“Adani Ports & SEZ Limited
Q4 FY2019 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Adani Ports & SEZ Limited Q4 FY2019 earnings conference call hosted by Spark Capital Advisors India Private Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, you may signal an operator by pressing "*"then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Bharanidhar Vijayakumar from Spark Capital Advisors India Private Limited. Thank you and over to you Sir!

Bharanidhar: Good evening and thanks everyone for logging back in again. To talk about the company's performance in FY2019 and to address queries, we have today on the call Mr. Karan Adani, CEO and Mr. Deepak Maheswari, CFO from Adani Ports & SEZ. Please go ahead Mr. Karan.

Karan Adani: Good evening ladies and gentlemen, first of all apologized for the delay.

Welcome to the conference call to discuss FY2019 operational and financial performance of Adani Ports & Special Economic Zone Limited. We have shared the detail presentation on our operation, financial and outlook for FY2020. FY2019 had its own set of challenges, fear of global trade war and certainty on the health of ship liners and depreciation of rupee by 11% in H1 of FY2019 to name a few.

In spite of the challenges FY2019 will go down as a landmark year in the history of our company. For the first time APSEZ crossed the milestone of handling more than 200 million metric tonne of cargo in a year and a PAT of over Rs.4000 Crores.

The company has recently inducted one more independent director Ms. Nirupama Rao an Indian Foreign Service Officer on the board. She was a career diplomat from the Indian Foreign Service from 1973 to 2011 and served the Government of India in several important positions including that of the Foreign Secretary. This appointment has improved the gender diversity in the board composition to 20%.

As part of improving corporate governance and based on feedback from various investors we have come out with the policy on related party transaction for acquiring and sale of assets. The same is now available on our website.

Under the existing APSEZ dividend policy a percentage of PAT is paid out as dividend as part of the proposed policy this year, APSEZ will be doing a combination of dividend payout and share buyback, which will be announced by June 4, 2019. This amount is expected to be higher than the regular dividend payout.

Coming to FY2019, our strategy of having multiple ports across the coastline of India at various locations and diversifying our cargo mix continues to be pay rich dividend. During this year, we achieved a year-on-year cargo volume of 208 million metric tonne a growth of 15% and thus exceeded our guidance of 200 million metric tonne for FY2019. Throughput achieved in FY2019 reflects our resilient and ability to gain market share across all our operating cost. Our market share in all India cargo volume has increased by 200 basis points to 21% similarly our market share in all India container volume increased by 100 basis points to 34%. In FY2019 consolidated operating revenue on year-on-year basis was Rs.10925 Crores compared to Rs.11323 Crores in FY2018.

Consolidated EBITDA was Rs.7067 Crores compared to Rs.7145 Crores. Consolidated EBITDA margin expanded by 200 basis points to 65%. Profit before tax was Rs.5126 Crores in FY2019 compared to Rs.5234 Crores in FY2018. Profit after tax increased by 9% to Rs.4006 Crores. Details of financial numbers will be discussed by Deepak later on. Let me take a few minutes to discuss operational highlights and our plans for FY2020.

Coming to cargo volume, 15% cargo volume growth registered by us in FY2019 was led by all commodity while coal volumes grew by 17%, container grew by 13%, crude by 31% and bulk cargo excluding coal grew by 9%. Cargo composition continues to be balanced while coal volumes were 33% of our total cargo container was 41%, crude 12% and other bulk cargo excluding coal constituted 14% of our total cargo volume.

During FY2019, we handled 68 million metric tonne of coal, a growth of 17% over last year. This included 10 million metric tonne of cooking coal and 58 million metric tonne of thermal coal. We handled 13 million metric tonne of coal for Adani power of which 12 million tonne was at Mundra.

During FY2019, we handled 5.76 million TEUs of container thus registering a growth of 13% compared to 10% growth registered by all India ports. If we exclude the volumes done by DP World at CT1 at Mundra port, container volume handled by APSEZ including that of JVs grew by 23%.

During the year four new services were added at Mundra, Hazira, Kattupalli port. At Ennore container operation started in October 2018 with a regular weekly calls by Maersk. In FY2019, Ennore port handled volume of 57000 TEUs.

Crude volumes grew by 31% on account of higher volume of crude handled by HMEL and IOCL. Other cargos during the year grew by healthy 9%, this was on account of our continued focus to diversify and handled various type of cargo at all our ports. For instance, the Dahej port handled copper, slag, salt and Gypsum, Kattupalli port also started handling Gypsum.

All operating ports except Dhamra registered a double digit growth while Mundra our flagship port grew by 13% in terms of volume, volume at Dahej grew by 30%, Kattupalli by 18% and Hazira by 16%. Our terminals at major ports namely Tuna, Goa, Vizag and Ennore put together handled 12 million metric tonne of cargo thus registering a growth of over 127% in FY2019.

I want to give a little bit more detail on Dhamra's performance. The Dhamra port is back on track from H2 of FY2019. Dhamra port handled 12 million metric tonne of cargo in H2 compared to 9 million metric tonne cargo handled in H1 of FY2019. Our strategy to handle other types of high value cargo namely Gypsum, clinker, steel exports and ship to ship operation contributed to higher volume and EBITDA in H2 of FY2019.

Evacuation issues at Dhamra are slowly easing with higher rake availability, average of 14.2 rakes per day in FY2018 to 14.5 rakes in FY2019 and 16.4 rates a day in Q4 of FY2019. Dhamra handled 5171 rakes and in FY2018-2019 it handled 5290 rakes.

As a long-term solution, we had decided to buy BOXNHL wagons under the general purpose wagon investment scheme. We have got approvals to operate 31 rakes and ordered for 9 rakes. Operations under the general purpose wagon investment scheme have commenced from April 2019. We are currently operating two rakes one each for Rashmi group and Tata Steel limited. We are expecting to operate four additional rakes for Tata Steel Limited from July 2019. This will enable us to handle incremental cargo of 2.5 million metric tonne per annum at Dhamra port. We are also in discussion with other customers like DSL, SAIL, GSPL, Shamfield etc., and we will order for the remaining BOXNHL rakes once in principle approval is received on the same. All GPWI rakes have been operated by Adani Logistics Limited thus adding to its revenue.

For the first time, the evacuation of cargo through road at Dhamra commenced in January 2019, work on widening of road between Dhamra and Bhadrak, which commenced in February 2019 is progressing well and is expected to be completed in 18 to 24 months. This will enable faster movement of road cargo through the Dhamra port. We will start work on container terminal at Dhamra port to synchronize with the development of road. With evacuation improving and availability of enough cargo to handle, we are expecting a growth of above 20% at Dhamra port from FY2020 onwards.

Coming to logistics operation, Adani Logistics Limited handled rail volumes of 150942 TEUs in FY2019 compared to 231507 TEUs in FY2018. Lack of availability of lead container rakes impacted rake operations of ALL. Average rakes in FY2019 were 22 per month in comparison to 39 per month in FY2018. In spite of lower rail volumes ALL EBITDA margins improved to 14% from 7%. This was on account of higher utilization and faster turnaround of exiting fleet.

Currently ALL is operating 20 rakes of which 11 rakes are owned and 9 rakes are owned. We have another 14 rakes container on order and expect to be receive them in phased manner till February 2020. With improved container rakes available, rail volumes of ALL are set to imply significantly in FY2020. ALL is also in the process of leasing BOXNHL actual rate under the GPWI scheme, which will mark an entry into bulk transportation by rakes details of which I have just now shared with all of you. In addition our JV Company, Adani NYK Auto Logistics has ordered 3 rakes for movement of automobile in the last quarter. Thus by end of FY2020, ALL will have 60 plus rakes to operate. The capital expenditure that will be incurred to purchase additional rakes will aggregate to Rs.500 Crores.

In February 2019, ALL announced the acquisition of Adani Agri-Logistics Limited. This acquisition was strategic move in line with our intention to grow our logistics business and handle all types of cargo. Adani Agri-Logistics Limited handled 11.66 lakhs million metric tonne in FY2019 and expects to handle over 13 lakhs metric tonne in FY2020. Currently AALL has 8 silo units under implementation. Adani Agri-Logistics has also participated in tenders floated by FBI in seven locations in West Bengal. Adani Agri-Logistics Limited will also actively participate in upcoming tenders to grow its market share. In addition Adani Logistics Limited also signed a definitive agreement to acquire up to 100% stake in innovative B2B Logistics Solution Private limited.

In logistics: In logistics is in the business of operating container trains providing integrated logistics service for domestic cargo movement. This acquisition is complimentary to ALL adding meaningful size, scale and diversification thereby enabling ALL to expand its total adjustable market and enhance network coverage. In essence, with this acquisition ALL becomes largest private rail and logistics park operator in India.

The deal is expected to be completed in H1 of FY2020. In FY2020 we will continue to pursue our strategy of expanding a logistics footprint across India, building multimodel logistics power warehousing park, rail network and distribution in order to be the leading integrated logistics service operator in India. We will implement the strategy of acquisition, Greenfield development and strategic tie ups.

On the organic front, in addition to the rakes being added to the fleet as mentioned above, the company will be adding three logistics parks and 5000 square feet of warehousing to its portfolio. We had guided SEZ port led development income of Rs.800 to Rs.1000 Crores in FY2019. This included income of Rs.125 to Rs.250 Crores from lease rentals plus upfront fee and through sales lease of asset at Mundra and Dhamra. In FY2019 we earned a revenue of Rs.769 Crores which included income of Rs.533 Crores on account of complete sale of LPG terminal at Mundra port.

Mundra LPG asset is now held by Adani Group, terminal is ready for operation and first vessel is expected by June 2019. The terminal will handle 0.5 million metric tonne of cargo in FY2020, resulting in an income of Rs.20 Crores per APSEZ. By FY2023 when the terminal is expected to reach its full capacity of 1.8 million metric tonnes, APSEZ is expected to earn around Rs.67 Crores per annum.

As communicated on May 23, 2019 we have signed a 50-year BOT agreement for setting up a Greenfield terminal of 0.8 million TEUs at Yangon, Myanmar. The total project will be implemented in two phases and would be constructed at a cost of 220 to 230 million USD, which will be for Phase 1 and for Phase 2 it will be at the cost of USD $55 to USD $60 million, the project is expected to start in June, 2019 and shall be completed by June of FY2021.

Myanmar is currently handling 2 million TEUs of container and is expected to grow by 10% every year. This Greenfield project has adequate back up space and has evacuation infrastructure already in place. This asset is perfect fit for our aspiration to have our presence in container terminal business in South East Asian region. This will add connectivity to our existing ports in India and we will be able to offer better connectivity solution to ship liner. As we have established relationship with ship liners, it would be easy for us to build volumes at Myanmar.

Our project will also bring in latest technology, operational efficiency at Myanmar port and give gainful employment to 1100 local people. The revenue is around USD $115 per TEUs and we expect to make returns in line with our capital allocation policy of mid teens project IRR, we will continue to look at additional growth opportunities both in India and in South East Asia region.

In conclusion, we are convinced of the future growth opportunities available and have set ourselves an ambitious target of achieving 400 million metric tonnes by the year 2025. This growth would entail both organic and inorganic route. Cargo volumes at our ports continue to be strong, we expect bulk cargo other than container and crude to grow by two times of All India Cargo volume growth as we are seeing a good momentum of volumes in Q1 of FY2020.

In containers we will continue to outperform all India container volume growth and expect our container volume growth to be 10% to 12%. EBITDA margin at our bigger port namely Mundra, Hazira, Kattupalli and Dhamra will continue to improve and we expect this number to stabilize at 72% to 73% in the next three years' time.

We have now entered an exciting phase. We are looking at increasing our footprint both by organic and inorganic route. In India we are looking at Digi and New Mangalore Port, internationally apart from Myanmar we are also exploring opportunities for setting up container terminals at Indonesia and Bangladesh. We have also embarked on our journey to further strengthen our last mile connectivity to ports by adopting a dual strategy of improving efficiency and looking at inorganic growth in logistics space. This strategy will help us continue to gain market share and take us closer to our vision of being truly integrated service provider in the Logistic space.

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

Deepak Maheswari: Thank you Karan and good evening to everyone on the conference call.

As mentioned earlier by Karan, FY2019 has been a landmark here for the company as the company reported a PAT of over Rs.4000 Crores for the first time. The strong year on your cargo volume growth of 15% has resulted in the increase in port operating revenue from Rs.7393 Crores in FY2018 to Rs.8897 Crores in FY2019, which is an increase of 20%.

Total operating income for FY2019 was a robust Rs.10925 Crores against Rs.11323 Crores in FY2018 overcoming the reduction on account of the lower SEZ income of Rs.769 Crores vis-à-vis Rs.2481 Crores last year. Port EBITDA has grown by 18% from Rs.5144 Crores in FY2018 to Rs.6053 Crores in FY2019. The total EBITDA margin has improved by 200 basis points from 63% in FY2018 to 65% in FY2018. Total EBITDA is flat at Rs.767 Crores for FY2019 as against Rs.7145 Crores in FY2018.

The logistics business has improved in EBITDA margin by 7% on account of improved utilization and reduction of empty runs by 93% leading to cost savings of over Rs.11 Crores.

The strong business performance is captured in the overall PAT for the company which for FY2019 is at Rs.406 Crores a growth of 9%. This was achieved in spite of the forex mark-to-market loss of Rs.476 Crores.

As we have discussed in prior meetings and conference calls, we continue to have a natural hedge for our dollar borrowing. The balance sheet has been strengthened on the back of good profitability during the year. We continue to maintain net debt to EBITDA within the targeted number of three times. On a long-term debt, the long-term debt has reduced in spite of increased in debt due to effects impact during the year and debt in the books of acquisitions made.

The trade receivables have reduced because of two major items, the receipt of the sale proceeds from CT3 and CT4 and reduction in receivables from Adani Power by Rs.200 Crores, which has resulted in Rs.622 Crores receivables reducing to Rs.422 Crores.

Increase in the short-term debt was contracted due to the following reasons for the Myanmar project, for the acquisition in the logistics business as a buffer for NCDs, which were maturing in April and to finance some of the assets, which were held for sale. Almost the entire amount of short-term debt contracted by the company was held as cash and bank balance on 31.03.2019. The total capex incurred by the company at the ports and for acquisition of land and rakes for developing the logistics business was Rs.2522 Crores, which is in line with overall capex guidance.

Going forward, we believe that our business continues to be strong across all types of cargo and we are seeing an improvement in Dhamra resulting in a strong EBITDA growth. We continue to focus on cost and bring out the various cost efficiencies. Our capex guidance is in the range of Rs.2500 Crores for the existing ports portfolio, Rs.500 Crores for logistics in approximately Rs.2000 Crores over the next two years for Myanmar.

We continue to seek opportunity within our exiting ports to increase revenue and drive profitability and return ratios. We continue see opportunities both within the ports as well as in the logistics business, which can add value to a portfolio and will work to acquire and develop these assets in our business. Finally we will continue to improve the debt maturing profile and access at appropriate time long-term debt both from the domestic and international markets.

With this I will request to open the line for questions and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Sumit Kishore from JP Morgan. Please go ahead.

Sumit Kishore: Good evening and thanks for the opportunity. My first question is while the overall consolidated EBITDA margins have improved in FY2019 how do you look at the port business EBITDA margin decline of over 150 basis points in FY2019 and how should we interpret that?

Deepak Maheswari: Port EBITDA margins are down by 160 basis points because of two reasons, one is this year we have given special incentive to all the employees of Rs.65 Crores for achieving 200 million metric tonne and second is we have taken provision for Goa Port of Rs.69 Cr , if you remove these two items we would have more or less reach the same EBITDA margin level.

Sumit Kishore: Okay and the provision for Goa Port is for?

Deepak Maheswari: As you know Goa Port is one of the terminals that we have at one of the major ports and there has been discussions around the storage charges, which are getting charged on some of these ports and the storage charges are not in line with normal practice where in some cases the storage charges can end up becoming as high as revenue itself and in that particular case because the discussions are ongoing with the Port Authority in order to classify this asset as a stressed assets and we also think that it is more prudent for us to provide for possible charges, which could accrue to the company, which would be at the company's expense for the period which we had the terminal so it is more a provision, which we expect that once we get relief under the stressed project guidelines provided by the TAMP we should be in a position to work our way through this particular thing but for prudence we have provided this particular provision for the storage charges, which have been asked from the company.

Sumit Kishore: My second question is we see that your operational port EBITDA has grown a quite well in FY2019, your trade receivables have reduced by 11 billion and capex is also in line with your guidance of 25 billion so how have you faired overall against your FCS guidance of Rs.17.5 billion to Rs.20 billion for FY2019 because most of the boxes seem to have been ticked right?

Deepak Maheswari: What you will see is that our free cash flows post operations and adjustments for working capital as well as from adjustment from investment activities and acquisitions will be in the range of around Rs.1500-odd Crores, which already includes the acquisition that we have made, which is the AALL acquisition, which has already been reflected in the numbers and so we have kind of met the requirement that we set ourselves out for and the numbers could have been much higher without the acquisitions, but as you know the acquisitions are part of overall strategy to develop the logistics business.

Sumit Kishore: Okay 15.7 billion is after ALL having been accounted?

Karan Adani: That is right.

Sumit Kishore: Okay would you have any similar guidance for FY2020 as well on free cash flow?

Deepak Maheswari: FY2020 we are working on the free cash flow guidelines, which I think once we are ready with the numbers we will share with you.

Sumit Kishore: Sure. Thank you so much and wish you all the best.

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

Vibhor Singhal: Good evening. Thanks for taking my question. Sir just wanted for that clarity on the margins front. You mentioned that we took basically a provision of around Rs.65 Crores for the special incentive and Rs.70 Crores for the Goa Port, now assuming both these provisions came in Q4 itself even then the Q4 port EBITDA margins would be 68.5%, which is much less than 70% port EBITDA margins that we have been doing for the past 5, 6 and so many quarters and our guidance as well I mean if I look at Q4 and I am not looking at the full year number in Q4 our total EBITDA margins have come at 62.5% if I adjust for the provisions that we have made even then it is around 68%?

Deepak Maheswari: If you remove these two, I think we would reach at 69%, which would be more or less in the range.

Vibhor Singhal: No our guidance basically it is funding around 50 to 100 basis points of port EBITDA margins every year does not stand as it is?

Deepak Maheswari: Yes so if you go to detailed working all our major big ports that is mainly Mundra, Hazira, Kattupalli and Dhamra, apart from Dhamra I think we would have hit our target.

Vibhor Singhal: Next year also we can expect modern expansion of 50 to 100 basis points?

Deepak Maheswari: For the big ports you should expect 100 to 150 basis points. I think it is very important if we look at each of these numbers on annual basis as well because if the guidance which has been provided is that in a year we will be in that particular range, you could see variance because of cargo composition varying and different quarters could lead to different results, but the strength of the overall business with the cargo composition diversification will play itself through on an annual basis rather than looking at it on quarter by quarter basis where then can be certain variations. You had another question about another provision so which you could complete that then I will try answering that.

Vibhor Singhal: I completely understand. Just wanted to get the trend is there something peculiar about it so thanks for clarifying that. My question was on the Goa Port provision that we are saying that storages charges are being revised, because of which we have taken a provision so is this specific to Goa Port as of now or do you expect the similar thing to come out other major ports as well?

Deepak Maheswari: This is not something which is similar. This is not something which effects major ports, but of course this is something which can effect our terminals at the major port. Both the projects at Vizag as well as Kandla, we have already had discussions and with the Port Authorities and the impact of revised storage has already been nullified in those discussions. Goa, we were in the profit, but till the time said we do not have the resolutions we are made the provision.

Vibhor Singhal: And no risk of this is at Ennore also.

Deepak Maheswari: No Ennore does not have this risk.

Vibhor Singhal: Thanks a lot for asking questions, I will get back in the queue.

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

Achal Lohade: Thank you for the opportunity Sir, I just wanted to check in case of Dhamra Port we see the port margins have improved from 50% to 75% Q-o-Q just wanted to understand is this, we are looking quarterly, is there any one of element here for Dhamra port specifically for Q4.

Deepak Maheswari: Yes in the case of Dhamra port, the couple of items which need to be added in that in the last year numbers, there was a reversal of the rail receipt for around Rs.300 odd Crores and in this particular year, because of Dhamra LNG sale, we have booked the PV of the land as well sale relating to that so those are two items which have benefited the performance of Dhamra, along with that you will realize that because of the strategy that has company has had for diversifying and changing the cargo mix into higher value items that is also contributed along with items that I mentioned.

Achal Lohade: What would be the contribution of the Dhamra LNG sale the land and the other things roughly?

Deepak Maheswari: So it is around Rs.150 Crores.

Achal Lohade: In terms of EBITDA right Sir?

Deepak Maheswari: Yes in terms of EBITDA because those are very high value in the sense that it is basically around Rs.150 odd so.

Achal Lohade: Right Sir, Thank you so much for the clarification. I will come back in the queue. Thank you.

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

Pulkit Patni: Thanks a lot for taking my questions. You mentioned Rs.533 Crores for completion of sale LPG at Mundra, could you just highlight the details of this transaction who it has been sold to, how much we received in lieu of this sales and just the details of the transaction, please?

Deepak Maheswari: As we had articulated earlier that our overall strategy for APSEZ would be not to keep any of the risks, which are associated with the gas volume, and the gas trading risk and as a part of that plan the asset is now held by Adani Group and the sale relating to the land as well as to the jetty that has contributed to Rs.198 with Rs.308 Crores so around 500 odd Crores is because of the Mundra LPG sale. I should not call it really sale, because it is subscribed to new shares, but it is relating to that the land development to have the jetty and so that is the odd development income that we get from that particular assets.

Pulkit Patni: Sir is the money received or where in the balance sheet can we see in under receivable?

Deepak Maheswari: Rs.60 Crores that is received and the other is in the form of lease so they will be received over a period of time and you will find them in the trade receivable, lease receivable.

Moderator Thank you. The next question is from the line of Ashish Shah from Centrum Broking. Please go ahead.

Ashish Shah: Just wanted to check on the net debt, our net debt has gone up by about Rs.2700 Crores. We did say that we have generated free cash and after working capital and investments of about Rs.1570 Crores, so I am not able to reconcile to two things that if we generated free cash after all of this then why the net debt should go up by Rs.2700 Crores?

Deepak Maheswari: Couple of very important things on the net debt side. One is that there was certain assets which are held for sale, which are largely relating to the LPG and the LNG assets which have been funded by short-term debt as we have indicated earlier as well and that is something which will be released back to the company as the assets are sold so for instance for Mundra LPG the money which has been invested by the company during FY2019 has now been released back to the company after they have completed the transaction and that is post March 31 item, but that is again we will use to reduce the short-term debt. The second point is about the acquisitions which we have made, which is the combination of these, which have seen that the net debt is higher, has had compared to the previous year. I did explain why the short-term debt during the course of this year largely for the Myanmar acquisition as well as for B2B and for FCCBs which were maturing during the course of April.

Ashish Shah: Sir some part of the money needed for Myanmar would that have already gone out by March or that would purely happen after March?

Deepak Maheswari: We were prepared to complete the transaction in March, but of course as you would appreciate that lot of these transactions timing does shift but even with the shift in the timing unfortunately I cannot shift the balance sheet debt.

Ashish Shah: That is it from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Venugopal Garre from Bernstein. Please go ahead.

Venugopal Garre: Thanks a lot for opportunity. First question is slightly broader one, in terms of your expansion plans both organically and inorganically you mentioned that you intent to do ports internationally as well as in India including the ongoing bids etc., so purely from a perspective of visibility over the next two to three years what kind of overall capex commitment we willing to sort of put for these initiatives given the fact that we also need to invest existing logistics as well as existing ports?

Deepak Maheswari: I think if you see in India we would look at the thing between Rs.2500 to Rs.3000 Crores as ongoing capex between the existing portfolio as well as new assets which are coming in and as well as logistics. Apart from that the one of cases like Myanmar will be one of case, because those as per opportunity that we get and those have a limited capex period, they are not like Mundra, where we have a continuous capex or Dhamra where we have continues capex so those are very limited development over there and where we have one of capex of maybe two or three years time where we will be doing it so I think if you see broadly I would say Rs.3000 Crores for all India assets including logistics every year we will be doing that and international would be one of case as and when we get an opportunity.

Venugopal Garre: One question on Goa, I am assuming that all provisioning required has been done Is that the right assumption?

Karan Adani: Sorry come again.

Venugopal Garre: In the Goa port whatever provisioning had to be done has been done right, so there is no pending provisioning required?

Karan Adani: No.

Venugopal Garre: Thanks a lot.

Moderator: Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: Good evening Sir. My question is on capex as well so as I understand is there an increase in Capex expected on current operating assets like earlier we had capex of like Rs.2300, Rs.2500 Crores on overall business so now we are saying at Rs.2500 plus for operating port asset plus Rs.500 Crores of logistics is that correct?

Deepak Maheshwari: Yes logistics because its footprint is increasing, and we want to accelerate our growth so logistics as a system we are giving a separate allocation and in existing portfolio port Rs.2500 Crores is higher is because in Mundra for CT2 we are expanding the container terminals so that is the reason why that is why the capex is little higher and Vizhinjam is also reaching its peak in terms of the capex, next two years from Vizhinjam point of view we will be spending the most amount as a project.

Pratik Kumar: When is this port expansion, terminal expansion at Mundra expected to conclude?

Karan Adani: Second half of calendar year 2019, it will start.

Pratik Kumar: Meaning this year, of this calendar?

Karan Adani: Yes, yes.

Pratik Kumar: Regarding when are we looking to start work on the next terminal players, the next terminal with post four terminals?

Karan Adani: You are taking in terms of for the JV. So far we do not have any new visibility. We are in look out shipping line who would add strategic value to Mundra port and help in strengthening Mundra port as a hub, so till we do not find that shipping line we would not look at adding capacity on a standalone basis,.

Pratik Kumar: Just on book coping question, in the Australian business there is some increase in revenue versus the run rate, is there any specific reason to it?

Deepak Maheshwari: No specific reason it continues to be on the same cost plus models 10%.

Pratik Kumar: I will get back to the queue.

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

Girish Achhipalia: Good evening Sir. Thanks for the opportunity. Just a few questions, firstly on containers JV if you can just highlight revenue EBITDA and gross block for FY2019?

Deepak Maheshwari: For CT3, the revenue is Rs.914 Crores for the full year. The EBITDA is Rs.324 Crores. For CT4, the revenue is Rs.362 Crores and the EBITDA is Rs.127 Crores, both these numbers on EBITDA are including the forex variation, if you would look at the EBITDA for CT3 without forex that will be Rs.464 Crores, and for CT4 it will be Rs.202 Crores.

Girish Achhipalia: Sir approximately gross block will be how much?

Karan Adani: I think it is around Rs.700 million for CT3 and CT3 extension and CT4 may be is around Rs.300 million.

Girish Achhipalia: Just in terms of transshipment volumes what is the total number in FY2019 and is it only at Mundra?

Karan Adani: The transshipment is only at Mundra. The transshipment volume is 15% of the total Mundra volume. It is Rs.685000 TEUs.

Girish Achhipalia: Sir small outlook question, SEZ same run rate is expected to continue logistics any ballpark number and coal volume outlook?

Karan Adani: In terms of SEZ we expect the same run rate of Rs.800 to Rs.1000 Crores. In terms of coal, actually in the last few months we are seeing the volume is much higher than what we did last year as well. So we expect coal to be in the range of 20% to 22% growth and in terms of logistics you had asked, can we come back to you the logistics guidance.

Deepak Maheshwari: Girish, just to add to what Karan mentioned about coal that basically includes both thermal as well coking coal so it takes the benefit for what is happening at Dhamra from an increased perspective as well.

Girish Achhipalia: So there is a major increase because of Adani Power, Tata Power etc.? It is more thermal? It is mainly coking coal?

Karan Adani: It is mainly coking coal and we are also seeing increase in Dhamra so because of evacuation issue is being sorted we see more volumes coming out of Dhamra as well. Logistics, I just want to add logistics are we expect revenue to be in the range of Rs.900 to Rs.1000 Crores this year and with a similar EBITDA margin.

Girish Achhipalia: Thank you.

Moderator: Thank you. The next question is from the line of Swarnim Maheshwari from Edelweiss Securities. Please go ahead.

Swarnim Maheshwari: Good evening, Thanks for taking my questions. Sir first question is what is total equity invested in Vizhinjam so far?

Deepak Maheshwari: It would be approximately around Rs.200 odd Crores. I think the Vizhinjam thing we have to consider as to what investments have been made by us along with as to what is the funded and non-funded breakup between the projects, but we can give you the exact granular details, Bala can provide that to you.

Swarnim Maheshwari: Sure sir, I will take it from him. Sir secondly what part of your short term borrow is this actually kept for the debt maturing over the next three to four months?

Deepak Maheshwari: We had NCDs aggregating to around Rs.1500 odd Crores which were to be paid in April part of that was held for that.

Swarnim Maheshwari: Sir any reason for lower tax rate in Q4 specifically?

Deepak Maheshwari: So it is because of a couple of things one is on CT4 we have the 80IA benefit which we have considered and MAT credit of Rs.100 Crores in the Dahej and Rs.45 Crores on Kandla.

Swarnim Maheshwari: Rs.100 Crores on Dahej and Rs.45 Crores on Kandla?

Deepak Maheshwari: That is right.

Swarnim Maheshwari: Sir have you totally exhausted with the MAT credit, the idea is to understand?

Deepak Maheshwari: MAT credit in Mundra will continue till 2023-2024.

Swarnim Maheshwari: Sir any possible guidance on the tax rate for FY2020, FY2021, and ballpark number would be helpful?

Deepak Maheshwari: I think in line with what we have said in the past it will be in the range of around 25% to 26%, there can be one off opportunities which could lead to a reduction on an average that as we have seen this year, but otherwise we should assume 25% to 26%.

Swarnim Maheshwari: Sir lastly when we actually talked about your logistics revenue guidance of about Rs.900 to Rs.1000 Crores, this would also include AA, LL?

Karan Adani: Yes it would include AA, LL, B2B, general purpose wagon scheme as well as container, everything.

Swarnim Maheshwari: Thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.

Ankit Panchmatia: Thanks for taking my questions and congratulations on good set of numbers. Sir I just wanted to know the part of forex borrowing of the total borrowing what would that form of part of?

Deepak Maheshwari: Total forex borrowing is around $1.65 billion.

Ankit Panchmatia: Sir just wanted to understand the expansion at Mundra Terminals are we seeing any cost pressures over there or realization pressures over there what is our rationale, have we got the volume commitment from the shipping liners, how are we planned this?

Karan Adani: See CT2 which is operated as APSEZ. If you see this year volume at CT2, we have handle 1.1 million if I am not wrong which is reaching 100% of capacity so part of growing the third party volumes, CT 2is expanding. We are not foreseeing any cost pressure on margins or pressure in terms of revenue per TEUs. This is basically the expansion of volume of the existing shipping lines who are already coming into our terminals.

Ankit Panchmatia: So it is volumes are kind of committed in nature?

Karan Adani: Yes that is right.

Ankit Panchmatia: Sir just to understand this Myanmar acquisition should post the expansion, we would be close to 50% of the overall capacity in Myanmar so at other countries as well we would follow the same strategy to get higher quantum of the market share, how do we plan to?

Karan Adani: Phase 1 is 0.5 million TEU, which is approximately would say one-fourth of the total volume handled by the country and why we have starting with that is and our focus is not just on taking market share, but our focus is on operational efficiency and through operational efficiencies we move customers, so the idea is today in Myanmar average turnaround of vessel is almost three days, our target is to turnaround of vessel in 24 hours so because of these operational efficiency we expect cargo generation and cargo movement as well as taking little bit of premium of top of the existing operators.

Ankit Panchmatia: Thank you Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Atul from Citi Group Securities. Please go ahead.

Atul: Thank you Sir. Just one question in this operating cash flow of Rs.1570 odd Crores how much is the payment for AALL acquisition building?

Deepak Maheshwari: Rs.974 Crores.

Atul: Sir just wanted a reconciliation then so if I add that back so we get a pre-acquisition cash flow of about Rs.2550 odd Crores and if I just look at your consolidated P&L profit of Rs.4000 Crores plus add back depreciation of Rs.500 I get a number of Rs.4500 so where is this remaining Rs.2000 Crores can you reconcile that between the two numbers. Sir basically if I add back the operating cash flow calculation that you have given Rs.570 odd Crores if I add back the AALL acquisition just to calculate your operating cash flow after working capital changes, but before acquisition so I get a number of about Rs.2550 Crores right after working capital and if I look at your consolidated P&L you have profit Rs.4000 Crores and just add back the depreciation of Rs.500 Crores so from the P&L I get a number of Rs.4500 so the difference between the two number is Rs.2000 Crores., 3500 Crores from P&L and the number that you have calculated so just wanted to get some kind of reconciliation of that?

Deepak Maheswari:: We can very easily explain that but I think the numbers that we are saying about the 1570 that is basically the summation of all the operating cash flows which is net of operations, net of working capital adjustment and net of investing activity. That number is net of taxes basis, if I may just take you through the various headline numbers we will be able to explain that a bit better from a cash flow perspective so the operating profit before working capital changes is Rs.7071 Crores, the net cash generated from operating activities will be Rs.3917, the cash flow from investing activities is negative to Rs.3481 so the difference of the two is the Rs.1570 that we are talking about.

Atul: Sir what is 2, 3, 4 it was the cost investing are you think it was only the AALL acquisition right that we have discussed 9.7 billion.

Deepak Maheshwari: There was an element of Kattupalli which we still to be pay and the element of AALL. Those are the items which have been included in that so that number is actually Rs.1478 and.

Atul: How much for the Kattupalli so Rs.974 Crores for AALL, how much for Kattupalli in the year?

Deepak Maheshwari There is acquisition of land for BlueStar which is for the creation of new warehousing facilities in south that was also include in that so we can give it a breakup of the Rs.1478.

Atul: Sir acquisition of land should on be a part of capex number right, Rs.2500 Crores or is it a part of operating cash flow just trying to get some clarity around the number?

Deepak Maheshwari Because this is net of the acquisition and this is net of the capex numbers that we are suggesting and so this is because when we have acquired a company so it is coming as an acquisition of a subsidiary.

Atul: Then maybe I will get the details later and Sir just one more question on the Myanmar acquisition, so this is a Greenfield project probably which will be done through an SPV or directly by the company?

Deepak Maheshwari: Yes it is a Greenfield development.

Karan Adani: It will be end of SPV which will be 100% owned by subsidiary.

Atul: Sir have you make some kind of big upfront payment or you are likely to make some kind of big upfront payments for us because normally as we understand that SPV also borrow in their own capacity and the parent company infuse an equity over a period of time so that is understanding or here the structuring is little different?

Deepak Maheshwari I think what we effectively would like to do is that we will want to bring the efficiencies on the financing so whether we borrow at APSEZ or whether we borrow it at our 100% subsidiary based in Singapore, we would like to get the benefit of that particular efficiency and the rates that we can get, so we are required to in very short order make a payment in excess of around $125 million dollars which is included in the overall cost of 225 to 230 million or 275 to 290 million it is already implemented as a part of that and that is what would be expected for us to make a payment in order to get the concession and the land which is associated with the concession.

Atul: So this 1000 Crores would be of capex that we have mentioned against the Myanmar is for this mostly for this upfront payment that you have to make?

Deepak Maheshwari That is right. So that that will take care of most of give or take, that will take most of the requirements for this particular year and then of course the next year will be the remaining part, for simplicity we have just divided into two halves, it would be 5 to 10% here or there.

Atul: Thank you.

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

Girish Achhipalia: Sir thanks for the opportunity. Just couple of follow ups, one I think last year we have spoken the dividend policy of 15% payout is that number actually being revisited as a percentage when you mentioned that there will be a combination of the dividend end by there?

Karan Adani: So we are looking at higher number and 15%.

Girish Achhipalia: Whilst we go through the related party policy anything that we would want to highlight as a key contour that we have agreed at the board level?

Karan Adani: I think on the related parties transaction is very important to see this particular policy will be in addition to all the requirements, all the regulatory requirements under the Companies Act as well as the listing guideline and the approach is largely to see that the transaction, which are likely to get done or as and when they take place and this is quality which is likely to be across the entire Adani Group and it is not just a quality which is for APSEZ so similar policy would be likely to be there for all the listed entities and the idea of course is to have an increased involvement both from the audit committee members as well as from the independent directors who are there on the board of the company and also to provide not just interface with the company but also to have independent advisors who are advising them and giving them inputs as well as in certain case ensure that a big four auditors take looks at the entire process which has been followed by the company and ensure that it is within the policy framework.

Deepak Maheshwari: I just want to add over here is that this policy is above what is the requirement as per the Companies Act we looked at various policies globally and based on that we have benchmarked and we have come out with this policy. The second point I just want to add is that apart from as part of apart from the big four auditors, the committee will also have expert advice either from investment bankers to make sure that the transactions are done on arms length basis. The whole idea of this policy is that to clearly define how the process is going to run going forward when there are any related party acquisitions are sale of assets happening for the whole group.

Girish Achhipalia: Just one question on Gujarat Mundra Port. Is there any further talk on the concession agreement renewal, any timelines that is coming through speaking to the government agencies?

Karan Adani: We are in discussions with the government in terms of formation of the policy. I think we were just waiting for the elections to get over now, once the elections are over discussions will start in terms of permission of the policy for extension of the concession agreements.

Girish Achhipalia: Thank you Sir.

Moderator: Thank you very much. Ladies and gentlemen we will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Karan Adani: Thank you everyone for joining and once again apologize for the delay and look forward to your continued support and feedback in terms of the performance. Thank you.

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