Transcript

Conference Call of APSEZ

Event Date / Time	:	**23rd Oct 2018 4:30 PM IST**
Event Duration	:	**44 mins 20 secs**

Presentation Session

Moderator: Ladies and gentlemen, good day and welcome to the Adani Port H1FY2019 earnings conference call hosted by Batlivala and Karani Securities. As a reminder, all participants' lines will be in 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 * and 0 on your telephone. Please note this conference is being recorded. I would now like to hand over the conference to Mr. Bhavin Gandhi from B&K Securities. Thank you and over to you sir.

Bhavin Gandhi: Thank you Shyamala. Hello and good afternoon to everyone. On behalf of Batlivala and Karani, I would like to welcome you all to the H1FY19 Adani Ports earnings call. From the management, we have Mr. Karan Adani, CEO and Whole time Director and Mr. Deepak Maheswari, CFO and Head-Strategies. We will have the opening remarks from the management and then we will follow it up with the Q&A. Over to you sir.

Karan Adani: Thank you. Good evening ladies and gentlemen. Welcome to the conference call to discuss our H1FY19 operational and financial performance. Consolidated revenue in H1FY19 was Rs.5019 crores compared to Rs. 5451 crores in H1FY18. The revenue was lower as there was no SEZ port led development income in H1FY19, compared to Rs.1165 crores booked in H1FY18. Our core operation reported strong performance. Port revenues grew by 21% to Rs.4240 crores and port EBITDA excluding forex mark-to-market adjustment, grew by 24% to Rs.2975 crores. Port EBITDA margins on year-on-year basis expanded by 100 basis points to 70%. PBT and PAT for H1FY19 were lower as we provided Rs.953 crores for mark-to-market loss on foreign currency loans of USD 2 billion.

Details of financial numbers will be discussed by Deepak later on. Let me take a few minutes to highlight our operational performance. For the first time in the history of APSEZ, cargo volume in half year crossed 100 million metric tons. It grew by 15% in H1FY19 and by 22% in Q2 of FY19. This is against 5% cargo growth in major ports in H1FY19 and 6% in Q2 of FY19. We continue to outperform and gain market share. There has been all round growth in the cargo that we handle. In H1FY19, crude volumes grew by 52%, containers grew by 16%, and coal grew by 13%. We have seen growth coming from all our ports and from both eastern and western ports of India. Mundra, flagship port of APSEZ grew by 12%. Other ports in the west coast, namely, Hazira grew by 23%, Dahej by 36%, and Tuna grew by 68%. Kattupalli, in South, continues to register double digit growth and grew by 22%. Cargo volumes at our terminals in major ports improved significantly. Volumes grew by 68% in Tuna and

286% in Goa. Vizag handles coal volumes of 0.56 million metric tons. In terms of cargo composition, containers contribute 41%, coal 32%, crude 13%, and other bulk as a share of 14%. Consolidated container volumes grew by 16% and our container throughput was 2.84 million TEUs. Container volumes at Mundra grew by 14%, at Hazira by 19%, and at Kattupalli by 27%. Ship liners have started calling Ennore Terminal and we expect a volume of 50000 TEUs in the current financial year from this terminal.

We have seen a growth in imported and trading coal and this is reflected in the volumes handled at our various ports. While coal volumes at Tuna increased by 58%, it increased by 35% at Dahej, 39% at Hazira, and 286% at Goa. In addition, Vizag terminal handled coal volumes of 0.56 million metric tons. As you are aware, Adani Powers has recommenced its coal imports from Mundra Port from June of 2018. In H1FY19 we have handled 5.33 million metric tons of coal for them. Thus, coal volume grew by 13%, if we exclude coal handled for APL and Tata Power, it grew by 30%. In addition, trading coal at Mundra Port has increased by 28% and we could handle 15.35 million metric ton of coal in Mundra during this period. Crude volumes at Mundra grew by 52%; this is on account of higher crude handled for HMEL and IOCL. Our strategy to diversify and handle various types of high value cargo at all our ports continue. At Dahej, we have started a new commodity, which is handling of copper slag. In terms of Dhamra, we are working on resolving our evacuation issue at the port. Rake availability continues to be low, from 15 rakes in H1FY18, currently Dhamra receives only 13 rakes from Railways. As you are aware, we have put a proposal for operating 11 rakes under Own Your Wagon scheme. Once the contours are finalized and approval received from Indian Railways, we intend to run rakes for our customers like Tata Steel, SAIL, and JSPL. The port has commenced offshore ship-to-ship handling of POS and we expect 400,000 metric tons through this stream in FY19. Going forward, we will also handle LPG for Bangladesh and Haldia through this stream.

Our strategy to handle high value cargo will ensure that we will be able to earn higher revenue and EBITDA on lower volumes. Dhamra has excellent catchment area of coal and iron ore, steel export, coastal movement of minerals, import of fertilizer, container handling, and STS operation, will ensure that Dhamra port will grow by 20% to 25% from FY20 onwards.

Coming to Logistics operations, ALL handled Rail volumes of 79156 TEUs in H1 of FY19 compared to 117001 TEUs in H1 of FY18. Lack of availability of leased rakes impacted rail operations of ALL. Eight rakes, which were on lease was called back by the lessor in H1 of FY19. We have ordered 11 rakes four months back and have received one rake in September '18. The balance will be received progressively, and we will have 25 rakes by April of 2019. EBITDA margins have improved to 15% on account of expenses on leased rakes coming down, as well as higher utilization of assets. We will be ordering another 10 rakes in quarter 3 of FY19. In addition, we have ordered 10 BOXN HL rakes under the Own Your Wagon scheme of Indian Railways in H1FY19 and another three rakes will be ordered by our JV company, that is Adani NYK Auto Logistics in Q3 of FY19. This will help ALL to increase its Rail operations from FY20. We will continue to pursue our strategy of expanding our logistics footprint across India. While adopting asset-light model, we will look at building multi-modal logistics for warehousing, rail network, and distribution. We will be commencing construction of warehouses at Taloja and Kattupalli, which will be operationalized in Q1 of FY20. We expect Bangalore to be operational in this financial year and Vadodara in next financial year.

We are in the process of acquiring land for PFT at Panipat and Nagpur. By its sheer nature, Indian economy will continue to grow inspite of recent rupee depreciation and oil price hike shocks to the economy. We do not foresee any impact on India's imports and exports and we are truly on course of achieving 200 million metric ton cargo volume in FY19. We expect our EBITDA margins to further improve due to sweating of enhanced capacity, better cargo mix, and using technology to handle cargo at our ports. We expect port EBITDA margins to increase by 100 basis points and are targeting 71% in FY19. Capex for FY19 will be between 2300 to 2500 crores, and we will be able to generate free cash flow of Rs.1750 to 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: Thanks a lot Karan. The financial highlights of the year are as follows: The consolidated revenue is lower by 8% in H1FY19 and 4% in Q2FY19 as there was no revenue from SEZ port development. This is against the Rs.1165 crores earned in H1FY18 and Rs.504 crores earned in Q2FY18 under this particular head. Similarly, the total EBITDA, excluding the mark-to-market forex loss was lower by 4% in H1 and 9% in Q2; this is again due to no port development income in H1FY19 and Q2FY19. However, if we were to exclude the SEZ port development income earned in H1 and Q2FY18, income from core operations have increased by 17% in H1 and 18% in Q2. Similarly, EBITDA from core operations grew by 24% in H1FY19 and 25% in Q2FY19. This is on account of higher growth cargo and resultant revenue from port operations. The port revenue has grown by 21% in H1FY19 and 26% in Q2FY19. The ports' EBITDA grew by 24% in H1 of FY19 and 30% in Q2FY19. Ports' EBITDA margin expanded by 100 basis points in H1FY19 to 70%, and by 200 basis points in Q2FY19 to 70%.

The core operations were robust on account of higher asset utilization, better cargo mix, and higher exchange rate. The higher exchange rate has contributed to around 81 crores in H1. The PBT and PAT on PBT was lower due to mark-to-market loss. Rs.953 crores versus Rs. 47 crores in H1 and 570 crores versus 72 crores in Q2. So, with that, the net PAT that we have for this particular half year is Rs.1296 crores and with that I will open the call for questions.

Question and Answer Session

Moderator: Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

We have the first question coming from Mr. Pulkit from Goldman Sachs. Please go ahead with your question.

Pulkit Patni: Hi Karan, thanks a lot for taking my question. My first question is on your growth strategy, I think, in the last couple of months a lot of things have changed in terms of how the global trade is going to pan out, if not anything, at least the uncertainty has increased. I just wanted to understand what is your strategy about some of these foreign ports that we were contemplating partnering with, and how should we look at that from a financial perspective over the course of say, next 12 to 18 months.

Karan Adani: Sure, thank you. In terms of international opportunities, as you know, that we have a very defined strategy in terms of, which are the countries we are looking at, which is mainly Bangladesh, Myanmar, Indonesia, and so basically South East Asia and the countries around Bay of Bengal. And, if you see the profile of those countries, all of them are basically… their volumes they move through import and… theirs is mainly EXIM volume and not a transshipment volume over there. As of now, today we don't have anything in the international side. We don't have any concrete proposal or a concrete transaction going on, so it is hard to comment. But, as you know, that we are looking out and we still believe that these countries will grow. And, as you know, we are looking at Greenfield development in most of these places with a joint venture partner. So, I don't think so, our strategy is changing even because of what is happening around the world in terms of trade wars.

Pulkit Patni: Sure sir. My second question is related to financing. Again, we have seen significant depreciation of Indian Rupee. Any change in thought process as to how we fund our future capex in terms of split between overseas debt and domestic debt, or that also does not worry us, and we should be expecting that the proportion of foreign debt that we have on our books today, which is close to 65 odd percent, is a number that we should look at sort of continuing going forward?

Deepak Maheshwari: Pulkit, hi, Deepak here. I think the answer to the question is in a slightly different parameter. The dollar debt that we have, we have to match it with our dollar revenues. So, as long as we believe that our dollar revenues can continue to grow higher from the levels that we have right now, that is the driving criteria to determine as to what is the dollar debt, which should be on our balance sheet. If we are not naturally hedged on our dollar revenues and our dollar liabilities, and if there is a need to have any additional liabilities, then they will be in the domestic currency. So, the driving factor is not a percentage of 65:35, whether we have it in…or the mix that we have in our currencies at this point in time but is driven by the dollar revenues that we have in our business.

Pulkit Patni: Okay, thanks. That answers my questions. Thanks a lot.

Moderator: Thank you sir. The next question coming from Kushan Parik from Emkay Global. Please go ahead with your question.

Kushan Parik: Hi, thanks for taking my question. My first question is that, when it is related to Adani Power volumes, is it possible to share, as you said a 5 million ton plus volume was done in first half, what was the volumes in Q1FY19 and in Q2FY19?

Deepak Maheshwari: Just one second, we will give you that number. So, in Q1 of FY19, Adani Power volume was 1.12 million tons

Kushan Parik: Okay. So, whole growth came straightaway in this quarter, which helped you…okay, got it. And in terms of, my second question, when we look at the promoter pledging, a company which is generating a free cash flow of 70% EBITDA margins, we are looking at the promoters increasing the pledging a lot, it is more than 50% of the promoter holding is pledged. Can you attribute the reasons behind it? Which companies are we towards pledging for?

Deepak Maheshwari: I think it is a very difficult question for you to ask for the management, but the best answer that I can actually provide you is that the pledging of the promoters shares is likely to be towards the requirements that the promoter's family have towards any of the other investments or assets that they might have in their portfolio.

Kushan Parik: Okay, fine. Thank you.

Moderator: Thank you sir. The next question coming from Mr. Sumit Kishore from JP Morgan. Please go ahead with your question.

Sumit Kishore: Hi, thanks for the opportunity. My first question is related to the trade receivables that you had on your books as of FY18 end, which were related to the JVs of about Rs.15 billion. How has the number moved so far in the year and what is the target by the end of the current fiscal. That's my first question.

Deepak Maheshwari: So, the trade receivables, that you correctly mentioned, that includes the receivables that we have from CT3 and from CT4. On CT3 we have received the receivables, which is from the JV that we have with MSC. The JV that we have with CMA, that is still work-in-progress, and we expect those receivables to come through during the course of this particular six-month period.

Sumit Kishore: Okay, so the number of 15 billion now stands at?

Deepak Maheshwari: So, the number of 15 billion will now stand at around 450 odd crores.

Sumit Kishore: Okay. And this two will become zero by the end of the financial year.

Deepak Maheshwari: That's right.

Sumit Kishore: The CMA CGM money coming in.

Deepak Maheshwari: That's right.

Sumit Kishore: Okay. And my second question is, again, we have seen almost 33% growth in the JV container terminals. Could you also give us a sense of the EBITDA that these two terminals have made in the first half of FY19 and how that compares with the first half of FY18?

Karan Adani: EBITDA margins have been in the range of 55% to 57%. In H1 of FY18, their EBITDA margin was 57%, in H1 of FY19, the EBITDA is 55%. This is, obviously, you have to keep in mind this is EBITDA after taking out the revenue share that they pay to APSEZ.

Sumit Kishore: Sure. And in absolute terms, what was the EBITDA in 1H of FY19 and the growth on a year-on-year basis, if I combine both CT3 and CT4?

Karan Adani: H1 of FY18 the EBITDA was…this is excluding forex, the EBITDA in H1 of FY18 was 221 crores and in H1 of FY19 the EBITDA is 351 crores, which is a growth of 59%.

Sumit Kishore: And this is putting both the JV terminals together?

Karan Adani: Yes, that's right.

Sumit Kishore: Okay. Thank you so much. That answers my questions.

Moderator: Thank you sir. The next question coming from Mr. Vibhor Singhal coming from Philip Capital. Please go ahead with your question.

Vibhor Singhal: Good evening sir. Thanks for taking my question. So, Karan, my question was basically that we have seen very strong growth in Hazira, Dahej, and other ports, so what is the status of Ennore port, what kind of growth are we seeing there, and what is the strategy going forward in terms of the twin ports that we had of Ennore and Kattupalli and how do we see the cargo shared between the two cargos, close to the Chennai port.

Karan Adani: So, as you know that for Ennore port we have signed a contract, medium term contract with Maersk Line. Maersk Line has called their first ship two days back at Ennore port. We expect by end of this financial year, Ennore port to do anything between 50000 to 60000 TEUs and by end of March 2019 we should have a run rate of almost 100,000 TEUs per annum, so that's how we expect and as you know Kattupalli port is going to be – we have started expansion over there, it is going to be a multi-purpose port, it is not just going to be a container port. So there we have started construction for a liquid terminal as well as for fertilizer handling or godown and the railway line construction has also started. So that's how we would look at it, that Ennore would be purely container and Kattupalli would be a multi-purpose port and in terms of volume as you know….the idea is to take large part of market share from Chennai port going forward.

Vibhor Singhal: That's right. So for Ennore port I guess we would have some minimum cargo requirement as per the agreement that we have signed so how far or how close to that number are we currently for this year?

Karan Adani: We will cross that number, 100,000 TEUs is the minimum guarantee and we will be crossing that, that is for the full year, full calendar year, 100,000.

Vibhor Singhal: Okay. So we will cross that next year any which ways, by March 2019 you mentioned, right?

Karan Adani: Yes, that's right.

Vibhor Singhal: Okay. Sure. That's great. Also basically, I mean, I am sorry I just basically didn't catch the entire part of your heading strategy or the **FXZ** strategy.

So you mentioned that because we also have revenue in the foreign currency so we would be kind of – we will be taking the **FX loan** as long as we are comfortable with it. So any kind of number that we have as to I mean how much as a percentage of revenue or how much as a percentage of total debt or maybe how many quarters or months of revenue are we comfortable in taking debt in terms of foreign debt?

Deepak Maheshwari: So if you were to see on the basis of some of the numbers that we have shared I think we are at a point where we are adequately covered from our FX revenues that we have and this is about the dollar debt numbers that we are comfortable with considering the dollar revenues that we have. Post the operations and if there is a further increase in the dollar revenue from any of the other ports if there is a significant increase from within them as and when it comes in or any of the other ports if we were to see that there is significant increase in the revenue then we will change, but based on the current projections that have of our dollar revenue I think the two billion debt number is the number that we are comfortable with and it is unlikely that we will increase that without having any significant change in the dollar revenues coming in.

Vibhor Singhal: Okay. So just to basically to harp on that, so when you say that we are adequately covered in terms of our dollar revenues to our foreign exposure you mean to say that the increase in the revenue when there is one rupee movement in a dollar so the increase in revenue is compensated adequately by the FX loss is it that what we should be making out of it?

Deepak Maheshwari: That's right, that's right, but the increase in revenue of course because the revenue change or the impact is over a period of time, so you have to look at it as we have tried to explain in the presentation that we have laid out, the five-year thought process that we have.

Vibhor Singhal: Okay. Sure. Great. Thanks for taking my questions and wish you all the best.

Moderator: Thank you, sir. The next question is coming from Mr. Ashish Shah from IDFC Securities. Please go ahead with your question.

Ashish Shah: Good evening, sir. Sir, just wanted to check what would be the total outstanding receivables from Adani Power?

Deepak Maheshwari: The total outstanding receivables from Adani Power as of the date of September 30th was around 760 crores, post that we have had around 150 odd crores coming from Adani Power during the course of this month, so as we speak today the number will be in the range of 575 to 600 crores.

Ashish Shah: And sir I think the overall number for related party receivables was slightly higher than this, right? I think it was 2400 crores if I am getting it right for March. So how would that number have moved?

Deepak Maheshwari: Yeah, so that possibly includes all the trade receivables that you are talking about, right? So we have answered in part what is happening on the CT3 and CT4 and otherwise you have certain changes which are there in Adani Power which are now corrected.

Ashish Shah: Sure. Also, when I look at the debt profile there has been an increase in the gross debt and the cash balances have also gone up. So any particular reason we are holding the extra cash at this point of time because the net debt increase is not that big, but when you see the gross debt increase it has increased by some 3000 crores from March.

Deepak Maheshwari: That's true. So if you will see that there are two specific things which have taken place and again we have tried to explain that in the presentation that we have set up, part of the change in the gross debt number is because of the FX moment. There is little that we can do about that other than what we have already explained about how we think, our policy and strategy of hedging the currency is. The certain amount of short-term debt that we have taken that is largely for implementation of the LPG and the LPG terminals that we are in the process of developing and as you also know that it is our stated strategy that these assets will move out of APSEZ and so the work which is being done is being done in the form of short-term debt and as we complete this project and as they move out of APSEZ the debt will move along with that. So we have not used our core cash and core cash flows for the implementation of these JV assets.

Ashish Shah: Sure. So in that related context; we had a press release recently talking about our understanding, our agreement with Total, anything that you can, you know, just elaborate upon on what is the nature of the exact understanding as far as Adani Ports is concerned?

Karan Adani: If you see, the larger objective of the JV is to develop and operate L&G terminal, to develop retail fuel stations and to do gas trading and marketing. So since a lot of the objective of the JV is not in the preview of APSEZ we will be looking at basically transferring the Dhamra LNG terminal and from APSEZ point of view we will continue to get the marine side as well as the royalty from the cargo handle price at Dhamra LNG. So the marine support infrastructure as well as the port infrastructure will remain with Dhamra Port and the second income which will be retained in APSEZ, that is the port development income, which is through providing the common infrastructure, the marine infrastructure and the land deal.

Ashish Shah: Right. So far as the APSEZ is concerned this particular arrangement has to do with transfer of Dhamra LNG terminal while retaining the marine side and the royalty side and the port development income.

Karan Adani: Exactly.

Ashish Shah: So we will have nothing to do with the other aspects of the…

Karan Adani: So all the CAPEX of it will be move out of APSEZ. So there is a large CAPEX for the development and the tankers which will not be borne by APSEZ.

Ashish Shah: So lastly any estimate of this CAPEX that we just spoke about for Dhamra LNG?

Karan Adani: Sorry, can you say that again?

Ashish Shah: Any estimate of the CAPEX that we will first spend and then the CAPEX will move out of our books as we understand.

Karan Adani: No, so the idea is – the timeline is that JV will be signed between December to January, so December of this year to maybe January of next year and once the JV is signed the asset will be transferred.

Ashish Shah: So we will not be having that CAPEX…

Karan Adani: Yeah, we won't be having a large CAPEX.

Ashish Shah: So all we will earn from it is the compensation in lieu of the transfer of the waterfront is what we will have.

Karan Adani: Yes, which will be a substantial amount, which is part of what we have been saying that every year we will be getting 800 to 1000 crores from port development income, so this is one of those projects.

Ashish Shah: Got it, got it. Thank you so much, sir.

Moderator: Thank you, sir. The follow-up question comes from Mr. Pulkit from Goldman Sachs. Please go ahead with your question.

Pulkit Bhatini: Sir, thanks again for taking my question. Could you please elaborate on Vizag which was one of the terminals we were earlier planning to give back and now it seems that we are doing more cargo there, what is the status of that and how should we look at growth for that terminal?

Karan Adani: So, Pulkit, as you know that coal volumes in India has increased drastically and one of the growth areas we see is from Vizag. Our strategy is we would like to continue to operate that asset and we would like to tie-up long-term customers over there, so a very similar strategy to what we have done in Goa and the idea is just tie-up the capacity with one or two customers and then just operate it.

Pulkit Bhatini: Okay. So basically this is something that we are going to be growing unlike what was the case earlier where we were looking at giving this terminal back to the government because of certain issues at the terminal?

Karan Adani: So, yes, that strategy has changed because we have seen, I mean we are seeing an upswing in coal volumes and also not to move with the cycle what we have said is that, what I said earlier also, is that we will tie up with end user, we have three end users who we are targeting and we are in advanced discussion over there and there we will tie up on long-term take or pay contracts, so we actually fill up the whole capacity of the terminal.

Pulkit Bhatini: Sure. Thank you.

Moderator: Thank you, sir. Participants are kindly requested to restrict with two questions in the initial round and can join the queue for more questions. The next question is coming from Mr. Swarnam Maheshwari from Edelweiss Securities. Please go ahead with your question.

Swarnam Maheshwari: Hi, good evening. Thanks for the opportunity. Sir, my first question is when I look at the balance sheet, you know, the receivable profiles actually remains stagnant around 3300 odd crores on a six-month basis whereas the cash balance has gone up by almost around 1500 odd crores. So is it the case that, the money received from one of the purchase company has actually been sitting on the cash and we have not reduced it from the trade receivables?

Deepak Maheshwari: The money which has been received from the JV obviously it has reduced from the trade receivables and as I mentioned to an earlier question as to why is it that we have taken certain amount of short-term debt despite having cash on the balance sheet and I tried to explain that the debt that we have on the balance sheet is largely for the construction and this is the short-term debt that we have on our books is largely what we have taken for the JVs which we are in the process of implementation and construction and this will also go away as we transfer the JVs out of the company.

Swarnam Maheshwari: Okay. Sure. And, sir, secondly just for better understanding, so when we basically transfer this LNG terminal to the JV you said that we have actually taken 3000 crores of short-term debt and this of course is in INR denominator debt so the interest cost will be on the higher side. So when we actually transfer it maybe like after one, one and a half, two years, so is it safe to say that the interest actually would be kind of capitalized and would be passed to the JV because right now we are charging at APSEZ P&L.

Deepak Maheshwari: It is fair to assume. I am not very sure as to where you are getting the 3000 crore number from, but having said that don't forget that the work which is being done is not just for Dhamra LNG, which is smaller as compared to the outgo at this point of time but it also includes Mundra LPG and, yes, any capitalization or any transfers which will take place will also take into consideration the carrying cost or the financing cost on the books of APSEZ.

Management: I just want to clarify over here that unlike other JV models in Dhamra LNG we are not going to build and then transfer, we are just continuing with the project till the time the JV agreement is signed, a definitive JV agreement is signed. The day definitive agreement will be signed which is likely between December of this year and January of next year that's when we will transfer with whatever state that project is in including with the debt that has been raised for that asset.

Swarnam Maheshwari: Okay. Fair enough, sir. Thank you so much and all the best.

Moderator: Thank you, sir. The next question is coming from Mr. Salil Desai from Premji Invest. Please go ahead with your question.

Salil Desai: Sir, one clarification on this forex debt repayment numbers that you have on slide 26. Now, the number that you have given is next 12 months up to September 2019. What would be the number set to March 2019 out of this $249 million that you need to repay?

Deepak Maheshwari: Okay. So from a six-month perspective the number is, and I could be slightly off the mark out there, but the increments are actually coming only in the second half of the six months so it is largely going to be only the interest payment for the first six months.

Salil Desai: Okay. Alright. So here let us say one can't think from this angle, in this $249 million let's say about $150 is repayable in the next six months, against this irrespective of where the currency moves from now you will have foreign exchange earning which are higher than this number, right, that's how the…

Deepak Maheshwari: That's right, that's right, which is why we have tried to lay it out on the table that for any time period that we look at the dollar revenues are exceeding the dollar outflows.

Salil Desai: Yeah. Understood, sir. Thank you very much.

Moderator: Thank you, sir. The next question is coming from Mr. Achal Lohade from J.M. Financial. Please go ahead with your question.

Achal Lohade: Yeah. Thanks for the opportunity. First, just a clarification on this CT3, 4, 5, the JVs with the shipping line, these EBITDA numbers what you mentioned are they part of the reported consolidated EBITDA or I was under the impression we just quote the share of profit in the joint ventures.

Deepak Maheshwari: Yeah, they are not a part of the reported EBITDA. We had specifically replied for that question.

Achal Lohade: Sure, sure. So I just thought of clarifying that. Sir, number two was the SEZ revenue we see is only 29-crore for the quarter, is that the quarterly run rate if there is no incremental land lease so to say or port development income, is that the run rate we should go…

Karan Adani: No, that is not the run rate. I think what you should look at is that, and as I said we are expecting anything between 800 to 1000 crores of port-led development income every year and it is more of a timing issue whether it happens in Q1 or Q2 or and we expect almost 800 – I would say 1000 crores of income which will come in H2. It is hard to tell when it will be because it depends on project to project, when the project gets completed but we have visibility that 1000 crores will come in H2.

Achal Lohade: Sure, sure. What I wanted to clarify, sir, was basically excluding this port-led development income with a new land lease what is the run rate one should look at for the recurring lease income so to say?

Karan Adani: You can take recurring of 150 crores per year.

Achal Lohade: For a year, okay, okay, got it. And just last clarification, sir, on the CAPEX side you said 2500 to 2700 crores…

Karan Adani: 2300 to 2500, sorry, not 2500 to 2700.

Achal Lohade: Sure. Would it be possible to break it up in terms of the ports where the CAPEX is aimed at?

Karan Adani: So as you know majority of our CAPEX is in three ports, Dhamra, Kattupalli and Vizhinjam. From that I would say majority is going in Dhamra. We can give you the breakup offline if you require.

Achal Lohade: Sure, sure.

Karan Adani: But it is basically these three ports.

Achal Lohade: Got it. Great, sir. Thank you so much for the clarification. I'll come back in the queue.

Moderator: Thank you, sir. We have the follow-up question coming from Mr. Kushan Parik from Emkay Global. Please go ahead with your question.

Kushan Parik: Thanks for taking my question. Just coming back to the visibility of coal volumes from Adani Power. So since we did 5.33 in the first half, do we expect a similar number to continue in H2 FY19, so the full-year volumes would be close to 11 million tons coming from Adani Power or is it any different from that? So how do we see that situation developing and how will the coal volumes move specifically for Adani Power?

Karan Adani: Adani Power coal volumes we expect anything between 8 to 10 million tons for the full year.

Kushan Parik: Okay. Eight to ten million tons for the full year FY19 and how will that look in FY20?

Karan Adani: So it all depends on how the resolution of Adani Power happens, so we don't – to be honest it is hard for us to give a view of how it will happen in FY20.

Kushan Parik: Alright, alright. And also on the APSEZ part we are confident of booking 1000 crores in H2 FY19 irrespective of the timing, whether it comes in Q3 or Q4?

Deepak Maheshwari: That's right. We are very confident.

Kushan Parik: Okay. Alright. That's all from my side. Thank you.

Karan Adani: Thank you.

Moderator: Thank you, sir. The next question is coming from Mr. Kapil Agarwal from Max Life Insurance. Please go ahead with your question.

Kapil Agarwal: Hi, sir. Can you elaborate a bit on pricing realization because with such a steep currency fall and I am assuming that your container realizations are all in dollars, shouldn't your margin expand by more than 100 bps to what you are guiding or is it because of the mixed scene that you are restricting it to 100 bps?

Karan Adani: So our, if you see port revenue, I mean the per ton revenue you can attribute – so if you see our per ton realization has moved – if you take H1 of FY18 it was 510 rupees, it has moved to 541. That is mainly, if you break it up, 30% is due to forex realization and the rest of it is due to change in mix of cargo, change in mix and the escalation that we are getting in the market.

Kapil Agarwal: So as Adani Power volumes go up, the thermal coal volumes, that restricts the margin a bit?

Karan Adani: Not really, because in overall scheme of things if you see it will not make a material difference because on a volume of 200 million tons it is less than 5%.

Kapil Agarwal: Okay, sir. Thank you. That's it from my side.

Moderator: Thank you, sir. That will be the last question for the day. Adani, sir, you may go ahead with your closing comments.

Bala: Yeah. This is Bala here. On behalf of Adani Port Management I would like to thank all of you who have logged in onto this call. Please do not hesitate to call me or Hitesh in case you do require any data points and hope to see you soon. Thank you.

Karan Adani: Thank you very much.

Deepak Maheshwari: Thank you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Batlivala and Karani Securities this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may all disconnect your lines now. Thank you and you all have a pleasant day.
