"Adani Ports and SEZ Limited Q3 FY-19 Earnings Conference Call"

**February 06, 2019**

| | |
|---|---|
| **MANAGEMENT:** | **MR. KARAN ADANI – CHIEF EXECUTIVE OFFICER & WHOLE-TIME DIRECTOR, ADANI PORTS AND SEZ LIMITED**<br>**MR. DEEPAK MAHESHWARI – CHIEF FINANCIAL OFFICER & HEAD (STRATEGY), ADANI PORTS AND SEZ LIMITED**<br>**MR. BALASUBRAMANYAM – INVESTOR RELATIONS, ADANI PORTS AND SEZ LIMITED.** |
| **MODERATOR:** | **MR. RAJARSHI MAITRA – CGA-CIMB SECURITIES.** |

**Moderator:** Ladies and gentlemen, good day and welcome to the Adani Ports and SEZ Limited Q3 FY19 Earnings Conference Call hosted by CGS-CIMB Securities. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajarshi Maitra from CGS-CIMB Securities. Thank you and over to you sir.

**Rajarshi Maitra:** Thank you Lizzan. Hello and good afternoon to everyone. On behalf of CGS-CIMB Securities I would like to welcome you all to the Q3 FY 19 Adani Ports and SEZ Limited earnings call. From the management we have Mr. Karan Adani - Chief Executive Officer and whole time Director and Mr. Deepak Maheshwari - Chief Financial Officer. We will have the opening remarks from the management and then we will follow it up with the Q&A session. Over to you sir.

**Bala:** Good evening ladies and gentlemen, this is Bala from IR. Happy to inform that our CEO and whole time Director Karan along with Mr. Deepak Maheshwari – CFO and Head Strategy are here. Thanks a lot for joining the call. We would request you from refrain from asking data points because we already sent detailed presentation which gives all the details that are required. So in case you require any further details on the data points please do call back us so that this time is utilized in understanding the company and also the performance and the strategy going forward. With this I would request our CEO and whole time Director Mr. Karan Adani to address.

**Karan Adani:** Thank you. Welcome to the conference call to discuss Q3 FY 19 operational and financial performance. APSEZ reported another quarter of strong operational and financial performance. Consolidated revenue in Q3 FY 19 was Rs. 2, 824 crores compared to Rs. 2, 689 crores in Q3 FY 18. On a year-on-year basis port revenue grew by 17% to Rs. 2, 273 crores and port EBITDA grew by 16% to Rs. 1, 585 crores. Port EBITDA margin on year-on-year basis was 70%. Profit before tax increased by 27% to Rs. 1, 821 crores and profit after tax increased by 42% to Rs. 1, 410 crores. Details of the financial numbers will be discussed by Deepak later on.

Let me take a few minutes in highlighting our operational performance:

For cargo volume in Q3 FY 19 our throughput has increased by 12% to 53.27 million metric tons. This is again a cargo volume growth of 3% achieved by all India ports. Similarly, on year-on-year basis for the 9 months ending December 2018, our cargo volume grew by 14% against all India cargo volume growth of 5%. We continue to outperform and gain market share. Our market share for the period ended 31st December 2018 increased by 1.7% to 21% of all India cargo volume. This outperformance is due to our constant effort to diversify and handle various types of cargo and ensure utilization of our existing capacity. During the Q3, cargo growth was across all ports region and in all segments of cargo that we handle. While cargo volume in South ports grew by 26% it grew by 10% on Western ports and 9% in the Eastern port. Mundra, the flagship port of APSEZ grew by 6%. In 9 months, FY 19 it handled more than hundred million metric tons of cargo. Hazira grew by 15%, Dahej grew by 20% and Dhamra port is back on the growth track and recorded 9% growth.

Cargo volumes at our terminals in major ports registered an exponential growth. Tuna registered a growth of 26%, Goa registered a growth of 318%. In Q3 FY 19 Vizag handled coal volumes of 0.48 million tons. We have commenced commercial operations at Ennore port as of October 2018 with the regular weekly calls by Maersk Shipping Line. In Q3 FY 19 Ennore port handled a volume of 24, 000 TEUs. Coming to cargo segment coal grew by 11%, crude growth was 27% and container was by 9%. And other bulk cargo excluding coal grew by 10%. In terms of cargo composition, our cargo composition continues to be balanced and not skewed towards a particular commodity. While coal volumes were 33% of our total cargo, container was 40%, crude is 13% and other bulk cargo excluding coal constituted 14% of our total cargo volume.

On containers; our consolidated container volumes for 9 months FY 19 has grown by 12% and by 9% in Q3 of FY 19. Rationalization and consolidation of services took place in India, that is the far east sector resulting in cutting down of existing capacity which led to lower volumes at Mundra in Q3 of FY 19. With realignment of these services now complete container volumes have once again picked up in January 2019. We expect to be back in double-digit growth in Mundra for container volume. We are very confident of our outperformance and we will continue to gain market share at all our container terminals.

On coal during Q3 FY 19 we have handled 18 million metric tons of coal which includes 3 million metric tons of coking coal and 15 million tons of thermal coal. Contrary to de-growth seen at major ports, coal volumes at our ports increased by 11%. This was due to our strategy of tying up volumes with large customers at our terminals in major ports. Our terminal at major ports namely Tuna, Goa and Vizag together handled 2 million metric tons of coal. Adani Powers; we commenced its coal imports from Mundra port from June 2018 and we have handled 3 million metric tons of coal for them in Q3 FY 19 and 8 million tons in 9 months FY 19. We see this trend of increased coal volumes to continue in Q4 of FY 19 as well.

On crude volumes, we have seen a growth of 27%. This is on account of higher volumes handled by HMEL and IOCL. On other cargoes during the quarter we saw growth of 10% this is on account of our continuous focus to diversify and handle various types of cargoes at all our ports. Dhamra port, which I had mentioned earlier is back on growth track. Cargo volumes in Q3 of FY 19 has grown by 9% in Dhamra. This was on account of higher coal volumes which was up by 15% and strategy to handle other types of cargo namely gypsum and clinker, steel exports and ship to ship operations. Evacuation issues at Dhamra is slowly easing, rake availability has improved from an average of 13.3 rakes in H1 of FY 19 to 15 rakes a day in Q3 of FY 19. In January 2019, we received an average of 16 rakes. In Q3 FY 19, Dhamra port handled 1,388 rakes and in 9 months FY 19, it handled 4, 323 rakes. Improved receipts of inward rates lead to higher exports and improve of coal evacuation. As you are aware as a long-term solution, we have decided to buy BOXN wagon under General Purpose Wagon Investment Scheme. So far we have got approval to operate 17 rakes. Based on the letter of interest received from Tata steel we have ordered 5 rakes under this scheme. Delivery of these 5 rakes will begin from Q1 of FY 20. We are also in discussion with other customers like SAIL, GSPL and Shyam Steel and we will order for the remaining 12 BOXN rakes in coming time. All the 17 rakes will be operated by Adani Logistics Limited. Evacuation of cargoes through roads at Dharma has also commenced. During the month of January 2019 we have started handling gypsum for a plant located in Ansol by road. Government of Orissa has ordered immediate repairs of the existing 2-lane road between Dhamra and Bhadra and government has also given approval for road widening for this road into 2-lane initially and into 4-lane subsequently. Work is scheduled to commence from 15th February 2019 and is expected to be completed in 18 months. This will enable faster movement of cargo through Dhamra port. With its excellent catchment area for coal, iron ore and our focus on handling various other types of cargo at Dhamra, Dhamra port is said to grow by 20-25% from FY 20 onwards.

Coming to logistics operation, ALL handles rail volumes of 31, 393 TEUs in Q3 FY 19 compared to 51, 358 TEUs in Q3 FY 18. Lack of availability of leased rakes – container rakes impacted the rail operations of ALL. 8 rakes which were on lease were called back by the lessor in H1 of FY 19. In spite of lower rail volumes ALL EBITDA margins have improved to 14% from 9%. This was on account of higher utilization and faster turnaround of existing fleet Lease rake expense has also come down which reduced our cost. Currently ALL is operating 17 rakes of which 11 are own and 6 rakes are on lease. We're in the process of ordering 10 container rakes out of which one is already received and we expect all rakes to be received by January 2020. By 2020, ALL will have 27 container rakes to operate. In addition, our JV company Adani NYK Auto Logistics will order one rake per movement of automobile in this quarter. With improved container rakes availability rail volumes of ALL are said to increase significantly from FY 20. We will continue to pursue our strategy of expanding our logistics footprint across India. We will look at building multi-model logistics park warehousing, rail network and distribution. We will be commencing construction of warehouses at Taloja and Kattupalli which will be operationalized in Q1, FY 20. We expect Bangalore facility to be operational in this financial year and Baroda facility in next financial year. We are in the process of acquiring land for PFT at Panipat and Nagpur.

During Q3 FY 19, we have earned a revenue of Rs. 220 crores on account of lease of LPG terminal and we expect to earn another Rs. 600 crores on account of lease of LPG terminal in Q4 FY 19 and hence we will be meeting our guidance of Rs. 800-1000 crores of port led development income in FY 19.

To conclude, cargo volumes at our ports continue to be strong. We are not seeing any slowdown or pressure on our realization. With 154 million metric tons of cargo handled in 9 months FY 19, we are well on course to exceed our earlier guidance of 200 million metric tons in FY 19. We are confident of our outperformance continuing and gaining market share even in FY 20 and beyond. EBITDA margins will improve further to 71% due to utilization of enhanced capacity, better cargo mix and using automation and technology to handle cargo at our port. With CAPEX having peaked in FY 17 and coming down every year we will be able to generate a free cash flow of Rs. 1, 750 - 2, 000 crores in FY 19 and expect the numbers to increase by Rs. 1, 000 crores every year thereafter. We would further strengthen our balance sheet and continue to practice best health, safety and environment processes.

Now I request Deepak to take you through the financial numbers.

**Deepak Maheshwari:** Good afternoon everybody, just taking it through the big financial numbers. In Q3 FY 19 our operating revenue on a year-on-year basis grew by 5%. However, if we were to exclude the SEZ income of Rs. 246 crores in Q3 FY 19 versus the Rs. 402 crores in Q3 FY 18, our operating revenue has grown by 13%. Similarly, EBITDA during the quarter has grown by 3% but if you were to exclude the SEZ EBITDA for the like period, our EBITDA has grown by 17%. You will appreciate that in order to maintain consistency with the past two quarters, we have excluded the FOREX gain of Rs. 368 crores in Q3 FY 19 while presenting our numbers to the analysts and investors. The port revenue during the reporting quarter grew by 17% to Rs. 2, 273 crores on account of a 12% cargo volume growth and higher realization. our port EBITDA during the period grew by 16% to Rs. 1, 585 crores thus reflecting the strong underlying cargo volume growth and we have been able to maintain an EBITDA margin at 70%.

In logistics in spite of the lower income, the EBITDA margins have improved on account of lower lease rental and lower idle time. Our profit before tax had increased by a healthy 27% thus reflecting the strong fundamentals.

We are open to take questions.

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

**Venugopal Garre:** Karan, on Mundra port you mentioned about the service line changes which have been going on. I just want to understand given that; this is I think the first time in presentation slides I can see terminal wise volumes, so the CT1 volume decline that we see was really a Q3 event where some lines you, rationalization happened? Or has it been going on for the last couple of quarters? If you could just explain to us you know, how the service lines have changed because you highlighted that things will improve when we go back to double-digit. So if you could just spring us you know, give some idea on that.

**Karan Adani:** Sure, if you see CT1, CT1 terminal is operated by DPW and their volumes have actually reduced compared to last year mainly because CMA and their partner lines have moved to the JV terminal which they were calling at their terminal. So because of that there was a drop and when I said, if you look at the CT2 volumes which is operated by APSEZ there we saw a consolidation happening and that is why we saw a negative growth of 5% and if you see in January we are back into the growth on our terminal. And on 9 months in CT2 we have still been maintaining a 9% growth, if you see the 9 months numbers for CT2.

**Venugopal Garre:** This rationalization to talk about for CT2, is it any big service line which is shifted or is it like very small change?

**Karan Adani:** No it is not a shift of service line. So there were two separate shipping lines who were calling and they've merged. So instead of two now there is one shipping line which is calling and they have actually enhanced their capacity, which is basically PMX and PM2.

**Venugopal Garre:** that is clear

**Karan Adani:** So now the upsizing of the vessel is happening on that.

**Venugopal Garre:** Just to steer away from data questions, you know, just a broad question on you know, the sort of…if you could give us a peep into how things are at this juncture in terms of the volume environment more so in terms of discussions that you are having for new service line additions, the kind of pricing pressures; if at all. If at all you are seeing anything going forward, this is more to get visibility beyond the next thing.

**Karan Adani:** Sure, I think we are continuing to see a similar growth wave. We have so far not…we are not envisaging any pressure on pricing as well as in terms of realization as well. In terms of volume growth, more than 3 months also we are seeing in the similar level of 10 to 12% is what we expect the container volumes to continue to grow at Mundra. I am talking specifically to Mundra.

**Venugopal Garre:** Okay, on a follow-up on this Dhamra has seen a decline in margin sequentially as well as year-on-year. I would attribute that to mix, is it something else at work there?

**Karan Adani:** Sorry can you say that again?

**Venugopal Garre:** Dhamra has seen a decline in margins both sequentially and year-on-year. You know, is it more a mix thing or is there something else at work?

**Karan Adani:** So we had dredging expense which is a little higher than what we expected and that is the main reason why you have seen a little drop in the margin in Dhamra. But otherwise it is a one-off event, we are not seeing it is a continuous event.

**Moderator:** Thank you. The move onto the next question that is from the line of Sumit Kishore from J. P. Morgan. Please go ahead.

**Sumit Kishore:** My first question is pertaining to the SEZ transaction that happened during the quarter for the lease of LPG terminal. Could you give us more specifics from the transaction, who it has been leased out to and the roadmap for getting…the balance 6 billion you said will be received in Q4?

**Deepak Maheshwari:** So as we've mentioned in the past and as Karan mentioned in the last conference call that we had with the various analysts and investors that from a strategy point of view we don't think that APSEZ should have the hydrocarbon risk on its port. And as a part of that we had also mentioned that the assets both the Dhamra LPG terminal and the Mundra LPG terminal and LPG terminals that we have should no longer be housed in APSEZ. As a part of that, what we have done is, we have divested the LPG assets. Of course, the benefit of that and as stated with the strategy we continue to have the marine and the annual revenues that we will continue to get on a yearly basis. As the LPG terminal gets completed we expect around Rs. 40 to 50 crores of incremental revenue aggregating to us from the sale of this particular asset. Along with that as we have done with other assets that we have developed, whether it is CT3 or CT4, as a part of the sale we have also recognized around Rs. 200 crores of profit from the sale of this particular asset. And we continue to expect this, more will be expected in the next quarter in the range of around Rs. 200-250 odd crores will be expected from the LPG asset.

**Sumit Kishore:** So this is the LPG asset at Mundra, right?

**Karan Adani:** Yes, that is right.

**Sumit Kishore:** Okay. You said in your opening remarks that Rs. 600 crores will be received in Q4, so you will be meeting the guidance of Rs. 8-10 billion?

**Karan Adani:** The revenue will be Rs. 600 crores and what Deepak said was on the EBITDA.

**Sumit Kishore:** Okay sure, and more specifically could you highlight what is the roadmap for value unlocking in the LNG and LPG investments at Dhamra and you know, over what time frame are you looking at, and what sort of quantum you are looking at?

**Karan Adani:** So I think as we have always stated that every year you will have a recurring income of Rs. 800- 1000 crores as port development income which will come. So I think we will look at monetizing these assets over the course of the year and between now and next 5 years you'll always have Rs. 800- 1000 crores of income which will come in and Dhamra LPG and LNG are two of those projects which will help us in monetizing that income.

**Sumit Kishore:** Sure and on the outlook slide you know, once again you say that both EBITDA margins will expand by 100 bps to 71% in FY 19. If you look at the 9 months FY 19 performance your port

EBITDA margins are actually down slightly but you know, it is about 70% or flattish. So the implied EBITDA margin for Q4 mathematically works out to more than 75%. So are we missing something or is it going to be a very strong quarter?

**Deepak Maheshwari:** I don't think you are missing anything there. I think on a run rate basis we are saying that we are likely to be in the range of around 71%. We are not saying it from an accounting year perspective that this year we will have a 71%.

**Sumit Kishore:** Okay so it is not for FY19?

**Deepak Maheshwari:** No, it is more like something maybe we will have for FY20 on an ongoing basis, that is the number.

**Sumit Kishore:** Okay, and finally what is the gross debt and net debt number at the end of December '18, in case you can share that?

**Deepak Maheshwari:** Yes, as you aware as in the past as well that we have typically not provided those numbers and we have only provided the P&L details, and as you are also aware the stated policy that Karan has mentioned towards strengthening our balance sheet and increasing our overall cash accruals that we will have from the business, will be used to strengthen the overall balance sheet.

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

**Paras Jain:** I appreciate we are still a quarter away from the start of FY 20 but at this juncture I mean, in terms of outlook what are you seeing both in terms of different cargo type and as well as in terms of different trade lanes? With so much uncertainty around the globe I appreciate that you have so far weathered away all this storm but given perhaps what China and US will come up with in March do you have any color or visibility with respect to key cargo trend that you likely to see or could surprise you one way or the other going into 2020?

**Karan Adani:** So I think Paras, if you look at our cargo profile, almost 60% of our cargo is tied up on long term which is almost 90 million ton is now tied up on long-term basis and I am not talking of just container but across the ports. So that in a way helps us in bridging you know, removing that uncertainty in our volume. In terms of the outlook for next year so far we are seeing the three major commodities that is coal, crude and container. In coal we are seeing a similar growth rate as what we have seen this year to continue. In crude also we are seeing a 10-15% growth in terms of volume and in container right now we are seeing 10-12% growth. Mainly for us the biggest trade enhancement is to Europe as well as to Far East and that is where we are seeing a major growth. And from APSEZ point of view, I think even in containers as you know that Ennore has just started. So next year Ennore will add a significant amount of volume into our kitty which was not there last year I mean, this year.

**Paras Jain:** And in terms of growth opportunities both within India and outside India has any progress been made or are we in a situation to share something?

**Karan Adani:** I think growth opportunities we keep exploring as all of you know we had put in a bid for **Dighi** port, which unfortunately we were not able to win. Otherwise as and when we always keep a look out for, but as and when it comes at the right value, we are always happy to accept those opportunities. But as of now there is nothing significant or material to address

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

**Pulkit Patni:** My first question is on Dhamra port. Somebody asked a question on margin going down and you explained it. But it seems even realization on a quarter-on-quarter basis has gone down quite a lot. Any particular reason and anything to do with the cargo? It seems it has gone down from 478 to about 359.

**Bala:** Pulkit, Bala here. There are some GST invoices which have been reversed because of which the revenues were actually lower than what are reported, and once in this quarter, that is in Q4 it will be reinstated and you will find that the numbers will go to the same extent.

**Pulkit Patni:** Secondly, talking about Mundra per se, we're seeing your competition has seen much lower realizations because of increased transshipment volumes. Now in our case Mundra continues to be performing really well both in terms of volumes and in terms of realizations. Could you highlight the impact of transshipment so far and why we are not seeing that impact for Mundra?

**Karan Adani:** Pulkit for us transshipment is a very small number. It is only 13% of our total container volume, and if you see our realization over there, it more or less matches, EBITDA realization it matches same as similar to that of EXIM because our costs are much below, I mean, it is much less than what we do for EXIM.

**Pulkit Patni:** Sure and just one last question, we have seen very strong growth in crude volumes. Now as we look at HMEL and IOCL how should we look at the trajectory for the next say, a couple of years? Could we expect this number to keep inching up or would it happen when these refineries see some big expansion or something?

**Karan Adani:** I think see you will not see similar growth but obviously it will be linked with the capacity expansion of these refineries. Right now we have seen is because of the…if you remember last year HMEL had gone for a shut down as well as debottlenecking. So last year our volumes were low. So compared to last year this year our volumes were bigger and also HMEL had done little bit of expansion. So because of these two combinations you are seeing a larger number. But on an absolute terms I think till the time refineries don't go into major expansion you will see a similar number, similar absolute number. It will be (+/-5%) to (+/-10%) growth.

**Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

**Ankur Periwal:** So you know few quarters back we did highlight some of our initiatives to handle other cargo at Kattupalli and Dhamra, so you know, specifically bulk cargo at Kattupalli and container at Dhamra. If you can share any updates on that front?

**Karan Adani:** See if you see in FY 19 in Dhamra for Q3, we've handled 2.4 million tons of non-coal cargo which was almost 2.2 million tons in Q3 of FY 18 and if you see from a 9 months basis for Dhamra the non-coal was almost 5.6 million versus this year of almost 5.9 million tons. And in Kattupalli, Kattupalli right now our bulk volumes are little less than what we had planned because our container volumes have taken up the capacity. And as you know that in Kattupalli we are under expansion, so the third berth is under expansion as well as we are building a liquid tank farm which will be ready in June of 2019. So once both of these projects come into completion we will see bulk volume increasing in Kattupalli.

**Ankur Periwal:** Okay, second question on Adani Logistics. Now in your initial commentary you did highlight expansion plans that in terms of adding more terminals as well as increasing the rakes. What timeline are we looking at to scale up our presence there and any growth bands you can share on that side?

**Karan Adani:** So on trains as I said that by FY 20 we would go up from our currently 17 rakes to almost 27, sorry to 30 rakes, sorry not 27 to 30 rakes including the JV company and in terms of ICDs we will have one under operation and which is the Bangalore ICD and we will have three under construction by next year, next financial year.

**Ankur Periwal:** And on the margins front we expect the current run rate to continue or probably over the medium term ?

**Karan Adani:** Yes, I think we would look at keeping it to a similar level or even increasing because now we are also focusing on optimizing our cost over there.

**Moderator:** Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

**Aditya Mongia:** I had two questions from my side. The first question was more related to the scale up which is happening in JNPT in the PSA terminal over there. Now I recall Karan had mentioned sometime back that essentially would be would be beneficial for Mundra port to be giving share in Gujarat port volumes. So just thought I will check with you whether you have already seen some benefit happening or do you expect that benefit to start happening in the next few quarter?

**Karan Adani:** I think if you see the volumes that JNPT and especially at PSA terminal that is mainly a shift which has happened between the terminals. Actually we have not lost any volume and second because of those shifts we are also seeing gains in our volumes in Hazira as well as Mundra, both cases we are seeing, we have started seeing realizing those gains.

**Aditya Mongia:** Got it, that is what I wanted to confirm. So you are starting to benefit at the portfolio levels right in?

**Karan Adani:** Yes that is right.

**Aditya Mongia:** The second question was more to do with Mundra margins which for this quarter at a port level look rather weak at about 72%. Just thought I will check with you whether there were any one-offs inside?

**Karan Adani:** It has actually dropped by 1% from 17….So I think it could just be because of mix change that you would see this change happening. Otherwise there is nothing there is no one-off event over there.

**Deepak Maheshwari:** And I would say that rather than looking at the EBITDA margin on a quarter basis, because there can be certain items though not in this case, but if you look at what it is on the next page from a 9 month basis it will take out any volatilities around it. So it is around the same number of 71-72.

**Aditya Mongia:** And lastly if you could just share on the net debt side at a consolidated level, any meaningful changes if they have happened on a quarter-on-quarter basis?

**Deepak Maheshwari:** No, major changes.

**Moderator:** Thank you. The next question is from the line of Rahul Murkya from Jeffreies. Please go ahead.

**Rahul Murkya:** Could you just update us on the total JV, where it is right now and how is it panning out?

**Deepak Maheshwari:** So, on the Total JV as you know that we had made the announcement that the JV is going to get formed and I think at the last conference analyst call also we had mentioned that it will take around 4-6 months to consummate. So we are taking all the steps which are required towards completion and we are still targeting around March and April for the whole transaction to get done. That is largely where we are, and there is a lot of documentation involved. So I wouldn't want to bore you with all those details but work is progressing.

**Rahul Murkya:** April is the timeline that they are looking at? Yes, so by end of March '19 we would be doing this JV, right?

**Deepak Maheshwari:** It is around that time, yes.

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

**Vibhor Singhal:** I just had two questions. So mainly Karan just on the Ennore port site, I know you mentioned that we started handling containers there this quarter itself. So apart from I assume, you mentioned any other conversations that were going right now and which are likely to fructify into the shipping lines calling in this financial year, or more so importantly what is the kind of cargo that we are targeting for FY 19 and let's say the next 2-3 years, FY 20 in the next 2-3 years?

**Karan Adani:** So I think in Ennore, I just want to correct Maersk has shifted. So we're supposed to, our MGT is 350,000 as for October 20 and we are well above that run rate to achieve that MGT and we expect that in next two years Ennore port should be doing around 0.5 million TEUs of volume annually. And I can't give you the exact shipping line because we are under negotiation with three other shipping lines. I would not be in a position to tell you who all are they but once they have announced, that is the sort of target that we are looking at.

**Vibhor Singhal:** Secondly, I just wanted to check basically, you mentioned that we are looking to buy 10 more rakes for the Adani logistics. So what is the kind of CAPEX you're looking for that and will it be just in FY 20 or would it be spread over both FY 20 and 21?

**Karan Adani:** It will be spread across FY 19 and FY 20. The total CAPEX would be around Rs. 90-100 crores.

**Vibhor Singhal:** Lastly if I can just squeeze in, on Adani logistics we had mentioned that at the end of the last year that we are looking to grow this as a business which could easily do a Rs. 200 crores quarterly run rate of revenues. I knew we had problems this year in terms of a rakes availability and the business being down. So looking at the plan that we have when do you think we could probably go back to that run rate of around Rs. 200 crores quarterly run rate and then probably build from there?

**Karan Adani:** I think if you see we had actually been struggling with the capacity. So as and when these capacity starts coming in, you will easily see those numbers getting held.

**Vibhor Singhal:** So but I would assume those capacity might take let's say at least 3-4 quarters from here on right?

**Karan Adani:** October 2019 is when we expect all the 10 rakes to come in.

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

**Atul Tiwari:** Sir just you know, wanted to get your thoughts around the issue of promoter pledges in the company I mean, how does the promoter family think about it? We have noticed that it has come down sequentially which is comforting but you know the market has generally been nervous on all these talks. So any color or any thought process around that issue will be helpful?

**Karan Adani:** I think for this particular call we will restrict ourselves to the performance of the company, and if you have any specific questions other than that I think we can set up for a separate meeting or a call for you with the people who are more in charge of this at the group level. So maybe we can offer another call or discussion with the group CFO at appropriative time .

**Moderator:** Thank you. The next question is from the line of Girish Acchipalia from Morgan Stanley. Please go ahead.

**Girish Acchipalia:** Just on the face of the P&L, the operating expenses are up 3% against the port EBITDA growth, a port revenue growth of pretty healthy double digit you know, mid-teens kind of growth in them, even administrative expenses are up 37%. Is there any one-offs in either of these line items, any re-classifications? And even the interest is up sequentially, just wanted some color on these three.

**Bala:** Yes Bala here. These are basically Girish, timing differences which will even out by the end of the year. Nothing abnormal in terms of the core operational expenses.

**Girish Acchipalia:** And anything on the interest side, gross interest?

**Deepak Maheshwari:** I think it is largely in line with what we have seen in the past quarter, similar to the quarter. I think the only difference that you will see is it is on the derivative side were our interest, which is also a very similar number if you were to look at it. So our interest and bank charges were around 352 vis-à-vis 347 of last quarter. So broadly in the same range, no specific highlights there.

**Girish Acchipalia:** And this note 9 which talks about some of your subsidiary is seizing to be , step down. If you would probably add some color as to how….?

**Deepak Maheshwari:** That is largely relating to the LPG business which we have explained earlier.

**Moderator:** Thank you. The next question is from the line of Anuj Upadhyay from Emkay Global. Please go ahead.

**Anuj Upadhyay:** Majority of the questions have been answered. Can you just share the volume for the Australian businesses sir? ABPL

**Karan Adani:** Can we become back to you on that one?

**Anuj Upadhyay:** Fine sir.

**Moderator:** Thank you. The next question from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** I just had one question with respect to the DFC, in terms of the status how do you see, when do we see Mundra getting connected and what is the progress on that work?

**Karan Adani:** We expect DFC….so we have been tracking the project and we expect Mundra to be connected by December 2019 or maximum early January 2020 that is the calendar year, and from our side, as we had mentioned earlier all infrastructure equipments, everything is kept ready from the port point a few. So we are all geared up we are just waiting for the mainline to be connected.

**Achal Lohade:** Just a step forward with respect to container as I understand given the historical issues with JNPT we had seen some of the shift already laying out from JNPT to Gujarat Port. Is there any more shift remained? Actually it is possible for the North-west region which can be taken up on account of the DFC?

**Karan Adani:** Yes, definitely because today even in JNPT also handles, 20% of their cargo comes from North India. So that 20% of 4.5 million is still kitty that we are targeting and bringing it into Mundra over the course of next 2-2.5 years.

**Achal Lohade:** Right and would that also help the other cargo or you think that is more or less already in place the DFC boosting other cargo, bulk cargo movement?

**Karan Adani:** Sure DFC will help shift of…it will not help in increasing the cargo for our bulk it will help in the modal shift moving away from trucks to rail. But it will not bring in incremental cargo in on the bulk side.

**Achal Lohade:** Great, just one, if possible if you could share what is the operational cash flows for 9 months?

**Deepak Maheshwari:** So it is in the range of around Rs. 1200 odd crores and we can provide further details.

**Moderator:** Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:** Just one question, when you look at Hazira for the last 2 quarters on a container side, the monthly run rate seems to be capped at 45,000-50,000 TEUs. Is it something…it is always touching a market potential of there or is it just a seasonality or let's say, the market is still evolving? How should we read it?

**Karan Adani:** No, it is for this year because there is now two shipping line which has been added. We are foreseeing at least till the next quarter I mean, till Q4. I think when the shipping lines do their rejigging again, we will see what more capacity comes in. But it is an issue of capacity of the shipping lines not of the potential of the market. So we expect Hazira to go up to almost 800, 000 TEUs in next 2 years' time, that is the market potential.

**Moderator:** Thank you. The next question is from the line of Ashish Shah from IDFC Securities. Please go ahead.

**Ashish Shah:** First on the concession agreement for Mundra, whether we have any clarity on the process of extension of the concession agreement?

**Karan Adani:** That discussions are still ongoing. I think it will still take little bit of time in terms of giving clarity in terms of how the concession agreement will happen going forward.

**Ashish Shah:** Sure, sir I understand it is difficult to like, put a timeline but are we talking about 12-18-24 months or we are talking of 5 years? I mean, is it going to take as much as 5 years or maybe 12-18-24 months?

**Karan Adani:** It is hard to give you a number because I can only say that we are pushing as much in we have already started that dialogue. So for the last 6 months we have been having that dialogue with the government. It will be hard to give you the number I mean, give you an exact timeline of when it is going to happen.

**Ashish Shah:** Secondly you know at some point, we had some interest in looking at the Pipavav when it was on the block. You know, between now and then the valuations have corrected substantially for that asset. Would we be still interested in that asset or we have moved on from that thought?

**Karan Adani:** We have, as I said that we look at all opportunities. As and when it does come on the block we will explore that opportunity and if it comes at the right price we will look at it.

**Ashish Shah:** Just last small data point. You know, in the Australian operations I mean there have been news reports of disruption in the port because of rains or some bad weather there. So would you expect like a substantial disruption in volume in Q4 because of that, or that is like a small disruption?

**Karan Adani:** So for us it doesn't, the volume doesn't matter because our contract is a pass through contract. So we are assured a 10% margin on our costs.

**Ashish Shah:** Right, but the absolute I mean, it is a take or pay sort of an arrangement so we will not suffer out on volumes either?

**Karan Adani:** Yes that is it.

**Moderator:** Thank you. Ladies and gentlemen that was the last question, I now hand the conference over to the management for their closing comments.

**Bala:** Thanks once again for logging into this call and we are sure that you would continue to support us. In case of any questions or any data points once again please do not hesitate to call IR department. We are available. Thank you once again.

**Moderator**: Thank you. Ladies and gentlemen on behalf of CGA-CIMB Securities that concludes today's conference. Thank you for joining us and you may now disconnect your lines. Thank you.