"Adani Ports and Special Economic Zone Limited Q1 FY 2018 Earnings Conference Call"

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MODERATOR: **MR. ADITYA MONGIA – KOTAK SECURITIES LIMITED.**

Moderator: Ladies and Gentlemen, Good day and Welcome to the Adani Ports and SEZ Limited Q1 FY 2018 Earnings Conference Call hosted by Kotak 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 would now like to hand the conference over to Mr. Aditya Mongia from Kotak Securities, thank you and over to you, sir.

Aditya Mongia: Thank you Janis. I welcome all. Firstly, I just want to congratulate Adani Ports and SEZ for 1 million TEUs of container cargo being achieved at Mundra Pot.

I would now want to quickly introduce the management who has been represented by Mr. Karan Adani – CEO & Fulltime Director; Mr. Rajeev Nair –Group CFO, and Mr. B. Ravi – CFO. I would request Karan to start the call with a quick update on business, which can then be followed up with financial updates given by Mr. Ravi, over to you Karan.

Karan Adani: Thank you. Good evening, ladies and gentlemen. Thank you for joining us today on this Conference Call and also let me apologies for doing this on a Saturday but unfortunately all the Directors were not available on any other day so we had to do it on a Saturday.

I am happy to present the operational and financial performance of APSEZ in Quarter One of FY18. We have also uploaded the presentation of the same on our website for your convenience and e-mailed it to all of you. I hope all of you have received it.

Let me begin by giving you the main highlight:

Compared to quarter 1 of FY17, our consolidated operating revenue in Q1 FY18 grew by 50%, EBITDA grew by 37%, profit before tax grew by 24% and PAT for the quarter was Rs. 702 crores. Income from ABPO business in Australia was Rs. 99 crores and EBITDA was Rs. 17 crores. Before our CFO – Ravi discusses details of our financial performance, I will take a few minutes to cover our operational highlights. APSEZ handled cargo volume of 44 million ton in quarter 1 of FY18. Additionally, ABPO Australia 6 million ton of coal. Our cargo volume would have been much higher but for the fact that HMEL, which is one of our key customers at Mundra port having dedicated facility had shut-down their operations for scheduled maintenance from more than 60 days. This has impacted our crude volume by almost 2 million ton. With HMEL now being operational, we will be able to cover this temporary shortfall in the remaining three quarters. HMEL is also in the process of increasing capacity by a further 2 million ton which will reflect in our cargo volume in the next 2 years.

We continue to pursue our strategy of diversifying cargo mix, thereby reducing our dependence on any single type of cargo. In quarter one of FY18, while coal volumes remain static at 16 million ton, our other bulk cargo excluding coal increased by 12% and container volume increased by 21%. In quarter one of FY17, coal which was 37% of our cargo mix is now 35%, containers which earlier constituted 35% is now 41%. Other cargo including crude now constitutes 24% of our cargo. Dwelling more on container growth, APSEZ handle more than 1.22 million TEUs of container, our share of container volume in India has now increased from 31% to 33%. I am happy to share that all our container ports registered steady growth this quarter.

The highlight has been Mundra which handles more than 1 million TEU for the first time in a quarter and it is likely to become the largest container port operator in India in FY18. We achieved this increased market share by commissioning container terminal port and adding five new shipping lines across Mundra and Hazira. The following new liners were added during quarter 1 of FY18. At Mundra we added IMEX , IMAD and Misawa and at Hazira IMEX and IMAD.

Coming to volume growth at our large ports, Mundra grew by 5%, growth at Mundra would have been in double digit but for the maintenance shutdown taken by HMEL. As said earlier, this impacted our crude volumes by almost 2 million tons. Except for crude all other cargos registered growth at Mundra. While container volumes at Mundra grew by 20%, coal volumes grew by 6% and other bulk cargo grew by 8%. We expect Mundra to grow in high single-digits in FY18. Hazira registered a growth of 19%, the growth was led by all-round growth in container, coal and liquid. We expect Hazira to grow by 20% to 25% this year.

Kattupalli grew by 30%. In fact in May 2017, Kattupalli handled container volume of 42,000 TEUs in a month. We have now started handling bulk at this port which will give it a further boost. We expect 30% to 35% volume growth at Kattupalli in this year. Dhamra registered a flat growth as one of the berth was shut for expansion for 23 days. We have operationalized that berth at Dhamra and are confident that we will make up the volumes and we will grow by 20% to 25% in FY18. Dahej port has also seen a remarkable transformation after degrowth in FY17, we turned around the port to achieve a growth of 3%, this was largely because of a conscious strategy to pursue different types of cargo. In quarter 1 of FY18, Dahej port started handling fertilizer and Agri products.

Now moving on to cargo volume outlook:

Looking ahead in FY18, we expect to containerize more cargo and gain further market share. The incremental container volume will be handled from Ennore which was commissioned in June 2017 and we expect first vessel to call the port in September. CT4 at Mundra and new ship liners calling our container force at Mundra, Hazira, and Kattupalli will add more volume. Additionally, we will handle containers on a trial basis at Dhamra port in quarter 2. As a result we expect our container volume to grow at least by 20%. In FY18, coal volumes are expected to grow by 5%, this is on the basis of our long-term contract with Reliance for 2 million tons each at Hazira and Dahej. We are also in talks with the reputed PSU for handling coking coal at Dhamra with MGT of 7 million ton. We will be handling increased volume of projects and high value cargo at Mundra and Hazira. Bulk cargo at Kattupalli, liquids at Hazira and agri products at Dhamra.

Recently, we have signed several long-term contracts to name a few with JSW Cement for handling blinker with the minimum volume of 1.2 million ton at Dhamra, with HPCL at Mundra for increased throughput from 5 million ton to 8 million ton and with Tata Steel at Dhamra for handling steel coil amongst other. These will propel our other bulk cargo volume further. Thus, we are confident of achieving guided cargo volume growth of 12% to 14% given at the start of the financial year.

Moving on to our logistic business:

We continue to improve our share as the single largest private rail operator in terms of volume. Adani Logistics Limited grew 28% in revenue in quarter 1 FY18, compared to this last time of the year. With 24 operational rail volumes during the period increased by 69% from 34,000 to 58,000 TEU's. Similarly, it handled terminal volume of 74,230 TEU's which is an increase of 14% since the same time last year. After successfully connecting Northern hinterland with our three ICDs, we will pursue the path of asset-light model to increase hinterland connectivity from the South and East port. We are expecting 30% to 35% revenue growth in our logistics business.

In terms of ports EBITDA margin, we expect at least 100 basis points increase in margin on account of higher capacity utilization, technology initiative and cost efficiencies. We will continue to focus on reduction of CAPEX, debt, and ensure higher free cashflow in FY18.

In a nutshell, we are on course to grow as direct at the beginning of FY18. I now request, Ravi, our CFO, to take you through our financial highlights of quarter 1 FY18.

B. Ravi: Thank you, Karan, for that detailed and exhaustive operational as well as the outlook performance. In terms of the numbers once again, this time too we had put out a very detailed presentation on our website, that gives analysis of each and every aspect of our business and whatever we have put out in the stock exchange.

Just to quickly take you through the total operating income has grown by 50% to 2745 crores. In that is inbuild the CT4 revenues also. If you recollect, we had a similar kind of transaction in CT3-2 which we did it in FY14, so similarly this time because it is a sale of an asset and therefore it gets reflected in the operating income and therefore if you adjust it for that, the total operating income which is relating to the ports and the logistics and also the SEZ has grown by 29% to 2364 cr. The EBITDA as we have always been doing, we have excluded the FOREX to give you a proper comparison. EBITDA has grown to 1598 crores which is a 31% increase and the margins as Karan just said, we have been trying to improve our margins year-on-year, it has increased by 100 basis points already which we have given a guidance for the year, we actually had started to realize that in the first quarter itself and now we stand at 68% EBITDA margins.

Again, in terms of the port only, if you see may be normally bifurcate as I told you there are three different businesses – port, logistics and SEZ and port development put together, so port revenues are up 7% up to 1742 cr which is against cargo growth of 4% again because of the mix as well as the price increases. If you to see the ports EBITDA again excluding FOREX of course it is 1255 crores which is an 8% growth that is the against 4% cargo, it is at 12%, there is an increase of 8% therefore there is an efficiency built-in in terms of the cost.

Port EBITDA margins has risen from 71 to 72 percent, if you recollect couple of years back, we had given this kind of numbers and the guidance that we will be improving that Port EBITDA margins by minimum of 100 basis points year-on-year and that is exactly where we are doing, the same way as we said that we will start handling other cargo at Dahej and therefore we will bring it round not just the coal and that is exactly what has happened. So each of those points which we have been talking to you at various times, we are delivering on each of those promises quarter-on-quarter, so the Port EBITDA margins stands at 72 percent and the PBT which is important parameter from this year onwards in terms of appropriate comparison has grown to 1092 which is a 24% increase.

The profit after tax because of Mundra hitting the full taxation regime from this quarter and from this year onwards stands at 702 cr down from 829 cr but to give you the comparison in the tax itself, yes Mundra has come into a full tax bracket but rest of the ports still continue to have the 80-IA infrastructure tax holiday period. What has increased is it has gone up from 61 crores to 387 crores and as if we have already mentioned to you and most of you have already started to put down in your model, the minimum alternate tax credit of 2700 crores that we have accumulated till now is available, therefore from a cash flow angle, we do not have any increase year-on-year. Therefore, PBT is a better comparison in terms of our performance and not PAT.

One more addition I would like to make here is that the demerger of the tugs and also the dredging that we had spoken to you about at the beginning of this year , the final orders has been passed by the NCELT, in next week we should be getting that in hand and it should be filed with the registrar of companies. So quarter 2 of FY18 onwards the impact of and the benefit of the tonnage track that we have told you will start flowing in and therefore, tax portion which looks higher at this point in time because that has not yet flown in would actually be corrected and which will be very steady in the same way as we had projected as we had told you a few months ago. And as I said, we have booked the CT4 income in SEZ and that is in terms of revenue is about 660 crores and the profit in that element is about 270 crores or so and we have seen that, that portion of the amount also has got a full tax and therefore the tax amount per se in absolute looks higher.

The second one I wanted to draw your attention was to the interest cost. If you really see the interest cost as such, the gross finance cost has been quite steady. If you look at the total number you will see a 290 crores as against that we have a 361 crores this year but to give you bifurcation, the gross finance cost per se on actual borrowings has been steady at 290 crores, what we have to do this time was to do certain prepayment of both in January as well as in the month of June as you know, we had certain prepayment which we did of the earlier ECBs. So we have taken a possible provision of a prepayment interest also, prepayment penalty interest into this books. We have been getting all these waived in that previous year but to be on the conservative side, we have taken certain 30 to 35 crores of prepayment penalty also in provision, therefore, the interest cost looks higher one, and second we have had IndAS adjustment which is a contra of 31 crores which sits in the interest expense and also sits in the interest income and therefore you will have to net that off also, so if you remove these two things which are one-off kind of an item as you can say then the gross interest cost has been absolutely in control and the same where we had in the previous quarter.

One aspect of course is the reduction in the interest income which was 234 crores last year it has come down to 167 cr It is apparent because we have had all those related party coming in and we have either had lower interest realization or let say in terms of fixed mutual funds or FDs, so that is lower by 67 cr. So other than these, both these are in control. What you see is the derivative or what you call as the mark-to-market FOREX that word derivative should not be confused to me in anything else; it is only a mark-to-market kind of provisioning which is done because of the movement of the dollar.

Again because of IndAS, we have to take into a P&L any mark-to-market variation in the Rupees, which either to was being taken into our capitalization item as per the earlier accounting standards and whenever we refinance the old ECB loans, on which there was a capitalization growing on, as you know from 1st April 2016 onwards any refinancing of the existing ECB on 31st March 2016, that mark-to-market of that variation has to go into the P&L so again this is a book entry so other than that interest cost also have been quite under control. This is what I wanted to mention in detail about financial performance and the numbers as such and as I said, most of the other details are there on the presentation itself so it is quite self-explanatory. With this, I throw this open to the Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Venugopal Garre from Bernstein. Please go ahead.

Venugopal Garre: SEZ 695 crores in this quarter is fairly large and you mentioned it is all related to CT4, I just wanted to be sure I heard this correctly and within that I wanted to know do you have any visibility at this juncture of how much more SEZ income could sort of accrued through the year, that is my first question. Second question is primarily related to the coal side, just wanted to understand that at this juncture since none of us have any visibility on what will happen to the sort of plants which had issues especially Tata Power and Adani Power. In Tata you have sort of take-or-pay sort of an arrangement, so you know in the worst case something which could accrued eventually but just wanted to know since the case that we had filed on PPA was more on change in law and force Majeure, etc., is there any wriggle room the Tata has in the contract they have signed with you if at all even though it may not really impact long-term but just wanted to know if that contract is watertight from your perspective. If I may ask a third question that is more on how do you account for Kattupalli? I am still a bit confused even that you have accounted for at once payment of consideration in the fourth quarter last year but how does it actually work because the actual sale has not happened yet. These are my question sir.

B. Ravi: I will take the first question, let me start with the SEZ what you said, yes 661 as I mentioned was on the CT4 and as you know there is this the lease rentals and those recurring incomes which we keep getting that is the balance of 34 crores. I had mentioned earlier that about 150 crores to 200 crores on an annual basis can be the lease rental and that is this first quarter portion which is relevant to this first quarter portion is what we have been taken in, in that 695 crores. Now the sale of CT4 in complete terms in terms of the entire documentations has not yet been done, so in the next quarter or thereafter, we should see a similar amount of at least revenues and may be larger amount of profits and when we actually book it in the next quarter or thereafter, I will give you the exact amount but in terms of not just CT4 completion which is only partially booked in this quarter because only certain agreements which we can enter with them but we also have CT3 extension which will be completed in the later part of the second quarter and therefore that also should be partially coming in in terms of if the documents have completed by March itself. So one number is you have to put may be 2x of what you see today in terms of the topline or may be the bottom line also, be 2x this should be there in the balance period. In terms of coal, yes we do have a take-or-pay arrangements with Tata but there is no similar kind of clauses which can prevent us from getting the take-or-pay, what they had been constraint, that kind of a consent is not there as far as we are concerned. We should continue to get that take-or-pay so that is not a problem as such. What Karan just added correctly there is no room for them to wriggle out of this kind of commitment. Kattupalli, we have taken over the operations from November 2015 itself and therefore ever since we have been billing to the customers directly and we have been receiving all the revenues and profits directly. The only ownership part of that Kattupalli is not yet with us that is why the assets are not in our name. Part consideration of that was given in the last year and we should be able to complete that sale by September 2017, this quarter which we will be able to do. Therefore, that does not have an impact on the operations because we are anyway owners of the operations at this point. One positive point is there is no more charges which we used to pay earlier of almost 12.5 crores that has stopped ever since we have given this 1450 cr because that was what was the arrangement with them.

Moderator: Thank you. We take the next question from the line of Parag Jain from HSBC. Please go ahead.

Parag Jain: If you are going to help me understand margin aspect of both your ports and logistic business. In the port business, can you help me clarify it is about in the number when you see the margin improvement or the 100-basis point margin improvement does not take into consideration the management revenue that you receive from that project. And secondly in terms of your logistic business, how do you explain or how should we understand about the volatility in margin. If you can help me understand these two that will be great?

B. Ravi: Yes, post margins as I said they have improved because of our efficiencies, the price and technologies everything including the cargo mix. I could not get that question about what is management revenue was, what was that question I could not get that?

Parag Jain: My question is that at this point of time the margin that you make from handling the 6 million ton of cargo at Abbot certainly you, nobody except you to enjoy 70% EBITDA margin right.

B. Ravi: Whenever we talk about the port margins of 75% or 100% basis point increase, we do not take into account Australia because that is a cost plus model that has got 10% margin and therefore we put that in the ports separate it out, give you as a separate number, therefore, Karan had mentioned about the 17 crores EBITDA and all that and the turnover there separately because that is a cost plus thing so that is why.

Parag Jain: Yes, that is what I want to understand there. Sir the 1265 crores the FOREX-adjusted port EBITDA does not include EBITDA contribution from that project, is that correct?

B. Ravi: That is correct. I thought that we have been able to put it out that in the presentation. If not then we can do that correction, not a problem. In terms of logistics, coming to the logistics, logistics has always been at 15% that can range from 10% to 15% EBITDA margins as such, so we have been consistent in that at this point in time as may be Karan can take up in terms of the EXIM combination, Karan would you like to say how the EBITDA margin increases?

Karan Adani: The EBITDA margins actually vary based on EXIM and domestic volume and also the second reason why you would have seen the volatility is because we have just started Kila Raipur in Punjab, so to support that there would be certain startup cost which would have been taken but on an average, I think at the end of the year you can take a steady state 12% EBITDA margin of logistics business.

Edited till 29.00

Parag Jain: Perfect, that is very helpful and just one last question before sir I pass this on to the next participants. In sense of the disruption that we have seen in the first quarter both in Dhamra as well as in Mundra with respect to liquid, did it extend it to couple of weeks or months in this quarter as well or the 63 days of disruption was all in Q1 FY and going forward you will get business as usual.

B. Ravi: So for HMEL, there was a disruption of few one week in quarter in quarter 2 in Mundra. Dhamra there was no disruption because we had commissioned the berths and the berths are up and running even right now, so in Dhamra it was limited to just quarter 1.

Parag Jain: Okay, that is very helpful, thank you.

Moderator: Thank you. We take the next question from the line of Kushant Parikh from Emkay Global. Please go ahead.

Nitin: Hi, this is Nitin from Aviva Life. Just first question would be to the port EBITDA margin, it does not include, I am just clarifying, I am sorry, I am just got confused here. It does not include the logistic any which ways the EBITDA margin we are earning a number of 17 crores in the port EBITDA margins, the Abbot EBITDA does not come in that, that is correct right.

B. Ravi: Yes, it does not come in that.

Nitin: Now the first question is when we looked at your SEZ income in this quarter, Ravi can you clarify us, how much contribution to the PAT or to the PBT it has given to us.

B. Ravi: 270 crores.

Nitin: Okay, Ravi, if you looked at the other segment apart from your port income and the port EBITDA it looks to be a very lower EBITDA margin, I can understand logistic but that contribution of 17 crores to the other segment would not be huge, so I am just trying to understand is SEZ business for you is a kind of a 30% or 40% margin business or it is going to be a 70% EBITDA margin business.

B. Ravi: Let me explain, when we do the land or infrastructure for sale per se that is almost like 95% EBITDA, 95 to 97% EBITDA margins, but when we do this port development in terms of CT3, CT4 as such kind of development, we first do the construction of the entire terminal and then we transfer it. When we transfer it, till that point, this expenditure what we say keep incurring since it is not in our CWIP but it is in our current assets, asset held for sale kind of a thing and therefore by way of an accounting entry, we have to book the sales as a part of the revenue and the cost which we have done incurred on constructing that as a part of our total operating expenses, so therefore this margin looks to be lower. Effectively actually 270 crores what I said is the net profit that we have made on that particular construction and transfer for the land as well as for the jetty whatever. Now if you have not have this kind of an arrangement, then the entire 270 only would have been sitting in the revenue as well as in the PBT.

Nitin: Got it, and the lease rentals of 100 to 150 crores what we early used to guide is still not a part of our port income, is still a part of the other.

B. Ravi: It is always a part of SEZ business itself, because that is the lease rental from an SEZ land or infrastructure, usage that we get from the SEZ land users. Therefore, it is a part of that business and that was on annual guidance asset, so this quarter, we have done about 35 crores.

Nitin: My next question is on Dhamra, I am sorry, I did not understand that why the berth was shut down because your existing two berth are little bit demarcated from the third birth. It has still has the space. Why it was shut down and even if it got shut down for 22 days, it does not prop up the volume that much, I am saying the way we were looking at Dhamra to grow much faster and now it can grow because your container comes up, so just wanted to understand is there something apart from the coking part, is it something other which went wrong in this quarter.

B. Ravi: No sir, the reason why one berth was shut down because we had to shift the export berth which is berth 2, we had to convert that into a free berth, the new berth, so the export equipment had to be completely shifted and the new import cranes which had come had to be commissioned at berth number two, so that was the reason why the shutdown was there for berth two and for berth three, berth three was anyway under commissioning, so berth two was actually that is the reason why it was shut down for 23 days and in terms of volume yes there should have been more increase but this year I mean this quarter, we had little less of coking coal because of the cyclone situation in Australia but on an overall basis, we see the ramp up happening , we are already seeing the rampup happening right now, so at the end of the year, we don't see any disruption happening in that way in terms of cargo growth.

Nitin: And Karan just one more thing, you said that there is a large customer of coking coal on the East side. When we look at the highest market share of a client which is on the East side, we import largest coking coal in our country sale, is that the customer you have been talking about.

Karan Adani: We cannot disclose that right now because we are in the midst of signing the contract but once we have signed the contract, we will let you know.

B. Ravi: Once it is announced what we can do is, we can ask Bala to circulate that to everyone.

Nitin: That is really helpful and lastly just one more question. We receive a good SFI income on our exports and assuming we still have a ratio of 50 or a 55, 45 to the export-import, it is just an academic question, how much SFIs generally we book in a quarter, that is it from my side.

B. Ravi: It should be about 35 crores and depending on you know the increases it can be let say we are more of exports when container, it can go up to 40 crores also.

Nitin: Alright, thank you Ravi. Kushan you have anything.

Kushan: No that is it from my side too.

Nitin: Thank you Ravi and thank you Karan.

Moderator: Thank you. Next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: Hi, good evening sir. Sir just want to understand how much coastal volumes we might have done in this quarter and how do we see that ramping up over the next few quarters and years and secondly this 2 million tons of take or pay contract that we have signed with Reliance, just want to understand since when has that take or pay contract become operational, become effective and if we are already seeing that in numbers currently.

B. Ravi: Sir let me answer your second question first. The Reliance take or pay contract was operational from last financial year itself and they are ramping up their volumes. This year they expect actually 2 million tons at both ports to be handed. In terms of coastal movement, in quarter 1 we handled 400,000 of coastal movement of coal and we expect this volume to be around 3 to 3.5 million at the end of the year, mainly at Dhamra port. So Aditya just to add to that in terms of Reliance NGPS would be there but what we could not show is in terms of the volume because that was not actually handed so we are more interested in actually total handling and that is why Karan clarified actually handling will also happen from this Q2 onwards, otherwise, we are not at a loss side, it is still there to protect us.

Aditya Bhartia: Right, so we are getting realizations or we are getting tariffs in receipt of that 2 million ton, it is just that it is not reflected in cargo numbers.

B. Ravi: That is right.

Aditya Bhartia: Okay and sir on SEZ income, you mentioned about CT3 and CT4 related income which could come over the course of the year but anything besides that also wherein you see a possibility of some income accruing.

B. Ravi: Yes, apart from this, yes we have land you know this SEZ customers which are there. We have been getting, last quarter also we did that but that was not an upfront amount, we had only the lease rental planning and therefore it was not reflected in a big way but we have targeted may be in the next 9 months we should be able to get a 100 Acres or something of nonCT3 and CT4 and plus there is one more terminal that is with LNG terminal that we are building in Mundra as we are aware, there are certain definitive agreements which are likely to be done towards the last quarter of this financial year, so something you could expect from that also.

Aditya Bhartia: Okay and sir my last question is on CAPEX, we been working on Dhamra and Vizhinjam just want to understand, how much CAPEX might have been done at these two ports and how much should we be expecting in FY18 and what exactly are we doing at Kattupalli in terms of CAPEX.

B. Ravi: Kattupalli we haven't yet commenced much of CAPEX as such, we had to do the railway so there could be about 30 crores overall which we had spent. Dhamra is the largest one, we have a total outlay of about 800 crores in Dhamra to be spent during the current year and we are well on stream of spending it, it may not be exactly 200 in each quarter as such but thereabouts.

Aditya Bhartia: Okay and how much we might have done at Dhamra.

B. Ravi: The third one is at __40.00___, sorry.

Aditya Bhartia: How much CAPEX we might have done at Dhamra in FY17.

B. Ravi: FY17, we have done about 750 to 800 crores there too FY17 and a similar number is there for this year also.

Aditya Bhartia: Sure sir, understood, thanks a lot sir, really helpful.

B. Ravi: Thank you.

Moderator: Thank you. We take the next question from the line of Pavithras from Namura. Please go ahead.

Pavithras: Yes, hi, good evening, thanks for taking my question. My first one is on the CAPEX, just wanted to understand what the CAPEX spend was for the quarter and what you are guiding for FY18 and probably FY19 that one and secondly on the debt if you can share the gross debt and net debt numbers as of June and you know given your focus to boost free cashflows this year, just wanted to understand how you see the leverage numbers by the end of the year and finally just on acquisition, there is some talk in the media about an organic growth, so just your thoughts on that as well, thanks.

B. Ravi: While I leave the acquisition part to Karan to answer, let me clarify, the CAPEX guidance we have given in the earlier period in the beginning of this year 2500 cr to 2800 cr stands and we are exactly growing towards that, probably we might save 100 crores or 200 crores in that rather than over spent, so we are still holding on to our guidance of 2500 to 2800 crores and accordingly in the first quarter, we would have spent proportional amounts, not exactly one-fourth, that is one. Debt numbers we give it out as you know six monthly but I can tell you the guidance which we have given again on the net debt position and those at the beginning, we are well on course, so I think when we give out our September numbers, you will see that we have moved towards in that direction, otherwise I don't have the numbers on net debt proposition at this point in time, but it has been steadily improving as per the guidance that we have given. In terms of acquisition, we are evaluating the opportunity and we will see at the right value and might consider it but definitely it will be at a discount of the current price, at the current price I don't think so it makes sense for that, but we will take a call once it is closer to depending on the price and depending on we value we might take a call or we might drop it at that time.

Pavithras: Sure, thank you.

Moderator: Thank you. We take the next question from the line of Pulkit Patni from Goldman Sach. Please go ahead.

Pulkit Patni: Sir, thanks a lot for taking my question and thanks a lot for explaining in detail this CT4 transaction. I just wanted to understand how does the cashflow in this case work. So now that you have booked the revenue, the cost of which has been incurred by us over a period. When does the cash related to this transaction come in.

B. Ravi: I am glad that you asked this Pulkit, because the expenditure which actually shows as an expenditure, therefore we get the 270 crores of profit, frankly that entire expenditure come back towards this cashflow because it is a sale of that, so cashflow by the end of the year when we let say the next quarter itself when the entire aspect is completed we would have got the entire cashflows from this including the expenditure done in the previous year, therefore, cash inflow will be far more than the EBITDA which we will be getting from this transaction. In the first quarter, amounts which are relevant to the transaction that we have got has already come in; in terms of the equity contribution from both the partners, both us and the JV company has put in their equity portion both from an equity as well as secured loans this was combination of quasi equity and equity. So both these things put together, we have got that entire money of the transaction which you have completed and similarly in the next quarter also we should be getting. The cash inflow will be much higher than the EBITDA which will come in.

Pulkit Patni: Okay, understood and secondly on this massive increase we have seen in case of rail volume, does this largely come because of the start of the new terminal or is there any new service that we started from any of the ports, any color on that would also be helpful?

B. Ravi: So two things, the increase in rail volume in on account of the debt started in new ICD. Second also on account that new services have started in Mundra and because of that three new services have started in Mundra and because of that the volumes have increased and the third reason is as we have always been telling you that JNPT being large in terms of their volume handling, lot of North India cargos is being diverted to Mundra and that is the reason why more North India bound rail volume has been increasing as well.

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

Ashish Shah: Couple of questions, one just wanted to clarify the 270 crores profit which you mentioned on the CT4 transaction is that PBT or PAT.

B. Ravi: It is actually it is PBT.

Ashish Shah: Because I was particularly referring to your explanation on the tax side where you said that, so basically at the PAT level is 270 less of 97 as is mentioned in the presentation.

B. Ravi: That is right, 84 or whatever, that is correct.

Ashish Shah: Right, secondly there is notes to account which says that we have incorporated two new subsidiaries during the quarter, sir any idea on what is the intended area of business, the one is the Mundra International Gateway Terminal and the other is the Adani Internal Terminal PTE.

B. Ravi: Mundra International Container Terminal that is incorporated because we are in talks with another shipping line for doing a similar joint venture as CT4 and CT3, so we have created that company in anticipation of that joint venture and Adani International, we have based out of Singapore and that we have created in anticipation that if something happens internationally any international project that we take, we will do it out of that company.

B. Ravi: Right now the exploration which is going on or the evaluation which is going on is people present out of Singapore, so it was making sense trying to have a company which will book all those expenses rather than loading up at the India level. It does not make sense that way. So we did it there is any future investments in any of the foreign countries Indonesia or wherever which Karan has already mentioned to you, then it will be through this company.

Ashish Shah: Right on the Vizhinjam, how much have we spent so far and this year how much we will spend in FY18?

B. Ravi: Break water has been going on and that would be about 200 to 300 crores, but the birth construction has just begun in June, therefore, that will be the major expenditure. As of first quarter it is not much at all but going forward another Rs. 200 to 300 crores and the gross of about 500 is what we likely to spend in the entire year on Vizhinjam.

Ashish Shah: Right and this will take the cumulative CAPEX to how much sir, 500 incremental in FY18?

B. Ravi: I will have to get back to you, I don't have off hand, I will get back to you Ashish.

Moderator: Thank you, we will take the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Yes, thank you for the opportunity sir, sorry to again ask you the same question on the EBITDA part. See if I look at the slide 17, I see the Mundra revenue you said 1806 crores and 1127 crores of EBITDA and that number comes to about 62%. On the next slide, you have given port revenue of 1742 crores and port EBITDA of 1255 crores, so I am just a bit confused, how do I exactly read these two conflicting slides?

B. Ravi: Okay, let me say the time of rest of the people, let me do that offline and give it to you Achal, because it might need a little bit of plus and minuses and let me look into that, but I can only assure you that both numbers are not in variance to each other, there is no mistake.

Achal Lohade: Sure, secondly what I wanted to check is on Hazira port in terms of the volume mix would you be able to talk about how much is container, how much is liquid and other bulk and where do we see the growth?

B. Ravi: In Hazira in Q1 this year, we have handled almost 1.3 million tons of coal, we have handled almost 110,000 TEUs that is container which is translating about 1.6 million tons in terms of tonnage and then we have got liquid, it is about 0.6 million ton that is 600,000 tons. As you know liquid is more of revenue game rather than just a volume game and there are other cargo which is about 0.5 million ton, so total is about a little more than 4 million, this is the four different classification.

Achal Lohade: My next question was since the DFC, I mean what is the sense we have on the DFC status as of now and our connectivity with respect to Mundra port, will it be a separate dedicated line or will it be shared again with Kandla port, I am just curious to know in terms of the evacuation post DFC will we have any challenge as compared to probably the other ports who may not really share these lines?

Karan Adani: Sir DFC, we expect in Mundra to come to Mundra by 2019. We don't share a line with Kandla Port. There is a separate line which is laid by us. This is doubling of Mundra Adipur line, that is there and also the Adipur-Palanpur line which is under Kutch Railway where we have our shareholder, now this is also going through upgradation for handling DFC, so as in terms of Mundra, we will have a dedicated line which should come by 2019.

Achal Lohade: And this will connect us to Adipur.

Karan Adani: This will connect to Adipur and then to Palanpur.

Achal Lohade: And that Adipur to Palanpur will be shared is that right understanding sir.

Karan Adani: That is under-construction, yes it will be shared, that is depending on the cargo which will be going to Northern Hinterland it will be used by that.

Achal Lohade: So you don't see any constraints in terms of.

Karan Adani: There is enough capacity in that line because that is also going through doubling, so we don't see any issues in terms of capacity.

Achal Lohade: Got it, just a data point in terms of the railway evacuation what is the current utilization broadly if you could say is it 50?

Karan Adani: In Mundra-Adipur or where.

Achal Lohade: From Mundra in terms of rail evacuation what is the total?

Karan Adani: Yes, because right now capacity utilization is in the range of 40% to 45% and we do see that capacity increase happening almost 5% to 6% every year.

Moderator: Thank you. We take the next question from the line of Aditya Mongia. Please go ahead.

Aditya Mongia: Yes sir, I just sort of checking with you at the SEZ area, would it be possible for you to share how much of volumes at the Mundra port actually is coming from manufacturing activity which is happening in SEZ and there have been any trends over there?

B. Ravi: Have to work that out, we will come back on that, because these are not really very large volume, it would have been built up into each of the products so we really have to do that, we will have to remove it from each of the products which we will handle, I will get back to you.

Aditya Mongia: Sure, sir the second question was more on this mix of EXIM and domestic in let us say the logistics volumes on the rare side that we would have handled in the last year, would it be possible to share that number sir.

Karan Adani: We will share that in the mix separately.

Aditya Mongia: Okay, but could you give a sense whether it is more of EXIM or more of domestic or broadly even split between these two?

Karan Adani: It is 35% EXIM, 65% domestic.

Aditya Mongia: Great sir and sir, I don't have more questions but just a suggestion, it is great to have this presentation, it is fairly useful for us. Just an addition, if I missed because most of the questions and the calls were also focused on this thing, as you have a breakup of revenues across the different businesses, it could be great to have a breakup of EBITDA also, to just clarify a lot more doubts which were there on the call just this time around.

B. Ravi: Understood, we will do that.

Aditya Mongia: Great, so Janis, I think there are no more question, so may be the management give their final remarks, if any then we can close the call. Karan would you want to make any remarks over here.

B. Ravi: Thanks once again. We are trying to keep as much information available prior to the call as possible. Other suggestions which we just got from Aditya I think that is welcome. Our intentions have always been to clarify and therefore if one or two points like what Achal was asking or Ashish was asking that has not been done, next time all what we will do is to even put those things very vividly in that aspect so that these questions don't come in. I think in terms of disclosure, in terms of requirement we have been only trying to help Analyst as much as possible and we will work suggestions going forward too. We only want to really reaffirm that our operation, profitability, strategy of diversification, SEZ port development, all those are absolutely on and as per the guidance, we standby that, we wanted to reaffirm all that and I think in terms of the various parameters of margins and all that, we have already started performing as per the guidance and so rest assured, I think we will get to need to perform and continue to throw surprises in terms of better and better performance as we go by. Thanks to everyone once again for joining on a late Saturday. Just to tell you we are also looking at another Saturday which I tried to avoid next time. Our Directors, just to tell you were also looking at another Saturday which I will try to avoid next time too. I will come back with a date and we will try to not have it on a Saturday next time, thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Kotak Securities, that concludes this conference, thank you for joining us, you may now disconnect your lines.