Conference Title:

Adani Ports and Special Economic Zone Ltd., 9M and 3Q FY17 Results

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Operator: Welcome to the 9M FY17 and 3Q FY17 results conference call of Adani Ports and Special Economic Zone hosted by Citigroup Global Markets. Please note that the duration for today's call will be one hour. Now I will hand over the floor to Mr B. Ravi, CFO of APSEZ to introduce the top management for initial remarks, which will be followed by the question and answer session.

B. Ravi: Thank you. I thought I'd just introduce the people who would be joining the call, who are on the call today and then I'll hand it over to Mr Karan Adani, our CEO, to take up the initial introductions and the discussion, post which I will take over for the financials and then we'll open it up for the Q&A. So, we have on the call Karan Adani, who's the CEO. We have Mr Ameet Desai as well as Mr Rajiv Nayar and we have our investor relations team and myself today as CFO. With that introduction, I'll hand it over to Karan to take you through the quarterly and the nine monthly results. Over to you, Karan.

Karan Adani:Thank you. Good evening everyone and welcome, analysts and investors, to this conference call to discuss our operational and financial performance for nine months and third quarter ended December 2016. It has been another quarter of stellar operational and financial performance.

For the nine months ended 31st Dec 2016, while our cargo volumes grew by 11 % our operating revenues for the same period grew by 20 %. Our consolidated EBITDA during this period grew by 22 % while our PAT grew by 38 %. Similarly, for the three months ended 31st Dec, 2016, while our cargo volumes grew by 8 % our operating revenues for the same period grew by 32%. Consolidated EBITDA during this period grew by 30 % and PAT grew by 23%.Financial details will be discussed by Ravi–our CFO in greater details later on. Now, let me give you a brief outline on our operating performance.

In the first nine months of Financial Year 2017, we handled cargo volumes of 126 Million Metric Ton and once again outperformed all India ports volume growth. The growth registered by All Indian ports was 7% as against 11 % registered by APSEZ ltd., In Q3FY17, we handled 41 MMT of cargo thus registering a growth of 8%. We continue to grow and we expect our growth to be at least 50% more than All India ports growth in FY17.

The Increase in cargo volume is attributable to our strategy to diversify cargo mix and handle all types of cargo. For the nine months ended 31st Dec, 2016 the change in the cargo mix on a Year on Year basis is as follows: - Coal which was 42% is now 36 % , container which constituted 31% earlier is now 36% of our cargo and crude plus other cargo which was 27% is now 28%. This has resulted in higher realization and higher port revenue.

Similarly, For Q3FY17, on an year on year basis the change in the cargo mix is as follows: - Coal which was 43% is now 35 %, container which constituted 31%

earlier is now 36% of our cargo and crude plus other cargo which was 26% is now 28%.

Container volumes grew by 28% from 2.42 Million TEU's in 9MFY16 to 3.08 Million TEU's in 9MFY17. This is against 10% growth registered by All India ports. Similarly, in Q3FY17 on a year on year basis, container volumes grew by 26 % from 0.80 MMT to 1.02 MMT. This is against 11% growth registered by All India ports.
At Kattupalli, on an average we are handling 30,000 TEU's every month. In 9MFY17, we have done a volume of 264,000 TEU's. Hyundai has added a new service (Gold star line) from January, 17 at Kattupalli and we expect that this will bring in additional volume of 15,000 TEU's per annum from Jan,17. Liquids registered a growth of 14 %. Other high value and bulk cargo namely., Agri products, Iron & steel, Minerals and Chemicals have registered double digit growth.

Our cargo mix is changing towards containers and other high value cargo and this trend is likely to continue for the next couple of years.

Amongst other larger ports, Dhamra registered 47% growth while Hazira registered 24 % growth. Mundra port continues to show positive growth led by 15 % growth in container volumes. Stable cargo at Mundra continues to be at 72 % of the total cargo volumes.

As you are aware we had acquired Abbot Point Bulkcoal (Australia) in H1FY17. In Q3FY17 we handled coal volume of 7 MMT in Q3FY17. The same is not included in the Total cargo volumes of 126 MMT.

In our Logistic business, we continue to improve our share as single largest private rail operator in volume terms. During Q3FY17, we increased our rail capacity by 33 % by adding six rakes and currently operate 24 rakes. In nine months ended Dec, 16, Adani Logistics Limited achieved Terminal volumes of 2.21 lakh TEUs. An increase of 24%, Similarly, Rail Volumes for the nine months ended Dec,16 increased by 52% from 83K to 1.25 Lakhs. Revenues in Q3FY17 grew by 14%. We foresee robust growth in our logistic business arm.

Make in India strategy of Govt. of India is working well and we foresee big names with diverse business activities coming to our SEZ at Mundra. There has been momentum in enquiries from companies in diverse sectors such as Ancillary of Manufacturing of packaging, silver, battery invertor, and solar panel and this should result in conversion in CY17. This in turn will increase EXIM cargo of Mundra Port in the years to come. During this period we have registered SEZ income from these clusters.

The Adani Harbour Services Pvt Ltd., Recently, on 7th Dec. 16, APSEZ acquired TM Harbour Services Private Limited (TMHSPL) from a Tata group company, along with three tugs.

TMHSPL (now renamed as The Adani Harbour Services Private Limited - TAHSPL) was engaged solely in providing tug services to one of the wholly owned subsidiary (DPCL) of APSEZ.

In order to ensure efficient usage of resources - APSEZ has decided to demerge its tugging business at all places where it operates its tugs to TAHSPL. Consolidation of tugging business under TAHSPL will result into enhanced shareholder value due to rationalization of costs, better monitoring and utilization of assets. It will also help in better control, greater focus and specialization on tugging activity and sustained growth of our tugging business both internally as well as externally.

As TAHSPL is a wholly owned subsidiary of APSEZ, the entire revenue and resulting profit will accrue in the consolidated financials of the parent company. Further, TAHSPL is already governed by tonnage tax thus additional tax benefits will also accrue. With this background, I now request our CFO Ravi to take you through the financial highlights.

B. Ravi: Thank you, Karan. Our results and the operational performance highlights for the nine months ended 31 December 2016 have been updated on our website. The results are above the Bloomberg consensus analyst estimates.

Now for the nine months and three months, the operating revenue has increased by 20% to INR6,245 crores and in the quarter by 32% to INR2,236 crores. If you split that into four different categories, and I would like to mention that in order to maintain the uniformity and consistency, from this quarter onwards we shall be disclosing our operating income, under the head Port Income, the SEZ income, Adani Logistics income as well as the Abbott Point which Karan said has just began operations in this quarter. So splitting that way, the port income has increased by 21% in the nine months to INR5,173 crores, and in the quarter increased by 19% to INR1,752 crores. Logistics grew by 8% in nine months to INR550 crores and by 14% in quarter – the last quarter to INR193 crores. SEZ income has been consistent. In the last nine months it has been steady at INR415 crores, which was INR409 crore in nine months FY16.

In quarter three of course we have registered income from Australia which was taken over in the last quarter. We had a total income of INR82 crores and I'll take the entire Australian thing also separately as it has been reported for for the first time in Q3FY17, other operating income is a very small INR26 crores, which had INR9 crores in Q3FY17. That's how the composition of INR6,245 crores for nine months and INR2,236 crores for three months is made up of. Similarly the total EBITDA has been INR4,092 crores, which is up 22% with an EBITDA margin increase by 200 basis points from 64% to 66%. On the quarter we have had a 30% increase in absolute EBITDA numbers to INR1,371 crores and the EBITDA margin has been consistent at 62%. And I'll take you through. If you remove Australia and SEZ it is actually increasing by 400 basis points.

The port EBITDA therefore – if you see purely the port EBITDA like what we have been giving every quarter, that has shown an increase of 21% to INR3,609 crores and that's an EBITDA margin of 70%, which was 70% even in nine months of FY16. Similarly in quarter three of FY17, we have registered a port EBITDA of INR12,02 crores, which again is consistent at 70%, both for the Q3 previous year as well as this year. The net finance costs, as you know, has been coming down. On a nine-months basis the finance cost has come down from INR450 crores to INR160 crores. Talking about Australia, the total income, as I said, was INR82 crores. As you know we had said that it's a cost plus model so we have earned a INR10 crore EBITDA on that and INR4 crores which was included in the numbers I just spoke to you about. And as I said, interest cost has been constantly coming down. So if you see the nine months one, the gross finance cost has come down by INR 115 crores as well as the net finance has come down by INR298 crores. With this I hand it back to the operator for opening it up for the questions and answers. Thank you.

Operator: Ladies and gentlemen, if you wish to ask a question at this time, please press *1 on your telephone keypad. Please ensure that the mute function on your telephone is switched off to allow your signal to reach our equipment. If you wish to cancel your request, please press *2. Again, please press *1 to ask a question. We will pause for just a moment to assemble the queue. We will now take our first question from Venu Garre of Bernstein. Please go ahead.

Venu Garre:Hi. Firstly, congratulations on a good quarter. You know, my first question is more on the FX side of things. I just wanted to understand the FX loss in this quarter. Is it, like, compensated on account of an increase in revenues because of rupee depreciation impact? That's number one. And within that, has there been a reclassification of how you basically represent FX? Because if I look at Q2, it appears in EBITDA level versus finance cost earlier. You know, the INR90-odd crore of gain which reflects in 2Q, some of it was I think in FX cost – in finance cost earlier. So has there been some reclassification done?

B. Ravi: Yes, you are right. There has been a reclassification. What was appearing above the line as EBITDA is now partly below the line in the finance cost. This is the result of IND AS. There has been certain clarifications on how mark-to-market of the sale of dollars which we do as part of our hedging exercise, and how that is reflected in the numbers. Earlier, that was shown as a part of the above line which post discussions with our Audit team, we could take it as a part of the finance costs matter. Therefore, there's a reclassification, and the balance one which are related to certain loans which were there, this was deferred expenditure on the foreign exchange loans which were existing on the books which had been refinanced, and any mark-to-market of that has to come as part of our other finance costs. But that continues to be consistently shown. As you know, this is only a mark-to-market and rupee has strengthened after the financial results are completed.

Venu Garre: Sure, sir. Sorry, actually your line is for some reason not that great. I don't whether it's just for me or... In any case, my second question is Kattupalli – just wanted to understand since we make the payment once in six months, do you accrue the costs of what you need to pay eventually every six months, in this quarter two on a three months basis or will it be factored only in 4Q? The one you need to pay to L&T every six months.

B. Ravi: We will not need to pay to L&T every six months. That would be off from this quarter itself, Q4 itself. And we expect that transaction to be completed maybe in Q4 itself and therefore a one-time payment which has been one of the reasons for the different numbers quarter-on-quarter or year-on-year basis that would no longer be there. So now we'll have a consistent EBITDA not having to inform separately.

Venu Garre: Sure, sure, sir. Thanks a lot.

Operator: We will now take our next question from Manish Agarwal of Bernstein. Please go ahead. Your line is open.

Manish Agarwal: Hello. Thanks for the opportunity, sir. I just had one question. So the new Gold Star Line that is calling at Chennai Port, that is also calling – the new line that is calling at Kattupalli is also calling at the Chennai port. So how does it work given that both the ports are very near to each other?

Karan Adani: - So right now they're going to start with a double call. That is at Chennai as well as Kattupalli and eventually the plan is that then six months' time they will shift the whole volume from Chennai to Kattupalli so they will stop the Chennai port completely.

Manish Agarwal: Okay. So the guidance that you have given for the full year that is on a double call basis or that's only for Kattupalli?

Karan Adani: That is on double call basis.

Manish Agarwal: Okay, okay. That's it from my side. Thanks a lot.

Operator: And our next question comes from Varun Ahuja of JP Morgan. Please go ahead.

Varun Ahuja: Good afternoon. Thanks so much for taking the time. Just couple of questions. Firstly, could you give an update on the related party outstanding since that is being closely tracked by the rating agencies? That's one question. Secondly, if you could give the cash and debt levels as of the quarter end Dec and if you could also update on CAPEX plans for FY17 and FY18. Thank you.

B. Ravi: Okay, I mean, I need to comment here to say that all the three items, being balance sheet items normally, we give that six monthly as well as the next year. That is, by March 2017, we'll be putting out these numbers. But still I would like to add that we had in September said and also performed to reduce the related party by over INR1,000 crores and we had said that we are targeting to continue to reduce them. By March 2017 we'll try to target to reduce it completely. I would want to mention that we are working towards that and we are still targeting to do exactly that as per that plan. And as far as the cash and debt, we'll be putting out all these numbers as of 31st March 2017. Otherwise business is as usual in this area. CAPEX – it is absolutely under control. I think FY17 would be ending up at lower than INR3,400 crores of CAPEX, which is almost INR200, INR300 crores or more lesser than what we had told in the beginning of the year. So the CAPEX has been well under control. For the next year we have mentioned that having peaked out almost in FY17 itself, next year could be slightly lesser than the numbers of the current year, that is INR 3,400 crores. But the exact numbers will be put out when we talk to you again in the month of May after the March results.

Varun Ahuja: All right, thank you.

Operator: Nitin Arora of Aviva Life, please go ahead. Your line is open.

Nitin Arora: Hi. Good evening. Karan, we have seen the restructuring of the A.P. Møller family here, the way the Maersk is trying to support their terminals. Do you see a risk next year for our container numbers? I can understand no line can leave Mundra because they will have a market share loss for sure. But do you see a chance if Maersk started doing a dual call, let's say, to their own port which they have over here at JPPV[?] and JNPT? So if they start making a dual call and they might not leave you fully, but they make a dual call. Do you see that risk happening in the next year?

Karan Adani: I just wanted to say over here is that already doing dual calls between JPPV and JNPT so having a risk of having not calling Mundra.

Nitin Arora: I'm sorry to interrupt. I actually cannot hear. I think there's a lot of disturbance in the line.

Karan Adani: Okay. So that is Mersk is already doing a dual call between JPPVand already a dual call between JMPT and Mundra. So further consolidation happening that Mundra – at Mundra that the cargo which is coming into Mundra to be shifted to JPPV , we don't see that happening.

Nitin Arora: Okay. And one more thing on the macro side. We have closed down the December now where a lot of liners give their outlook for the next year upsizing or the addition part. What's your sense – I mean, the consolidation is still happening at a very higher level. Almost every line is getting merged. So what's your sense on – are you getting a sense on the shipping liners for the next year on the container side?

Karan Adani: I think for next year we will see – right now what we are seeing and from what we are hearing, I think next year is also going to be a tough year for shipping lines unless there is some more scrapping happening and then focusing on increasing freight trade. But from the Indian point of view, we are still seeing – the numbers that we are getting is around 12% to 15% cargo growth, what we are getting so far. And this is pan India, all India, not the APSEZ. Not just APSEZ.

Nitin Arora: Thank you very much, Karan. All the best for the future. Thanks.

Operator: And our next question comes from Achal Lohade of JM Financial. Please go ahead.

Achal Lohade: Yeah, thanks for taking my question, sir. Could you please elaborate a bit again on the marine business demerger? Actually, your line wasn't clear actually at that point in time. If you could repeat the same sir.

B. Ravi: Yes, I'll take that. We have been operating the marine business in APSEZ in Dhamra port and also in Hazira and other ports. We also had an outsourced agency that was Tata Company in Dhamra which was giving the tugging services to Dhamra port. And we – since the time we acquired Dhamra port we always wanted to do the marine services ourselves, so we were looking at taking over that company or doing the services for Dhamra on our own. So we got this opportunity to buy this company from Tata's that we already have declared to the market in Dec, 16. Now with that acquisition we have – the Board has felt it appropriate to demerge the entire marine business into this tugging company called – now called the Adani Harbour Services and focus each of the ports will focus on the other handling storage and evacuation services. This company, a 100% subsidiary of Adani Ports, will do the marine business and charge the ship liners owners for all the marine services. And therefore that gives us certain advantage – not only the benefits of costs and all that operational efficiency which come into this business being concentrated separately, but also certain taxation benefits which this tonnage tax company, it is enjoying.

Achal Lohade: Hello. I'm sorry to interrupt sir. I couldn't hear you. Tonnage tax company?

Operator: We will now take our next question from Vibhor Singhal of PhillipCapital. Please go ahead.

Vibhor Singhal: Good afternoon sir. Thanks for taking my questions. But I think, sir, the last question that the participant had asked, I think your line got disconnected or was not audible in the last part. So you were mentioning about the tax benefit that this demerger will help with. Could you just please repeat that part? Because I don't think so anybody of us was able to hear that. Hello? Hello?

Operator: One moment, please. Ladies and gentlemen, please stand by as we're experiencing a momentary interruption in today's conference. Thank you for your patience. Please continue to hold. Caller, please go ahead with your last question. The speakers are now reconnected.

Vibhor Singhal: Hello?

B. Ravi: Yes, go ahead.

Vibhor Singhal: Hello sir. This is Vibhor here from PhillipCapital. Sir, the last question that you answered regarding the tax benefit of the demerger, I think that was not audible to any of us. Would you mind please repeating that again?

B. Ravi:Yes. By taking away the marine income into this 100% subsidiary of ours we will be availing of the benefits of tonnage taxation, which is effectively about 1% tax on the total income which will be earned by this company. And therefore the entire taxation which would have otherwise been payable at Mundra will now be saved and that amount is almost like INR150 crores next year itself. So that is the entire taxation benefit we are talking about by demerging this business into the subsidiary, which in consolidation, will fold up to APSEZ again.

Vibhor Singhal: So you mean to say there is an additional benefit of INR50 crores in the overall tax outgo for APSEZ?

B. Ravi: No, it will be 150 crores.

Vibhor Singhal: Sorry, INR150 crores. Okay, fair enough, sir. Sir, my question was basically on the SEZ income – hello?

B. Ravi: Yes, please go ahead.

Vibhor Singhal: I'm so sorry, sir. So my question on the SEZ income in this quarter, sir. In this quarter we've seen the SEZ income at around INR200 crores jump sharply from the last quarter. Generally, we see the second quarter is the quarter in which we tend to book some exceptional land sale. So was there any exceptional land sale in this quarter? and what is the kind of run rate that we can expect to continue over the next few quarters from the SEZ revenues?

B. Ravi:It is a consistent SEZ income from various clusters that we are developing. So, we have been having a consistent income quarter on quarter. So it was –

maybe last year of FY16 could be an exception, but otherwise all earlier quarters as well as the last quarter of FY16, that is March, we had SEZ income. So we continue to do that. As you know we are developing various clusters in that, whether it is packaging, battery inverters, solar panels, electronics and the like. So we have in this quarter and also the port development, CT- 4 and CT- 3. So from amongst these clusters is what we have earned and this amount is going to be a consistent income quarter on quarter.

Vibhor Singhal: That's great to hear, sir. Great sir. So lastly, sir, my just last question if I can squeeze in is on terms of – I'm so sorry – on the Dhamra port. Basically, we've seen a strong pick up in volumes at the Dhamra port, so just wanted to understand the plan and the timeframe for the strategy at that port. When do we intend to see, basically, container – I mean, any other different forms of cargo that we are looking to handle at Dhamra port and what exactly is the kind of volume pick up that we are expecting there?

B. Ravi: Yes, Dhamra we have always maintained that we will be growing going forward also. So that's how 47% growth has been registered in nine months, and we do see this 25%, 30% growth consistently year on year in the coming years also. That's because there is an existing cargo volumes which needs to be tapped and we were not able to do that only because of the capacity constraint. So we have added the third berth and we are adding the fourth berth. This growth – and this growth is coming not just from the coking coal and the thermal coal but also various other cargos like rocks phosphate. And containers that you ask we shall start handling containers from Q4 FY17, that is this quarter itself – end of this quarter and going forward, we'll also be doing liquids, fertilisers, agri products and others in the next year onwards.

Vibhor Singhal: Great sir. Thanks for answering my questions, and all the best.

B. Ravi: Yeah, thank you.

Operator: And our next question comes from Parag Jain of HSBC Hong Kong.

Please go ahead.

Parag Jain: Hi Karan, Ravi. Thanks for this presentation and I have several questions, if I may. A few of them are more of a clarification as many of the participants says that line was terrible, and a few are probably outlook questions perhaps Karan can address. So maybe some of the cosmetic question is when we look at your third quarter's performance, and as Karan rightly pointed out, container moved up, liquid moved up and perhaps coal would have come down. This should have reflected into a better margin rather than a flat or marginal decline. Would you attribute this largely to the FX-related losses, which is perhaps a change in monetary assets and liabilities? Or there is something else that we need to be aware of? My second question is perhaps slightly on the longer term, the impact of consolidation that we are witnessing across the port companies. That when the three companies, for instance three Japanese companies merge, you eventually will have to offer the price, lowest of the three. Is that trend would imply pricing pressure going forward, across the sector in general? And do APSEZ probably will take the pricing or will increase the pricing to negate that impact of the decline in the effective revenue per TEU? and thirdly, in terms of your CAPEX and free cash flow going forward, one of the consistent themes that has emerged is that many of the port operators are now started to talk about slowing down the pace of capacity addition and improving the free cash flow. I understand India is altogether in a different league, but when I look at your utilisation in the last ten years, you have consistently been growing at about 20%, but your utilisation is still over around 50%. Is that what we are going to see perhaps in the next five years, or you probably would see that we will see probably utilisation settling around maybe 60 or 70 and you will continue to carry on with your CAPEX at that level? And I'll just stop here.

B. Ravi: Yes, sure. I'll take the first question and I'll leave the second two questions for Karan. One, I need to clarify – I'll take you through the numbers again. See, the overall EBITDA margins of 62% which we said was including the logistics as well as the Australian business, all put together. And both these businesses have an EBITDA margin of only 10%. So therefore, if you try to put the port business alone and by removing these two as well as the SEZ, then you are having a total port EBITDA of INR1,202 crores, which is a 69% and more than 69.5% EBITDA margin, which is very consistent from quarter three FY15. That was also about 70%; this is also about 70%. So therefore in terms of the port EBITDA , if you adjust those financial numbers, that FOREX and all, in fact it is 1 percentage point higher than 70. So you're right there is a little impact of that

FOREX thing, the readjustment of – realignment or restatement of that. But otherwise a very consistent EBITDA margin and a very consistent growth of the port EBITDA.

Parag Jain: No absolutely. I mean I was referring to port EBITDA margin only. My point was that when volume up 8% and revenue went up 19%, and all the 8% came from the businesses which carry higher margin, shouldn't this have been reflected into port EBITDA margin, or you would say that this was offset by an increase in the operational cost? Or we are missing something.

B. Ravi:No. Okay, let me then take you through a little more detail. In Q3 of this year, we had certain expenses which were not there in Q3 of 2016. For example, the Kattupalli management fees were slightly higher. There was a revenue share in Dhamra which the slab has changed in this quarter as compared to last quarter. That was higher by about INR21 crores and there are certain overheads which had come into this as a one-time, at this time, which was not there in that quarter which was again about INR30 crores or so, so effectively about INR70 crores was exceptional item or not exactly comparable quarter on quarter. If you adjust that, then the margins instead of 69%, 70%, go to 73%. I didn't get into that great detail not to take up everybody else's time, but now that you have asked, I have clarified you the differences.

Parag Jain: Yes, now it makes sense, and thanks for this explanation.

B. Ravi: Thank you, yeah. Karan, the next two questions.

Karan Adani: So on the impact of consolidation, I think it's a – in a way it is a good thing for us because – and especially when you come to container business – when you are expanding your footprint geographically and now when we are present on east as well as west coast of India, it gives us – actually rather than having an impact in terms of lowering our revenue, it actually helps us in increasing our pricing, because at one stop you're giving shipping lines multiple entry into India and the good part is that in locations – geographically we are in locations in India where there is constraint of capacity. So when you look at, on the west coast, Mundra and Hazira and the ports that we go over there and the terminals that we have over there, overall on the west coast of India there is constraint in capacity. When you look at south, that is near Chennai and Kattupalli, yes there is overall more capacity, but there is lot of inefficiency in the existing terminal. So in that way it creates – there is constraint in capacity of growth over there. So actually if you combine all of it, if you look at the geographical positions where our terminals are and the way the Indian market is growing and the consolidation that is happening because the shipping lines would like to save on as much as possible and they would like to reduce the number of calls to multiple ports, actually it gives us a better pricing power as well as it gives us an opportunity to market share more from the competitors and to answer your question on CAPEX and free cash flow and utilisation, I think we have said from the start of the year that this year as well as maximum till mid of next year is we will be peaking our capital expenditure. Then from then onwards it will be on a downward trend because we don't see any more – we don't see any more acquisitions in India and I think we have enough capacity, as you rightly pointed out, in the three locations where we will be adding capacities in certain ports like Dhamra and Vizhinjam and Kattupalli. Those are the only three places where we are adding our capacity – we will be adding our capacity in the course of next two to three years' time. So I think on – if you ask us capital expenditure from mid next year, you should see a downward trend.

Parag Jain: Perfect. That's very helpful. Karan, maybe if just I can follow up from one of the participant's question regarding Maersk's behaviour following the restructuring. I didn't follow the last part of your answer. Does it add risk of you losing Maersk's business away from Mundra or it was the other way around?

Karan Adani: So we won't lose the risk – I mean it's not a risk in terms of losing business, but it will be a risk in terms of growing the Maersk line business. So – because they will be consolidating. So the growth part we will have a challenge with them. But they are already doing a certain amount of volume in Mundra. We don't see the risk of them shifting that whole volume out of Mundra.

Parag Jain: Perfect. And I'm not sure that the number if you give, like do you quantify how much volume you have handled for Maersk in Mundra? If you, don't disclose then I don't want. But just wondering if you have that number.

Karan Adani: We can send it to you separately. We don't have it handy.

Parag Jain: Perfect thanks. Thank you, Karan and Ravi.

B. Ravi: Thank you.

Operator: Our next question comes from Nishant Chandra of Temasek. Please go ahead.

Nishant Chandra: Yes, so I just wanted to understand the cash flow conversion for this quarter. So from the total PAT for this quarter, how much of that has translated to cash flow increase? and the second one is with respect to the marine business, marine services business demerger, what happens to the revenue share and would the entity be paying it or that is not payable because the revenue is no longer booked by the licensed entity?

B. Ravi: Yes. First of all, the PAT and cash flow I don't have in the immediate numbers. I don't have the calculation, but I can safely say that I think looking to the CAPEX numbers, which are very much under control, almost like 30% 40% of the PAT would be free cash flow the addition and that would obviously go back into our cash generation. That – I can tell you that. That's why I think the numbers for March will be better and will have these things very well detailed out. So as far as the marine services is concerned, there is no specific revenue share.

Karan Adani: So on that question, there is revenue share that we pay in Dhamra port and in – yes, that's the only place where we pay, actually and since that revenue will not be accruing in Dhamra port, there won't be a revenue share that will be paid on it.

Nishant Chandra: Okay.

Operator: Thank you. Our next question comes from Ashish Shah of IDFC Securities. Please go ahead.

Ashish Shah: Yes, good evening sir. Sir, could you just update on the status of the development of some of the newer assets like Vizhinjam and also if there is any update on the Bhavanapadu port?

Karan Adani: So on Bhavanapadu port, we have not heard back from the government, so there's no more further update on it. On Vizhinjam port, we will be awarding the contract for the jetty in next two or three weeks' time. But overall the project is very much on schedule and we will be completing the project by mid of 2018 to end of 2018.

Ashish Shah: Right, and you start off with the initial capacity of about 1 million TEUs, that's right?

Karan Adani: Yes, 1.2 million TEUs.

Ashish Shah: 1.2 million TEUs. Secondly, by when do we expect the Kattupalli acquisition to be completed? Or do we see any delay.

B, Ravi: I think demerger process is on right now and therefore hopefully in Q4 this year itself, that is FY17 Q4,or latest first quarter of next financial year we would be completing it.

Ashish Shah: Right. Sir, lastly, it's on the quarterly result. We have an SEZ-related income of INR200 crores. What would be the cost corresponding to this which would have got booked that would have flowed to the EBITDA?

B. Ravi: No, approximately about INR50 crores there passed on to that.

Ashish Shah: About INR50 crores would be the cost related.

B. Ravi: Yes.

Ashish Shah: And sir, if I have heard you right – there was some disturbance – but this you said is related to some of the developments which are happening at the port in terms of the newer terminals or the LNG or something like that.

B. Ravi: also the various clusters like – yeah, that's right. You have heard that right.

Ashish Shah: Sure. Okay, thank you sir.

B. Ravi: Thank you.

Operator: We will now take our next question from Pulkit Patni of Goldman Sachs Please go ahead.

Pulkit Patni: Sure, thanks a lot for taking my question. I think the first one is about the guidance. So since now we mentioned that our growth would be 50% higher than other major ports, is this a deviation from our earlier guidance of when we spoke about between 10% to 12%? And how should we look at that –

this number going forward in terms of growth expectation? That would be my first question.

Karan Adani: The guidance change, we are just narrowing it more further down. We had given a guidance of 10% to 15% earlier and we are saying that by end of this financial year we should close somewhere around 11% or 12%.

Pulkit Patni: Sure. But this growth of 50% over the major ports does this have any significance in terms of the guidance or this is just a generic statement?

B. Ravi: That's an observation which has been consistently happening quarter on quarter. So we said that that would be a better way of benchmarking ourselves rather than on a standalone basis because obviously country's growth and on that, our superiority on that leads to our growth, so therefore we are trying to benchmarking it against what the country is doing, what we are doing better than that.

Pulkit Patni: Sure, sure. Okay, that's clear. Secondly is a bookkeeping question, Ravi, on the finance cost. If I look at the nine month in the presentation it's come down from INR451 crores to INR152 crores. Just trying to understand, has the refinancing been to the extent that the impact on interest cost is so significant, or does it include any other adjustment as well?

B. Ravi: No. It's the combination of the refinancing majorly as well as the interest income also which we had and that also will be there for the full period in this nine months. That's gone up by about INR100 crores and the actual cost also has come down due to refinancing. So that's the total impact is almost INR300 crores lesser.

Pulkit Patni: Got it, and this would mean our effective interest costs right now on the entire debt portfolio would be approximately...?

B. Ravi: About 2% – net interest cost about 2.5%.

Pulkit Patni: Sure. That's it from my side. Thanks a lot.

B. Ravi: Welcome.

Operator: We will now take our next question from Anitha Rangan of HSBC. Please go ahead.

Anitha Rangan: Thank you. Just a follow up question on the interest finance costs. So if I look at your SEBI format financial statement, now the gross nine month interest cost has come down to INR885 crores from INR923 crores, so whereas the net has come down from INR451 crores to INR152 crores. So which means that interest income portion is around INR472 to INR733 crores, right? So there's an increase in the interest income. So when your loans and advances is actually going down, how come there is a such a big jump in the interest income, or is there some other adjustments?

B. Ravi: I am very surprised by that. The gross finance cost also has a portion of the derivatives there in that and therefore you have to adjust the total finance cost for the derivative gain and forwards also. So if you really talk about with that adjustments, the gross interest cost is coming down from about INR910 crores to about INR790 crores. So that is the big jump of the actual gross interest itself coming down. Other than that, as I said earlier, there is an increase of interest income. To the question about the interest income should be lower from September to December and that interest income is actually lower, if you see, Q2 to Q3. And that's why the interest income instead of coming down has increased – decreased it sequentially, but corresponding year to year, the interest income is still higher. Hopefully I answered your question properly.

Anitha Rangan: Yes, right, right. Got it. And also what would be your other income – composition of other income which is about INR680 crores. Would that be entirely SEZ or there is like some other portion of other income as well?

B. Ravi: That is other – you're talking about other income?

Anitha Rangan: Yeah, other income. Right.

B. Ravi: Other income is consisting mainly or mostly of interest income and some other smaller other income. I mean, I don't have the details, but it's majorly interest income.

Anitha Rangan: Okay. And just one last question. You spoke about not having any major acquisitions in India, but would you look at any overseas acquisitions of ports or logistics services as well?

Karan Adani: Right now, nothing on table, but as we had said earlier, we keep exploring opportunities and as and when we find some good opportunities either in Southeast Asia or Africa or in Bangladesh or Myanmar, we will look into it. But as of now there is nothing on the table.

B. Ravi:But Karan, even then that would be not an acquisition. She's asking about acquisition.

Karan Adani: And no, that also will not be an acquisition. It will be a Greenfield port development over there.

Anitha Rangan: Okay, thank you.

Operator: Inderjeet Bhatia of Macquarie, please go ahead. Your line is open.

Inderjeet Bhatia: Yes hi. Thanks a lot for the opportunity. A couple of questions for Ravi. First, on the SEZ income, can you – the INR400-odd crore number, can you just broadly break it up how much is lease income and how much is the fees that would have charged for development and those kind of things broadly?

B. Ravi: See, the lease income is approximately about INR50 to INR60 crores and there is this infrastructure usage income of another INR20, INR30 crores. So if you add up around INR70 crores would be the continuous income on all these and plus the new cluster development. So I don't have the exact breakup but this is the broad break up.

Inderjeet Bhatia: Sure, and the second question is on the tax rate. We saw the tax rate increase in this quarter. So what should be the consistent tax rate, say, for FY18 that we should work with?

B. Ravi: FY18, as you know, in Mundra would be full tax rate in terms of the hitting the PAT as such, and all other places continue to be the MAT. I'd like to clarify here that you asked – thanks for asking that question. In this particular quarter, the MAT credit at Hazira and at Dhamra was not taken into account because of a ten-year period possible year lapse happening for this particular MAT credit and therefore on a conservative basis we allowed that to hit our bottom line rather than take the MAT credit of it. But now with the latest Finance Bill giving us 15 years for tax carry forward for MAT instead of 10 for adjustment – 10 years to 15 years for adjustment of MAT carry forward – this amount we are reworking with tax experts and we're waiting for the bill to clarify certain aspects. Probably this will not be hitting our bottom line, this could be just a one-off in this quarter. So to that extent it'll be consistent back again from March 2017 onwards.

Inderjeet Bhatia: Great. Thanks a lot.

B. Ravi: Welcome.

Operator: We will now take our next question from Bhavin Gandhi of B&K Securities.

Bhavin Gandhi:Thanks for taking my questions. Sir, I just wanted to understand regarding the demerger that you mentioned. How should we be looking at the port EBITDA that you have been reporting? Will it change post this demerger, and if so, can you quantify the same?

B. Ravi:It will not change because, as I mentioned, that whole thing folds back into APSEZ as the total income and total profit. In fact, the PAT should be much higher, EBITDA still will maintain at the same level.

Bhavin Gandhi: Okay. And would it be possible to share approximate revenue of the company for nine months or ??

B. Ravi: Let the demerger be completed, let the process be done.

Bhavin Gandhi: Sure. And just to clarify the tax rate you mentioned was 1% of the PBT rate of the company?

B. Ravi:It's a presumptive tax. Yes, it works out to 1% of PBT.

Bhavin Gandhi: Okay, thank you.

B. Ravi: Thank you.

Operator: That was our last question, and now I would like to turn the call back to our host for any additional or closing remarks.

B. Ravi: Thanks everyone for patiently listening to our analysts call and also for asking all the relevant questions. All the details are there on our website, so I'm sure you're getting quite a bit of information from that. So look forward to be talking to you again next quarter. Till then, thank you and have a nice day.