“Adani Ports and SEZ Q1 FY17 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Adani Ports and SEZ Q1 FY17 results conference call. We have with us on the call today Mr. Karan Adani – Chief Executive Officer, Adani Ports and Special Economic Zone Limited, Mr. Ameet Desai – Group Chief Financial Officer, Adani Group, Mr. Rajeev Nair – Deputy Group Chief Financial Officer, Adani Group, Mr. B. Ravi – Chief Financial Officer, Adani Ports and Special Economic Zone 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. If 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 over the conference over to Mr. Karan Adani – Chief Executive Officer, Adani Ports and Special Economic Zone Limited, thank you and over to you sir.

B. Ravi: Before I give it to Karan, I just wanted to come in, that we have uploaded the presentation with complete details on the site and I think we have also sent it to the analysts. It's there on the website I am sure you would have got a chance to go through it. It does contain everything. After that too if you have questions later on we can take it up, over to Karan.

Karan Adani: Good afternoon everyone. Welcome to the quarterly analysts call of Adani Ports. We are delighted to report another all-around performance in Quarter 1 of financial year 2017. Our strategy of diversifying the cargo mix, enhancing container cargo and pursuing coastal shipping is yielding positive results. We continue to remain focused on enhancing our bottom line through operational excellence as well as optimal management of financial costs.

Let me first take you through our key financial highlights for Quarter 1 of financial year 2017. Our total operating income on year-on-year basis increased by 7% to Rs. 1827 crores. Profit After Tax increased by 31% to Rs. 836 crores on a year-on-year basis. Our consolidated EBITDA margin is 64% and ports EBITDA margin is 71%, both continue to be the best in the industry. This was possible due to cargo growth and change in the cargo profile as well as operational efficiency.

Now let me just run through few operational highlights for Quarter 1. We have handled 42.33 million metric ton of cargo which is an increase of 7% on year-on-year basis. We have handled 1 million TEUs of container, a growth of 27% year-on-year. Containers now account for 35% of our total cargo compared to 29% in Q1 of FY16. Container volumes at Kattupalli have increased from 11,500 TEUs in March of 2016 to 34,000 TEUs in June of 2016. We handle 6 million ton of crude which is 13% of our total cargo. As part of our diversification plan we have handled an increased amount of other cargo especially iron ore, fertilizer and steel. We have started handling iron ore cargo at Dhamra port from Q1 of 2017. All the major ports like Dhamra, Hazira, Kattupalli and Goa have registered good growth in volumes.

I am pleased to say that there is a significant overall growth in cargo volumes on quarter-on-quarter basis. In Q1 FY17 we handled 42.33 million ton of cargo, an increase of 13% on quarter-on-quarter basis, the port revenues during the same period increased by 20%. We handle 16 million ton of coal during the quarter, a growth of 7% quarter-on-quarter basis backed by committed customer arrangements.

On the west coast of India government ports grew by 4% quarter-on-quarter while APSEZ grew by 8% quarter-on-quarter backed by growth in coal, container, crude and other bulk cargo. Ports on the eastern coast registered 36% quarter-on-quarter growth whereas the government ports remained static. Mundra port registered 11% volume growth on quarter-on-quarter basis. Coal volumes at Mundra grew by 16% while crude registered 10% growth.

Now coming to the cargo volume outlook for financial year 2017, let me tell you that we are committed to enhancing our container cargo volume. Trial runs at container terminal 4 have commenced. We have signed new partners such as Maersk, Hyundai Merchant Service and Bengal Tiger Line at Kattupalli. Our existing customers, that is, KMTC, Hapag-Lloyd, T. S. Lines, NYK, Evergreen, Simatech and K Line started new services at Hazira and Mundra port.

Fertilizer handling facilities are being developed at Dahej and Dhamra and by Q4 we shall commence handling of those commodities.

Encouraged by our performance year-on-year as well as an upswing quarter-on-quarter we are pleased to say that we are on track to achieve the full financial year cargo volume guidance of 10-15%. Though we are not required to give the balance sheet details for Q1 FY17 I would like to inform that as committed we have started reducing the related party loans as well as all other loans and advances. We would make significant progress by September of 2016 and target to reduce it entirely by the financial year-end.

I now request our CFO, Ravi, to take you through the financial highlights for Quarter 1 of 2017.

B. Ravi: Thank you Karan. As I said earlier our results and key operational performance highlights have been uploaded on the website. However, for those who have not had time to go through it let me take you through it very quickly.

At the outset I am glad to mention that our results are better than the Bloomberg consensus analysts estimate in all parameters be it cargo, revenue, including port revenue, EBITDA margins and PAT. As you are aware we have implemented IndAS Accounting Standards in the current quarter. The impact of IndAS to our bottom line in Q1 has been only Rs. 8 crores. Our results reflect this impact.

The financial highlights on a year-on-year basis is as follows: The total operating income has grown by 7% to 1827 crores. The total EBITDA has grown by 5% to 1170 crores that is the 64% EBITDA margin Karan spoke to you about which is maintained from the previous quarter. The ports revenue has grown by 10% to 1633 crores and the ports EBITDA margin is over 1150 crores which is again a 10% increase and the EBITDA margin assets percentage has been maintained at a high 71% and the profit After Tax has grown by 31% to 836 crores. The per ton realization, the ports cargo volumes that is, is Rs. 446 which has shown a normal escalation of a Y-on-Y growth of 4%. The operating cost per ton has come down by Rs. 4. On the CAPEX front we had given you guidance earlier of about 3000 crores this fiscal. We are planning to bring down the CAPEX by another 200-300 crores, so it's showing a downward trend.

The demerger process at Kattupalli and the full acquisition of that is in progress, hopefully later part of this year we would be completing the transaction.

That's all we have for you. We open up the lines for questions and answers. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Shirish Rane from IDFC. Please go ahead.

Ashish: Hi sir, this is Ashish. First question is whether because of IndAS accounting are there any assets which would not have got consolidated on the line by line basis and would figure only as a one line consolidation? Has that been the case in any of our assets, first question? Second, we spoke about we benefitting because of the coastal cargo movement so if you can just highlight what would have been the movement of coal through the coastal route during the quarter maybe from Dhamra? And lastly if you can give the division of the revenues between the port and non-port as in what would have been on account of land or the construction income that we usually report and the margins on that? That's about it from my side, thank you.

B. Ravi: As per the IndAS the JV companies' assets in this quarter is AICTPL, that is this container terminal three, there is no line by line consolidation of the income or the expenses. The profits go straight into our bottom line. Similarly, the balance sheet assets also henceforth would not be consolidated line-by-line that is the difference which is there, so it's only applicable to joint venture companies. I will take up the division of revenue just to tell you there is no SEZ revenue, there is no other revenue, purely it is ports revenues and only continuing lease rentals which we have for this quarter which is about 18 crores and that is the SEZ revenue we have taken. Karan would you like to talk about the coastal cargo movement?

Karan Adani: Coastal cargo we have done this year 1 million ton which is mainly from Dhamra port. This movement is from Dhamra port to Tamil Nadu for the Tamil Nadu Electricity Board and as we had committed and given you indication earlier also at the start of the year that this year we will be targeting 4 million ton of coastal cargo and we are very much on track to achieving that volume.

Ashish: If I may just add on this same coastal cargo, are the revenues or margins very similar to what you otherwise handle for Exim for the imports or a little different?

Karan Adani: It's more or less same as Exim, there's no difference.

Moderator: The next question is from the line of Amit Sinha from Macquarie. Please go ahead.

Inder: This is Inder here from Macquarie. My first question is on the comment which Karan gave about reducing the related party transactions. It would be really helpful if you could kind of throw some light on what progress has been made in Quarter 1. If you could kind of put some numbers to it?

B. Ravi: I would want to say that the Quarter 1 balance sheet is not to be put out, I so I would want to talk about September, by September there would be a substantial improvement and I think we would be reducing it by over 1000 crores.

Inder: Ravi, one more thing in the presentation that you shared, the realization is mentioned to be around Rs. 446 per ton. Can you just run through the maths behind it with revenues of around 1600 odd crores and 42 million tons of volumes, they don't tie-in, how we should look at, is it because of the CT I volumes not being included in that?

B. Ravi: It will be the CT I volumes as well as the CT III volumes are added but the total revenues are not there. It is a similar kind of calculation we have been doing quarter-on-quarter. I can take up that number off-line because this is arrived at the same way we have always calculated quarter-on-quarter, so by taking our own cargo with full revenue divided by the cargo that we have handled not in the JV companies or in MICT.

Inder: Last question from my side, when we talk about this 10-15% kind of volume growth for the year any ballpark number that we want to kind of talk about as to how much container growth and how much coal growth we have assumed for the year?

B. Ravi: The way the container volumes have been growing, let's say year-on-year we have grown by 27% again. I think we should be able to maintain that kind of a growth all along in all other cargos like what we have said earlier.

Moderator: We have the next question from the line of Anitha Rangan from HSBC Asset Management. Please go ahead.

Anitha Rangan: Just wanted to get a sense again on these loans and advances. What is the overall quantum which you are looking at in terms of loans and advances because if you take your entire balance sheet of say about 30,000-40,000 crores if you exclude fixed assets there is pretty much lot of them are like loans, advances, MAT, deposits, unsecured loans and so on, so what is that quantum which you are looking which is related to related parties and which you are looking to reduce?

B. Ravi: I would like to reiterate what Karan had said that there will be a significant progress by September, we said over 1000 crores and by March the entire amounts would be reduced. So I think when we come to September balance sheet that maybe the right time to talk about it after we have shown you the results at that time.

Anitha Rangan: Any thoughts on what kind of leverage numbers you would look at a consolidated level?

B. Ravi: Again, we will be getting into the balance sheet detail I don't have for the June quarter, so can we take that question in September please when I will have the full balance sheet with me?

Anitha Rangan: Sure. Just one other question in terms of your credit ratings, like ICRA has put your rating outlook on a negative outlook very recently, so any comments or thoughts on that because you had a very strong AA+ rating?

B. Ravi: I have a small addition to make to what you said Anita, negative outlook is actually not very recently. The recent one is FITCH which is maintaining the stable outlook; negative outlook was given two months back. Having said that, looking to the improvement on all those aspects of what the agencies wanted to touch upon whether it was a cargo, whether it was related party, whether it is a CAPEX, all these things are on the improvement side and reduction of L&A and therefore we believe that their outlook after we have given the performance in the September and all should change.

Moderator: We have the next question from the line of Amish Shah from Merrill Lynch. Please go ahead.

Amish Shah: Earlier the guidance was to recover the loans from related parties in stages by March 2018, so has this target been brought forward to March 2017 now?

B. Ravi: Yes.

Amish Shah: The second question was can you share the container growth for the sector overall during the quarter?

B. Ravi: It has grown by 4% in terms of India’s volumes. If you compare Q1 to Q1, if you compare Q4 to Q1 it is flat versus our growth, as I said of, 27% Q1 to Q1 and 9% Q4 to Q1.

Amish Shah: That’s clearly a very healthy growth and a market share gain, so should we be looking that is improvement in outlook for the container sector overall or are these numbers sustainable is the question that I wanted to ask, I mean clearly 13-15% kind of container growth is something that you guys have been doing for a while but 27% clearly looks on the higher side, so I just wanted to understand how sustainable should we be building this going forward?

B. Ravi: We can't be giving any specific numbers but as you know we have been maintaining this growth quarter-on-quarter and year-on-year and we also are adding new locations, let’s say Kattupalli has been added which is doing extremely well and CT IV would have started off. So we do believe that we should be closer to our growth targets that we have earlier given to you.

Amish Shah: My last question is that under the IndAS Accounting one needs to even provide for the time value loss of receivables so given that there were a few receivables outstanding from some of your growth companies, has provisions related to that been made during the quarter?

B. Ravi: No, it was not required to be.

Moderator: We have the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Firstly I just wanted to get more color on the Kattupalli transaction, in your estimate when do you think this is something that could actually get completed? Second question was on the coal volume. You mentioned that on a quarter-on-quarter basis we saw 7% increase in coal volumes part of which my understanding is because of the coastal shipment that you are doing. But even Mundra is a 16% growth, so if you could just throw some color what exactly is this coal like, just an idea of what is it coming for, any color on that would be helpful.

Karan Adani: On Kattupalli transaction right now we have an O&M operator agreement over there. The process of demerger is going on and that is under the approval of government of Tamil Nadu. Once demerger process is over then the transaction will commence. I think to be on safe side it will be more towards the end of the financial year that we will see this transaction going through.

B. Ravi: And on the coal volumes it is the normal turnaround in the coal volumes pick-up, we have always mentioned that the coal volumes last year had bottomed out. So what we see Q4 to Q1 is because of the increase in the requirements of coal by the various power plants, nothing more than that need to be read into it. We have also, as you know; stable cargo and we have tied up more on a stable cargo by the off-take basis. So that is the reason why we believe that the coal volumes should be picking up.

Pulkit Patni: So Ravi, does it mean we have gained some market share on coal imports because the general sense we had was that coal imports across the country continue to be on a declining trend?

B. Ravi: Yes, we are getting a bit of market share but I think it will be quite stable especially the coal requirement for the coastal power plants and that so I think this imports has not totally dried up, as you know coastal power plants continue to have that so we see a stable growth in that area.

Moderator: We have the next question from the line of Harish Bihani from Kotak. Please go ahead.

Harish Bihani: My question is on Mundra port, Mundra standalone. If I look at the volume numbers Y-on-Y it seems as a decline and overall performance also is flat Y-on-Y so a bit of a color on that would be helpful.

B. Ravi: Yes Y-on-Y there has been a 2-3% decline in volumes and that is what is reflected in the bottom line also. But as you know Q1 of last year wasn't a bad quarter at all. That is when Mundra port also had got very good volumes. Thereafter came the coal decline and therefore Mundra port volumes are affected, so right way to compare is Q4 to Q1 rather than Q1 to Q1. You should also see the cluster that we keep talking about so Mundra and Tuna together if you see there is a slight improvement and not a de-growth as you are saying. And whatever is the lesser growth in cargo has been more than offset by the good container volume growth even that Mundra.

Harish Bihani: So essentially there would have been a decline in the coal volumes which is what is getting reflected from 2nd Quarter onwards that is getting reflected in the 1st Quarter?

B. Ravi: That's true.

Harish Bihani: And with CT IV getting commissioned you will see a higher growth on the container side, would that be a fair…

B. Ravi: That is what our expectation is.

Harish Bihani: How about Dahej in terms of the volumes which are pretty steady in the last couple of quarters there has been some decline over there?

Karan Adani: Dahej was purely a coal terminal. We had said at the start of the year that we are looking to diversify cargo over there. So actually 1st Quarter was the time when we were going out and marketing and trying to get as much cargo as possible and I think that impact you will see in Q2 numbers, shortly there will be lot more of non-coal cargo which will happen at Dahej.

Harish Bihani: Last question Ravi is on the interest cost, specifically, say for example, if I look at Dhamra or Hazira, let's just take the example of Hazira. If I look at the total borrowings of say 2600 crores odd of which 2300 crores is overseas debt and my adjusted interest cost last year was somewhere around 100 crores. So with that assuming say our Indian debt would be at 9-9.5% for you, what would be the overseas debt cost and what is the kind of hedging that you typically do in any of these?

B. Ravi: The dollar borrowing cost at Dhamra is about L plus 200 and at Hazira is about L plus 240. We don't need to really hedge completely because on a consolidated basis we have more than natural hedge available for our entire dollar borrowing.

Harish Bihani: Is there any proportion that you would hedge or mostly it will not be hedged?

B. Ravi: We do it as per our hedging policy which is short-term and medium-term we do, both on the receivables and on the payables part.

Moderator: We have the next question from the line of Deepanshu Madan from Locus Investments. Please go ahead.

Deepanshu Madan: I wanted to get in touch with you and I couldn't find a contact or address. I have tried to contact e-mail address given publicly. If we have sort of multiple questions that we wanted to understand**.** So could you guide me to who is the right person to get in touch with?

B. Ravi: I will give you one e-mail address if you can note it down please. It is kankshit.munshi.....

Deepanshu Madan: Sorry your voice was breaking. Can you just say that again that please?

B. Ravi: I will give you my contact number. My contact number is 9099055052. We will get in touch and then I will give you all the coordinates.

Moderator: We have the next question from the line of Nitin Arora from Aviva Life. Please go ahead.

Nitin Arora: With respect to Kattupalli as Karan mentioned that 34,000 TEUs is somewhat we have reached in June. It's somewhat a monthly number? That's not for the quarter?

Karan Adani: Yes, it's a monthly number.

Nitin Arora: So if I simply that number you would have done roughly close to around 90,000 or let's say even 85,000 on an average in this quarter. Can you quantify how much is a part of that revenue to that, how we are accounting Kattupalli numbers to the accounting at this point?

B. Ravi: Kattupalli, because we have taken over operation so both volumes as well as revenue and EBITDA is all added to our consolidated numbers. We have been doing a healthy 65% EBITDA margins there.

Nitin Arora: With respect to Dhamra and it has been guided to us by Karan even in the last quarter regarding the coastal and it has been proven now in these numbers. With respect to your coastal part and you mentioned TNEB is one of our customer, the 4 million tons guidance is with respect to TNEB only or there are certain other customers? Number two, the iron ore is for the specific line which got added in this quarter like a sale or is it something which was not there earlier and has come up, overall volume increase I mean to say.

Karan Adani: For the coastal coal, one is TNEB and also there is NTPC and TNEB joint venture which is going on which is operating a power plant in Tamil Nadu so we supply to both of them. And also we are in talks to bid for APGenco, so as and when that happens that will also add volume. On the iron ore that is a new volume that has happened, that is export of iron ore and mainly its trader cargo and it's not of sale of any of our existing customers, it's a new customer bid.

Nitin Arora: One more question on the Mundra, though it was answered by Ravi, I just got confused, the coal volumes have increased by 16% Y-on-Y, liquid has increased 10% Y-on-Y, container obviously we would have increased. Then what led to the decline Y-on-Y?

B. Ravi: The coal volumes increase is not Y-on-Y, that was Q4 to Q1 and Y-on-Y the coal volumes are still muted and therefore whatever was muted was made up on a Y-on-Y on containers, that's what we said coal 16% is Q4 to Q1.

Moderator: We have the next question from the line of Atul Tiwari from Citi. Please go ahead.

Atul Tiwari: In this container volume of 1 million ton how much will be the transshipment containers?

B. Ravi: This quarter we have done about 3% of the total container volumes is transshipment.

Atul Tiwari: So not very significant then.

B. Ravi: It's not very significant.

Atul Tiwari: One would have thought that with MSC, etc., coming in the transshipment would increase. Is that a right understanding or this share is likely to remain at the same level?

Karan Adani: You are right that with shipping line coming in the volume should increase. I think MSC is going through few changes in their liner and once their final line routing everything gets finalized you will see an upswing in this transshipment volume. I think as we had said earlier that end of the year I think we should see a healthy growth of say 10-15% in transshipment volume as well year-on-year.

Atul Tiwari: What will be the consolidated net debt as on date or at the quarter end?

B. Ravi: As I said the balance sheet numbers are for September I don't have it right now and we don't make them as of June. So I can only tell you by September.

Atul Tiwari: At least it is fair to assume that when the loans and advances come down by September end by say Rs. 10 billion then the net debt also will come down compared to the 4th Quarter balance sheet by the same amount?

B. Ravi: Yes.

Moderator: We have the next question from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: My question is related to a CT IV where you have mentioned the trials runs have commenced, should we believe that CT IV is on track to be commissioned in the September quarter and what would be the quantum of associated SEZ income that is likely to be booked in the September quarter, if you could give us some color around that. And also on the timeline for commissioning of the LNG terminal, is it on track to be ready in the second half of FY17?

Karan Adani: For CT IV the terminal is ready in all aspects. We are just waiting for one approval of sub concession which has already been approved by Gujarat Maritime Board and it's under government approval, once that happens the transaction will go through. I think it's safe to assume that by September this transaction will get consummated.

B. Ravi: And the resultant impact what would be there on SEZ, we won't like to predict or project anything at this point in time, but the resultant impact on the SEZ port development revenues of CT IV should also come in September quarter. And the LNG terminal it is slated towards the end of calendar 2017 and it is on track.

Sumit Kishore: My second question, you mentioned in your remarks that new shipping lines have come in at Kattupalli and Hazira. Now while we have spoken about Kattupalli where the monthly run rates has now gone to 32,000 per TEUs, has it settled for the new lines or the run rate is going to go up and similarly for Hazira what sort of potential do these new lines bring in?

Karan Adani: For Kattupalli we do expect that going forward this run rate will increase month on month our target by end of financial year to reach a run rate of 55,000 TEUs and I think through these lines as well as new lines which will come over the course of year we will be able to achieve it.

B. Ravi: Hazira is on an average 40,000.

Karan Adani: Right now it's running at between 30,000-40,000 and I think with these new shipping lines we do expect volumes to increase over there.

Moderator: We have the next question from the line of Salil Desai from Premji Investment. Please go ahead.

Salil Desai: In the last call you had mentioned about two take or pay agreement for coal 2 million ton each to start at Hazira and Dahej, so just wanted to check if they have commenced?

Karan Adani: We had two take-or-pay agreements with Reliance industry in Hazira and Dahej, that one vessel has come but I think their project is delayed a little bit so I think by end of this calendar year you will see full impact of those volumes coming in.

Salil Desai: In the last call you had mentioned about 900 crores of CAPEX at Dhamra for expansion. So this container terminal is part of this or is that an additional capital expenditure that you have now taken up?

B. Ravi: Please can you repeat, I am sorry.

Salil Desai: In the last call when giving your CAPEX plan you had mentioned a 900 crores capital expenditure plan at Dhamra, so does this include container terminal also?

B. Ravi: No. Container terminal was not planned for this year at all.

Salil Desai: If I got it right it will commence operation by March 2017, the container at Dhamra?

B. Ravi: There is no container terminal coming on stream by March 2017. We talked about fertilizer being started off handling at Dhamra, containers is still some years away. We have to think and study and then put up the facility. We have not invested anything. The 900 crores is only on our two bulk terminals, III and IIIA put together.

Moderator: We have the next question from the line of Chokalingam Narayana from Deutsche Bank. Please go ahead.

Chokalingam Narayana: The segment liability is about 27,444 crores. Now the March total liabilities as per India GAAP if I add the numbers, was about 26,000 crores odd. Now how should we understand this in terms of the increase in debt? I know we don't have the full year IndAS numbers. So has there been larger CAPEX in the 1st Quarter?

B. Ravi: There has been CAPEX in the 1st Quarter. These are all restated numbers and earlier it was capital employed; now we have to give the total liabilities, so yes, it is difficult to make out anything out of it at all. I would not venture to say anything more than that. We can talk it offline to take you through the nuances of the accounting and understanding but it is purely the CAPEX what you said, that would be the right way to look at it.

Chokalingam Narayana: If you can at least give a ballpark on what the CAPEX has been for this quarter?

B. Ravi: The number for this quarter could be in the vicinity of about 500-600 crores and there will be some current liability, so everything gets totaled up in that, so really that number doesn't make much sense on a stand-alone basis. September results will be the right one.

Chokalingam Narayana: The second question was actually with regards to the other ports what you have clubbed in the presentation at about 3.2 million tons. This has seen a reasonably good increase and you also attributed iron ore movement. Does Belekeri also seen any improved volume or Belekeri is not really part of this because that came in as part of the Adani enterprises transaction if I am not wrong.

B. Ravi: Belekeri is not a part. What has really gone up is Tuna Tekra that is the Kandla and Goa, both have done very well so you are right, observation is correct that volume is quite good but both Goa and Kandla have done well.

Moderator: We have the next question from the line of Khushan Parikh from Emkay Global. Please go ahead.

Khushan Parikh: We have seen a large increase on a Y-o-Y basis in the other income part from 158 crores odd to 257 crores, so if you could throw some light on that. And another thing apart from that earlier at the beginning of the call we had spoken about the IndAS impact of about 8 crores on the bottom line and the equity method of accounting for JVs is there any other impact of IndAS on our consolidated accounts or standalone accounts?

B. Ravi: First let me answer the question on the 158 and 257. It is purely interest income. Interest income has gone up because we have had the surplus balances which we had invested and therefore the interest income is the only one which is reflected in that. In IndAS I only spoke about the major impact being the exchange rate fluctuations earlier as a part of iGAAP it was being capitalized for borrowings prior to 31st of March. Now any borrowing after 1st of April that would have to be taken up into our P&L as well as any other exchange rate fluctuation which is not in the nature of capital expenditure related would have to be taken up in our P&L. So this time we have had the second one which I mentioned taking our P&L to the tune of about 5-6 crores. So there are some pluses and there are some minuses. The net impact of these are 8 crores lower which I said. So 836 would have been otherwise higher to and taken it to 844, that's all.

Moderator: We have the next question from the line of Venugopal Garre from Bernstein Equities. Please go ahead.

Venugopal Garre: Just one question on the iron ore export business that you are highlighting that has come in this quarter which you indicated that was a new arrangement, now is it like something which will continue through the year or is it like it was only meant for one-off shipment for the first quarter?

Karan Adani: This volume will continue for the whole year. We expect that this volume will continue for the whole year.

Venugopal Garre: The new lines, the services that you are adding especially Kattupalli, so these are like you are winning share against the major ports which are nearby or is it like completely new services?

Karan Adani: These are all the services which were coming at Chennai port and looking at the infrastructure as well as the arrangement that we give to all the shipping lines of accessing all the Adani Ports in India looking at that they have shifted to Kattupalli port. You will see the full impact of these lines shifting to Kattupalli port in Q2 with the full grown volumes coming in Q2.

Venugopal Garre: This Kattupalli port while I understand how the transaction is going on but the contract that you have signed as of now as to operate the port that enables you through a line by line 100% booking from revenue onwards, is that the way to look at it because the demerger hasn't happened so you haven't even paid the money for the port as yet, right?

B. Ravi: We bill it on our name and we have expenditure in our name and therefore it is the full P&L which is getting added to our consolidated numbers.

Moderator: We have the next question from the line of Ankit Panchmatia from ICICI Securities. Please go ahead.

Ankit Panchmatia: My question pertains to the total volumes at major ports, so if I understand the total container volumes at major ports have increased by 6% for the 1st Quarter as compared to Y-o-Y number and we have done 7%. The full-year guidance is around 10-15% so just want to understand that how or what gives us confidence to achieve this growth number?

B. Ravi: As we said it is going to be an all-round growth. We do believe that coal volumes have bottomed out last year in itself and therefore there should be some growth in coal. Containers surely is because all the additions and what we mentioned earlier in the call, container volume is definitely growing. Apart from that the diversification and this iron ore, as we have just mentioned, other than crude container and coal is also growing at a very good pace and therefore all these things give us the confidence that the guidance can be maintained.

Ankit Panchmatia: The JNPT for the month of July have grown by 7% so the data indicates that those people are increasing their capacities as well. So how are we positioned as compared to what they are doing, just to understand a bit?

Karan Adani: Yes, other ports are also adding capacity. But we have our joint venture with MSC and CMA coming on line and Mersks shifting out from Pipavav to Mundra port, actually by that we are capturing all the three biggest shipping lines in the world in Mundra port.

Actually I think I just want to correct a few numbers, container volumes year-on-year as major ports they have grown by 6% whereas we have grown by 27%. On quarter-on-quarter the container volumes have remained flat, we have grown by 9% from Q4 to Q1. Actually we are very much on track of achieving those guidance figures that we had given.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time that was the last question. I would now like to hand the floor over to the management for closing comments, thank you and over to you.

B. Ravi: Thank you everyone, ladies and gentlemen on the call. For our quarterly results that was quite a longish call. I would reiterate our commitment on what Karan said at the beginning about maintaining our 10-15% growth, profitability margins and all would continue to be maintained and improved. And plus the CAPEX guidance we have given, we are working very hard to keep it even lower than what we have been giving you. Yes, the loans and advances part we have started the reduction and we will see significant changes in those as we go by in September and March. So thanks for joining this call and I hand it over back to the operator.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Adani Ports and SEZ Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.