what on slate or rather what kind of quantum volumes that you think you can actually drive incrementally from that?

Deepak Maheshwari: The first rake we expect to come into circuit from January/February of 2019. As I have said we have put in a request for 11 rakes to Ministry of Railways. We expect the approvals to come in place in next one to one and a half months' time. Generally, delivery period is 6 months from the time we place an order, so assuming all 11 rakes gets approved, we expect them to be commissioned and online maximum by end March 2019. Just to give you an idea, these 11 rakes if approved we are talking a volume of approximately 10 million ton driven through these rakes. So, apart from the 15 rakes that we are getting from the Indian Railways, this will add another 10 to 11 million tons of cargo.

Venugopal Garre: Secondly on Vizag, even though it is a small sort of operation there but is it like a recurring opportunity that you see here or is it like you had some smaller one-year contract that you decided to sort of commence operations there or do you see any visibility for the port in the long term, that particular terminal?

Deepak Maheshwari: In Vizag right now because of the change in the coal scenario in India, we are seeing the opportunity especially in coal volumes coming back. Obviously this year we will try to make sure that we get as many long term contracts as possible in Vizag. And if we are able to get long term contracts then this terminal we will not take a one-year view but a much longer view over here.

Moderator: Thank you. We take the next question from the line of Nishant Chandra from Temasek, please go ahead.

Nishant Chandra: This is just a clarification on the point of FX. So, Deepak if I understand your numbers correctly, one-rupee of depreciation adds about Rs. 40 crores to revenue right and hence let us say if you take the same Rs. 3.29 of depreciation it would be roughly Rs. 130 crores of revenue addition for the potentially for the company on an annualized basis and if I were to do the numbers, roughly at our 70% EBITDA margins, if you translate to Rs. 90 crores of EBITDA. So, against the Rs. 329 crores of which is a Rs. 383 crores which you are saying is. Effectively, is it a 4 tons EBITDA that when effectively you will make that debt increase in 4 years. Is that the right way to think about it?

Deepak Maheshwari: As you view, it is a lot of numbers; let me try to answer it in a simpler way. The total increase in the revenue which will take place on an annualized basis, so we have around $400 million of revenues which are dollar-denominated which largely comes from the container business as well as from the Marine business. This is what we expect this year. As some of these businesses also grow, there will obviously be an increase in the dollar-denominated revenue which we get. Basis the $400 million of revenues that we have in this particular year and a one-rupee impact clearly is Rs. 40 crores. So, it sorts the $400 million into one-rupee that will give you the numbers. Similarly, if you were to look on our P & L, what I have indicated is the impact of a one-rupee move. Now, you will see that we have also explained that the total amount of FX that we have and is highlighted and if you were to see a one-rupee move out there, you will get an impact of around Rs. 115 odd crores. Now those are the numbers really which are there, so in this particular quarter there would be a move of more than Rs. 3 hence you are seeing the impact of around Rs. 380 odd crores. Now there is a certain amount of revenue increase which has already come in because of the depreciation of the rupee into our P

& L this year that is roundabout Rs. 20 crores-Rs. 24 crores have already factored in because of the first couple of months. So, on a long-term basis; we see it as a completely hedged play. Yes, there can be intermittence….

Nishant Chandra: So, I am on the same page, so there are 2 parts right? One I agree with you that you should look at it on a x FOREX loss basis and not be having a multiple impact on the FOREX loss. The second thing that I was trying to understand was; so what does it mean in terms of debt sensitivity to FX and the P& L sensitivity to FX. So, the debt sensitivity to FX is clearly captured in your debt. The P & L sensitivity to the FX is what you articulated. So, till the revenue line I am there with you. I was trying to look at it in terms of effective incremental debt to incremental EBITDA, so my calculation in the same basis is that for every rupee increase, depreciation in FX you add Rs. 40 crores of top line and Rs. 28 crores EBITDA, I am just running with 70% EBITDA margins and hence the incremental debt is what you articulated, it is Rs. 120 odd crores.

Deepak Maheshwari: I am sorry to button here but how are you moving from the revenue to EBITDA and making that Rs. 28 crores because from a hedging perspective, if my costs are rupees, all of that translates into a dollar element of my EBITDA debt because I do not have dollar cost, so that dollar-line item continues to be, you know it just translates …

Nishant Chandra: So, you mean it is actually a fully flowing proof, not exact meaning.

Deepak Maheshwari: Yes.

Nishant Chandra: So, then the incremental debt to EBITDA is even lower than what you have articulated.

Deepak Maheshwari: But incrementally I am not taking any.

Nishant Chandra: Correct.

Deepak Maheshwari: So, the numbers in the simplistic form are the way that I have described it. If you see the one-rupee impact on revenue and the one-rupee impact on the loans moving through the P & L and the one-rupee impact on the revenue pretty much flows directly into the EBITDA.

Moderator: Thank you. We take the next question from the line of Prakash Jain from HSBC, please go ahead.

Parash Jain: I have two questions for the management. First is; when we look at revenue growth versus volume growth, how would you attribute the 7% acceleration in revenue? Is it more to do with FX versus cargo mix versus the underlying improvement in wheels and my second question would be more around going into the peak season; have you seen any deceleration in growth with all the noise around trade protectionism that we are witnessing which may not necessarily impact India with porter imports but per say, from your sitting lines perspective, have you seen any sort of weakness on that front?

Deepak Maheshwari: Let me answer the first of your questions then Karan will address the second one. I think it is a mix of all, all the reasons that you have mentioned and there is an increase in realization which is coming in because of rupee depreciation which I mentioned earlier. There is, because of the change in the cargo mix, because we have a higher percentage of crude flowing through in our cargo mix at this point of time. And plus, there is an element of price increase. So, a number of these factors, each of them is contributing to the total increase that we have seeing; which is a 7% increase as compare because there is a 9% increase in volume and a 16% increase in the revenue. With that, the second point on whereas we are seeing an impact on the growth.

Karan Adani: Yes, so actually on growth side, we are seeing a consistent growth going forward and we are not seeing any deceleration. On the contrary, we are seeing there is better performance happening and so far we have not seen any impact of the trade wars in India and specifically from shipping line but it is hard to say whether on long term whether there be any effect on us but at least on a short term for the next one year we do not see any impact as of now.

Moderator: Thank you. We take the next question from the line of Kushant Ravi from Emkay Global, please go ahead.

Kushan Parikh: Just policies for the harping again on the FOREX loss part of it; basically you gave us a very clear understanding of how it impacts our revenue and loans and that the fact that it is an MTM and a notional loss but could you just elaborate a little on if and when, is it a possibility that these losses will eventually get realized or eventually in case the rupee appreciates, it will just get reversed then it is only notional that this FOREX line item keeps coming into the profit and loss?

Deepak Maheshwari: So, it is notional from that perspective because it does not really affect, so if the rupee was to go back to Rs. 65 then we will have to reverse this, but I am sure you appreciate that if rupee was to go to Rs. 65 then as compared to the revenues that we are getting now which are the dollar revenues will also reduce. So, as I said, the points still remain that we are completely hedged on this. There can be timing mismatched between one year and the other but if you look at it the way we look at is from a 5-year period, our payables in dollars and our revenues in dollars are matched.

Kushan Parikh: So, in conclusion, from a 5-year period point of view we can expect this to be more or less P & L neutral.

Deepak Maheshwari: Yes exactly.

Moderator: Thank you. We take the next question from the line of Ashish Shah from IDFC Securities. Please go ahead.

Ashish Shah: Sir if you can please highlight the sustainability jump that we have seen in the third-party cargo at Mundra, when I say third party I mean the non-Tata UMPP and non-Adani Power Mundra. So, what is the customer profile and how sustainable you think this coal cargo is?

Karan Adani: Are you specifically asking for the coal or are you asking question about.

Ashish Shah: I am asking for coal actually; I am referring to the comment.

Karan Adani: So, specifically, for coal is what you need right. So, specifically on coal we have been a 9% growth in Mundra which is non-power and non-Tata power and this is mainly driven by both cement industry as well as trader. We expect this volume to continue, this growth to continue. As I earlier mentioned in my earlier calls that in terms of imported coal on a conservative basis we are taking 2.5 to 3% growth but this year we do see the similar kind of growth continuing for the whole year mainly because the Indian railway is not able to evacuate the coal volumes out of Coal India and reach the power houses. So, most of it is reaching the power houses but it is not able to reach the secondary sheet that is mainly cement and steel industry and so that is the way we are seeing a larger increase happening. So, if you ask me till the time railway does not sort out it's issues, we would continue to see a similar kind of growth in terms of imported coal.

Ashish Shah: Sure. Also in terms of the land realization we have spoken about for the new leases for the SEZ. We have said about 47 acres for 115 crores. So, that translates to about 2.5 crores an acre. So, this is the value of the realized land or there is any accounting adjustment that we need to be aware of?

Karan Adani: This is the present value of the land.

Ashish Shah: Right. So, this is the present value at which it has been sold and there with the component of upfront and the NPV of the future leases.

Karan Adani: Everything is upfront, the annual lease will come in the coming year. So, whatever we have recovered in the upfront that is what is reflecting.

Ashish Shah: So, 115 crores is what is the upfront component.

Deepak Maheshwari: Yes, that is right.

Ashish Shah: Right. Last question sir the tax provision in absolute number appears lower, is that because you got the tax shield of the MTM loss or you have not taken that?

Deepak Maheshwari: That is right.

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

Bhavin Gandhi: My question relates to Slide #31 where you have given the port wise performances. So, I see that the EBITDA for the Dhamra has obviously come down so and the commensurate increase in the Harbor EBITDA. So, are these the one that you are referring to in the note the 42 crores adjustment.

Deepak Maheshwari: That is right, so for the case of Dhamra you can see that we have clearly identified as to what is the reason for the increase from 75 to 126 which is an increase of grudging cost of around 42 odd crores. So, it is captured in the note which is on the same page. It is one-off thing, it is timing so over the year the Dhamra Ports are likely to remain the same, but we have done the work in this period.

Bhavin Gandhi: Sure. So, will it mean that in the subsequent period that the Harbor EBITDA goes down and the Dhamra revenues is up?

Deepak Maheshwari: No. I do not think why you are linking it to Harbor.

Bhavin Gandhi: It seems to be relating to dredging, so I thought.

Karan Adani: Dredging does not come in Harbor. Harbor covers the Marine income.

Bhavin Gandhi: Alright. And sir my second question is relating to Kattupalli where I see this reduction in the substantial reduction in operating expenses is it because now that we own the port those rental expenses would have come down.

Deepak Maheshwari: This is largely relating to the IndAS adjustment if you remember earlier there was an element of interest which was getting charged in Kattupalli so that is not going to be the case, because now we own it completely.

Bhavin Gandhi: Sure. And just one final question, this 200 million guidance that does not include any volume expectation from Tata or Adani Power right.

Deepak Maheshwari: Does not include Adani Power, Tata Power we have always said that it will be there.

Moderator: Thank you. We take the next question from the line of Sumit Kishor from JP Morgan. Please go ahead.

Sumit Kishor: My question relates to the container traffic growth that we have seen at Mundra which has been led by the container JV I assume CT3 and CT4 almost 15%, could you give us color around what the exact volumes have been there at these JVs and some color on the EBITDA that you have at the JV level for both these things because at the profit level as we see there is continues to be zero consolidation of share of profit. The accounting reason for which I understand but I would also like to understand as to for how many quarters would this continue. Thank you.

Deepak Maheshwari: Sir let me address your second question first while we look at the numbers across each of the terminals. Your question largely was also relating to what is the EBITDA that we see at the

JVs and the EBITDA that we see at the JVs is around 50%-odd. The cargo where we have done through the JV in quarter one of this year is 9.76 MMT and basically 669,000 TEUs as compared to 457,000 TEUs last year for the same quarter so which is a 46% increase. There is an increase in the revenue as well, that revenue is around 299 crores and the total EBITDA from that particular business is around 50%. Have we addressed your questions about both the cargo as well as EBITDA or is there anything specifically that you need to know more?

Sumit Kishor: No. I think this is good the only other part of the question is that, the share of profit from these JVs is being consolidated as nil in the last financial year and this quarter. While I understand the accounting reason for that, for how many more quarters in our model should we basically expect this to continue because you completely offset?

Deepak Maheshwari: Sure. I think we can take that offline and Bala will try to address that. But my gut is that it is at least two more years but we will take it offline and we will explain it more details and give you the exact numbers.

Moderator: Thank you. We take the next question from the line of Rajarshi Maitra from CIMB. Please go ahead.

Rajarshi Maitra: First one is on the Q1 of last year, so you were mentioning there was an SEZ income because of CT4 transaction now if I remember correctly this was a JV transaction so when the consolidation only half of the profits came for the transaction right. Why I am harping on this point is that, it will have an impact on that quarter's port EBITDA. So, according to my calculation the last quarter's port EBITDA was somewhat higher because the SEZ income that I have is half of what you have mentioned in the presentation. Just wanted to clarify that.

Deepak Maheshwari: Can you just repeat that because I think this has been explained a couple of times last year as well but we do not mind doing it again but we just want to understand the question properly so that we give you the right answer.

Rajarshi Maitra: Okay, sure. So, last quarter the CT4 transaction you had a profit of 270 crores but that was in the standalone entity in the consolidated accounts you were account for only half of it. So, is my understanding correct is it half of it?

Deepak Maheshwari: No it is the full amount.

Rajarshi Maitra: It was the full amount that was accounted in the consolidated as well.

Deepak Maheshwari: That is right.

Rajarshi Maitra: Okay. So, that is one, and the other thing again coming back to this FOREX accounting and all so when we are treating obviously these MTM losses because of rupee the exchange rate moving up and down we are treating that as extraordinary but then the revenue item it also includes the impact of FOREX fluctuations right so my point is that either we exclude at both levels at the revenue level and at the cost level, or we include it or we export it at both the places why are we, we are doing it right now what we are doing is at the we are excluding the FOREX cost level but at the revenue level we are including it. So, that way.

Deepak Maheshwari: I don't think it is a fair statement because if you recollect in this call I have clearly mentioned that 24 crores of the revenue that we have got during this particular quarter is because of FX. So, we have clearly highlighted the benefit that we have got in this quarter as well as the impact that it is making on the P&L and on the balance sheet. So, I think it would be a wrong statement to say that we have looked at only one part. And this is how it will in the sense that the impact that it has on the balance sheet and on the P&L is clearly articulated and explained and the impact that it has on the ongoing basis on the P&L because of the impact on the revenue and EBITDA is also being clearly explained. I do not understand as to how exactly you want us to present this but if there are any specific ideas which you have which can make our representation of this better we are quite happy to understand that. And we can discuss this offline and if there are inputs that we believe can make our disclosures more transparent we are happy to incorporate it.

Rajarshi Maitra: No. I think what you mentioned is fair enough so 24 crores is the impact on the revenue so we can just adjust accordingly numbers.

Moderator: Thank you. We take the next question from the line of Bharanidharvijay Kumar from Spark Capital. Please go ahead.

Bharanidharvijay Kumar: I am seeing the Adani Harbor revenues have grown by 20% when our cargo volumes have grown by 9% so just trying to understand what exactly this marine income we are booking here which is growing at a higher pace than the volumes.

Deepak Maheshwari: So, mainly the revenue increase is because we have increased our tariff at across all the ports. And second is because of the FOREX gain because all the marine income is in dollar term.

Bharanidharvijay Kumar: Understood. And when I was going through your SPV accounts for FY18 I could notice that this is particular entity that you have created is earning an EBITDA of about 90% so is it sustainable?

Deepak Maheshwari: Yes, this has been a consistent trend for the last 7 to 8 years.

Bharanidharvijay Kumar: Right. So, I should take it as sustainable EBITDA margin going forward for this year also.

Deepak Maheshwari: Yes, that is right.

Bharanidharvijay Kumar: Right. And my final question is on the sequential growth in port revenues. So, from the last quarter to this quarter the consolidated volumes have grown by 6% wherein the port revenues have grown by 1% that is 1947 crores growing to 1966 crores this is of course because we are not accounting for the JV revenues. So, there is always going to be a mismatch between the growth and consolidate volumes and port revenues am I right in that assessment.

Deepak Maheshwari: It is also factor in that in the Q4 there was SEZ revenue and port-led developed income.

Bharanidharvijay Kumar: I am talking only the port revenues.

Deepak Maheshwari: I think we will have to take that offline.

Bharanidharvijay Kumar: Sure sir. So, finally, on the same point so you have mentioned in one of the earlier answers that you make 50% EBITDA margin on the JVs so is that right, so on 299 crores of the CP3, CP4 revenue we have made 60% of EBITDA margin.

Deepak Maheshwari: That is right.

Moderator: Thank you. We take the next question from the line of Sushant Kothari from The Pictet Group. Please go ahead.

Sushant Kothari: So, the first question is if you can update us regarding the receivable situations as of June end? The other question is around the stake sale done by the promoters. If you can help us interest and what is happening around there?

Deepak Maheshwari: Okay. So, on the receivables there is no major change I think at the end of last quarter we had explained the total amount of receivables which are there from Adani Power and the number is largely the same, Adani Power has started its corporations in June and we are receiving all incremental payments which are due for providing the port services. On the stake sale, I am not sure whether Karan you want to say something, but I think we have disclosed everything in the newspapers already. There is a press release which has already been issued by the Adani Group which clearly states as to what their plans are, how they are planning to manage the various things about Adani Power. So, frankly, we really do not have anything incremental to say about it.

Sushant Kothari: Okay and just a clarification on this receivable front then, we had some higher receivables due to the CT3 and CT4 proceeds which you are supposed to receive in this financial year. What is the visibility then?

Deepak Maheshwari: We are still on track and we expect that by this end of September, we will have it all received because the financing which is relating to those it well on its way.

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

Vibhor Singhal: Sir my question was on the Adani Logistics business. So, we have seen a substantial decline in the Adani Logistics revenue in this quarter you mentioned the reason because of the lack of rakes, because some of the rakes were called back by the lessor so basically what is the visibility in terms of the growth in this business? What is the kind of run rate that we are expecting from this business this year and maybe the kind of growth that we are expecting in the years to come depending on of course the time lines of new basically ICDs opening up as you mentioned at Bangalore and Vadodara?

Karan Adani: So, as I said that our volume was down because of rake availability and to mitigate that you have already placed an order for 10 rakes which we expect the first rake to become operationally by end of this month and then every month two rakes will be added and similarly in Q2 we are placing an order for another 10 rakes which we would expect the first rake to come in January and then every month two-two rakes. So, with that in place, we should be back on track in terms of growth and I think this year we can easily take revenue growth on year-on-year basis of 40% to 45%.

Vibhor Singhal: You mean next year on wards FY19 also you are expecting around 45% kind of growth?

Karan Adani: Once the rake comes in we should be able to recover our drop in revenue and by Q4 we should be on the growth trajectory.

Vibhor Singhal: But we are not expecting a 40% kind of growth in FY19 I suppose right?

Karan Adani: No.

Vibhor Singhal: Because that would be around 1100 crores of revenue from the logistics business.

Deepak Maheshwari: Yes, that is right.

Vibhor Singhal: Sure. And basically, Q2 you mentioned we will order 10 more rakes which will start coming in from January?

Karan Adani: Yes, that is right.

Vibhor Singhal: And these rakes are in addition to what we are doing to resolve the evacuation problem at Dhamra?

Karan Adani: Yes. That is on top of it, so in Dhamra evacuation issues that are separate 11 more rakes.

Vibhor Singhal: So, in all if I can understand basically we are ordering 30 rakes?

Karan Adani: 30 and then another 3 rakes for the auto freight train the JV with NYK, so total 33 rakes.

Vibhor Singhal: So, what would be your CAPEX amount involved for these, how many of them will be leased and how many will be bought on our own balance sheet.

Karan Adani: So, all the 23 container trains that we are ordering are on long-term lease, AFQ as well as the container trains so all of them will be on long-term lease. The revenue rates of bulk that we are ordering that the CAPEX would be around 200 crores.

Moderator: Thank you. We take the next question from the line of Girish Achhipalia from Morgan Stanley. Please go ahead.

Girish Achhipalia: Just three of them. So, if I first look at revenue for different ports the key ones that is, and if I just simply add on Slide #31 Mundra, Dharma, Hazira, Dahej and Kattupalli,. Mundra obviously has revenues from SEZ and other operating incomes so I exclude that to understand what the underline ports revenue is. The revenue growth seems to be 1% to 2% on a Y-o-Y basis. So, I am not sure whether there is some realization growth which is coming through on a Y-o-Y basis so if you can just help me understand what is happening, so I obviously not included marine but the other parts which are like-to-like comparable shouldn't some realization growth be there?

Deepak Maheshwari: Okay. Why don't you go through your other questions as well?

Girish Achhipalia: Sure. The second question was if I compare your presentation as of Q1 of last year. Is there some specific reason for restatements because there are few numbers which have been restated? So, just wanted to understand that. And the third question was more a bookkeeping question which is the gross debt and the net debt maybe I missed this earlier, if you can just help me with that number?

Deepak Maheshwari: So, let me address the third question first. We have not discussed the gross debt and net debt number on this particular call they are largely similar to what has been in the past, as you know and it has been a practice that we normally do not share the balance sheet details and they will be shared at the end of September so in line with what we have done in Q1 last year it is same position on that. Regarding the restatement, the restatement is largely because of the transfer of the marine business to Adani Harbor so that is the adjustment which needed to be done and hence we have done that. And the last question I think largely is a function of the adjustment for the SEZ related port income so, we can explain that offline. The team here is doing the calculations that you have already done. If they get the answer right now, then we will give it to you otherwise just reach out to Bala and he will explain it to you.

Moderator: Thank you. We take the next question from the line of Swarnim Maheshwari from Edelweiss. Please go ahead.

Swarnim Maheshwari: Two set of questions sir. First is on the guidance side when you have given a guidance of 200 million ton**,** we have specifically called out that we have not taken 10 million tons of Adani Mundra Power plant, now since the plant has resumed is it safe to say that we do have a question of somewhere around 5 to 7 million tons baking in our guidance?

Karan Adani: Yes. We will have a little bit of cushion but on conservative basis as we said that we still maintain a 200 million tons in our guidance.

Swarnim Maheshwari: Understood, thank you. Secondly this is to Deepak particularly, did I understand it correct that the 1% change in currency would impact PBT by 40-odd crores.

Deepak Maheshwari: Not 1% Rs.1.

Swarnim Maheshwari: Alright.

Deepak Maheshwari: All the comparisons that I mentioned were linked to Rs.1 because I thought that is the easiest way to do it because you just have to multiply the revenue with that Rs.1 number and you get the exact impact.

Swarnim Maheshwari: Right. And sir just one more thing, we have seen the container fleet index a bit volatile over the last 6 to 9 months. So, during this kind of times, do you actually see more-and-more services getting launched or how do you see the new service is getting launched over the next 9 to 12 months?

Karan Adani: What we have seen is actually more upsizing of vessels basis happening, a new service launches not that many but more importantly what we are seeing is existing services are upsizing their capacity and with that the volume increased we are seeing. The second change that we are seeing is because of the relaxation of cabotage law, lot of shipping lines are now reworking their network so that they can make few ports in India as their hub and with that we will also see increase in transshipment volume and with that we will also see change in freight rates. But more importantly what we are seeing is upsizing of vessels to reduce their cost.

Moderator: Thank you. Ladies and gentlemen that seems to be the last question for today. I would now like to hand the conference over to the management for their closing comments.

Deepak Maheshwari: So, with that, thank you very much to everybody for participation and we hope that we have been able to clarify most of your question. But feel free to reach out to the IR Team or to myself, if there are any specific questions which need to be addressed. But in summary, as was mentioned earlier we are confident of the 200 MMT of cargo volume in this year and we are confident of achieving our EBITDA margins and increasing the EBITDA margins by 100 basis points every year. The CAPEX numbers will be in line with what we have indicated earlier. And we should be able to generate free cash flow in the range of around 1750 crores to 2000 crores. Thank you very much once again and we look forward to further interactions going forward. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Axis Capital Limited we conclude today's conference. Thank you all for joining us, you may disconnect your lines now.