"Adani Ports and Special Economic Zone Limited Q1 FY 23 Earnings Conference Call"

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

I now hand the conference over to Mr. Priyankar Biswas from Nomura. Thank you, and over to you, sir.

Priyankar Biswas: Thank you, Aman. We have with us the management of APSEZ for their opening remarks, and subsequently we will take your questions. From the management side we have Mr. Karan Adani, CEO and Whole-Time Director, APSEZ; Mr. Subrata Tripathy, CEO of the Ports Business; Mr. Vikram Jaisinghani, MD and CEO, Adani Logistics; Mr. D Muthukumaran, CFO, APSEZ; and Mr. Charanjit Singh, Head of Investor Relations and ESG, APSEZ.

So without any delay, I will hand over to Karan and CJ for their opening remarks. Over to you, sir.

Karan Adani: Ladies and gentlemen a very good evening to one and all. Welcome to the Quarter One FY '23 Conference Call to discuss the operational and financial performance of Adani Posts & SEZ Limited. You will be pleased to know that despite the economic headwinds globally, APSEZ delivered its strongest quarter in the company's history, wherein we achieved various operational feeds, and established new benchmarks for ourselves. These include, firstly a record quarterly cargo volume of 91 million metric tonnes, which is a 16% increase quarter-on-quarter. With reference to Q1 of the last financial year the cargo volume increase for the quarter is around 8%. The quarter one last year had witnessed the post-COVID demand surge and was the strongest quarter of the year.

The average monthly run rate of 30 million metric tonne in April to June 2022 is well aligned to our full year volume guidance of 350 million to 360 million metric tonne. Carrying forward this record run rate into July, APSEZ achieved 100 million metric tonnes of cargo throughput in just 99 days, which is another record for the company. Our second achievement is the highest ever quarterly EBITDA of INR 3,005 crore, which is a good 11% Jump over quarter one of last year.

And thirdly, it's about the record year-on-your expansion in EBITDA margins of logistics business by 370 basis points. I believe that APSEZ's growth story will further gain momentum in the coming months supported by commissioning of new assets across both the ports and logistics business segments. In quarter one, our logistics business added an MMLP at Taloja, commissioned half a million square feet of warehousing capacity and operationalized three new agri terminals, having a combined capacity of 0.15 million metric tonne.

Adani Logistics also added two new bulk cargo trains to its existing portfolio, which were put into operational from day one itself. The business also deployed 125 trailer trucks for providing the last mile connectivity at three of its MMLPs, which include Patli, Nagpur, and Kishangarh. In the port business too we have two new terminals coming into operation during the year, which will drive cargo volumes and our market share. The container terminal at Gangavaram Port will become operational next month and will help us gain market share in the hinterlands of Eastern India. The 5 million metric tonne LNG terminal at Dhamra is on track to be commissioned by December end. The terminal as a take or pay contract with couple of oil and gas majors and the revenue is that soon thereafter.

During the quarter, we also made two strategic acquisitions. First is the 100% acquisition of Ocean Sparkle Ltd., which is India's leading third-party marine service provider with over 60% market share. Second is a bid for acquisition of 100% stake in the hyper port company, which manages the largest commercial port of Israel. This winning bid was made in partnership with Godot with APSEZ having a 70% share. Our credit profile continues to remain strong with the net debt to EBITDA ratio well within our guided range, while factoring all the organic and inorganic investments that we have announced.

Let me now invite Subrat, Vikram, Charanjit, and Muthu for some more color on the operational, ESG and financial performance. Over to you, Subrat.

Subrata Tripathy: Thank you dear Karanji. Hello, everybody on the call. Let me give you an overview of the performance of the port vertical. Talking about the cargo volumes. Mr. Karan Adani has already highlighted that APSEZ clocked record quarterly volumes of 91 million metric tonnes. This volume growth has been contributed by most ports with Mundra port traditionally as always, leading this group. Our Mundra port continued its glorious journey and reflected 8% year-on-year growth in cargo volumes continued with Q1 cargo run rate into July. Mundra clocked another treat of reaching 50 million metric tonnes of cargo handling in just 111 days. The port contributed about 47% of the total cargo volume share of APSEZ during the quarter.

From the perspective of East Coast and West Coast parity, the cargo volume share remains unchanged at 61% of ports on the West Coast, and 39% of ports on the Eastern Coastline of India, with year-on-year cargo volume growth on the West Coast was higher this time at 9% versus 6% on the East Coast. Looking at the cargo basket of Q1, the dry cargo share is 55%, containers share is 35% of the total volume and liquids, including crude and gas is around 10%, crude and gas is about 8% of the total volumes. Talking about containers, APSEZ handled 31.5 million metric tonnes of container cargo during the quarter. The volumes grew by 3% year-on-year and 6% quarter-on-quarter.

Mundra continues to be the significant and largest container handling port with 1.65 million TEUs in Q1 versus 148 million TEUs by JNPT. Our flagship port now handles one-third of the country's container cargo volumes. We believe that our focus on improving rail connectivity at Mundra, single window service to the shipping lines, integrated supply chain solutions to end customers and a partnership model with large shipping lines through JV's approach, including double stacking of containers is helping us drive this volume growth at Mundra port.

During our last call in May, I had mentioned about our efforts to strengthen the position in container segment and the addition of nine new containers services, of which six services were added at Mundra port and one each at Hazira, Kattupalli, and Ennore. Talking about dry bulk cargoes, the total dry bulk cargo volume handled in the quarter is 50 million metric tonnes, which is a jump of 11% year-on-year and 26% quarter-on-quarter, within this segment coal grew 13% year-on-year and 41% quarter-on-quarter and agri products have registered a growth of about 286% year-on-year and 72% quarter-on-quarter.

Moving to liquid cargo, APSEZ handled liquid cargo volumes of 9.3 million metric tonnes, implied a growth of 6% year-on-year and 8% quarter-on-quarter. Majority of this growth was provided by chemicals at Mundra and Hazira ports, respectively.

I now hand over to Vikram to update you on the logistics vertical over to you, Vikram. Thank you.

Vikram Jaisinghani: Thank you, Subrat. Good evening to everyone on the call. Let me give you an overview of the performance at the logistics vertical. Speaking about logistics operations in quarter one, Adani Logistics witnessed 31% year-on-year growth in rail volume to 111,136 TEUs and a 54% year-on-year growth in terminal volume to 99,217 TEUs. This has been achieved with the commencement of operations at Kilaraipur Logistics Park in December '21. Decommissioning of Nagpur MMLP at the start of the year and the commissioning of Taloja MMLP during quarter one this year.

With the commissioning of these new MMLPs, the total count of operational MLPs has increased to seven. Furthermore, the logistics park at Virochannagar and Panipat are under development. GPWIS vertical continued its growth trajectory, and with new circuits added from mines to power plants to integrated steel plants, the bulk cargo transportation is gaining momentum that has enabled us to more than double the cargo versus the corresponding year last year. In quarter one FY '23 Adani Logistics handled 3.11 million metric tonnes against 1.42 million metric tonnes in quarter one FY '22. We added two new rakes during the quarter and with that we now have 25 GPWIS rigs in our staple.

Besides, orders have been placed for a total of 37 new trains under the GPWIS rainbow coming to Adani Agri Logistics, besides the three agri storage terminals with a total capacity of 0.1 million metric tonnes commissioned during the quarter, two more terminals, one at Darbhanga and another one at Samastipur are under construction, with commissioning likely in the next financial year.

In our warehousing business segment, we continued our journey to emerge as a leading player in Grade A warehousing with focus on the commencement of new projects, including strategic acquisitions of warehousing assets. During quarter one FY '23, another 0.6 million square feet of incremental capacity was commissioned, thereby taking the total operational warehousing capacity to 1.4 million square feet. Construction initiated on 4.5 million square feet of warehousing capacity across four different locations Mundra, Moriya, Ranoli and Palwal.

We continue to work in line with our vision to become an end-to-end integrated logistics service provider in India by creating logistics infrastructure, including multimodal logistics parks, warehouses, grid silos, and complete rail solutions for container, liquid, gray, bulk and auto cargo.

I will now hand over to Charanjit to update you on the ESG performance of APSEZ. Over to you, CJ.

Charanjit Singh: Thank you, Vikram, and very good evening to everyone on the call. Let me start with carbon neutrality. There were three actions taken in Q1 focused on the agenda. First, we completed the electrification of 4 Q crane out of a total of 30. For the remaining cranes, the work is in progress with target completion before the end of current financial year. Second, we initiated the mangrove afforestation on another 800 hectares of land. This is in line with our increased target for mangrove plantation from 4,000 to 5,000 hectares. Third, the energy team in the group has finalized the renewable electricity solution for implementation at APSEZ ports. The team is now developing a plan which will be rolled out in the coming months.

Coming to our second focus area that is ensuring water supply from non-competing sources at our ports. We are currently evaluating possible solutions at Hazira, Krishnapatnam and Dhamra ports. Once the solutions are implemented, it will take us to 80% of the company's target. Third focus area is community engagement. In Q1 we carried out impact assessment of three key initiatives undertaken in the last few years that were implemented by our partner Adani Foundation finding of these assessments will help us to run more targeted programs.

Alongside these focus areas, we are now regularly engaging with some of the ESG rating agencies to better understand their perspective and use the inputs to proactively integrate ESG aspects into our business strategy and decision making.

With this let me now hand over to Muthu for an update on the financial performance. Over to you, Muthu.

D. Muthukumaran: Thanks, Charanjit. And I will now present the financial highlights for quarter one financial year '23 company's consolidated revenues is INR 4,638 crore at that level it was nearly flat on a year-on-year basis and supported by a 18% growth in port revenues and a 34% jump in logistics revenues. Whereas SEZ segmental revenue is lower by INR 725 crore, which is in line with our expectations. Company's consolidated EBITDA for the quarter increased by 11% on a year-on-year basis to INR 3,005 crore.

Turning to port operations, quarter one financial year '23 revenues increased by 18% on a year-on-year basis to INR 4,090 crore and the EBITDA also increased by 18% on a year-on-year basis to INR 2,885 crore. Both of these are on the back of 8% increase in the cargo volume. Overall port margin stood at around 71%.

Now turning to logistics business revenues from the segment was INR 360 crore, a growth of 34% on a year-on-year basis contributed by all its sub-segments, namely container rail, bulk rail, terminal traffics and agri logistics. Significant increase in EBITDA and in the margins of this segment is a result of our efforts to diversify into bulk cargo to eliminate loss making routes and to improve efficiencies. EBITDA grew by 56% to INR 96 crore and the margins expanded by 370 bps to 27%.

I will now turn to profit. Profit before tax for this quarter is INR 1,030 crore and after factoring a negative income tax of INR 61 crore consolidated profit after tax of the company for quarter one FY '23 is INR 1,092 crore. Please note that the profits or after providing for non-cash mark to market loss of INR 1,201 crore on the dollar denominated loan, which is also the main reason why we have a net negative tax at the company level. APSEZ continues to enjoy investment grade ratings by all the rating agencies. While S&P and Moody's have been maintaining a stable outlook, even Fitch recently improved its outlook to stable from the earlier negative.

I will end by mentioning that the company continues to maintain all key ratios within the desired level in spite of the rapid growth.

With that, let me hand over to Mr. Karan Avani for his closing remarks.

Karan Adani: Let me summarize our performance for the quarter. It has been a stellar period for APSEZ, particularly from an operational perspective, wherein we experienced record cargo volume and highest ever quarterly EBITDA in the history of the company. Looking forward, while the developed world's appeared to be in economic tizzy, but India's growth story appears resilient with the limited impact of the global environment. APSEZ given its formidable footprint along the India's coastline, access to over 90% of country's internet and its growing asset base across the port and logistics business segment is all set to capitalize the opportunity that comes its way.

Our cargo volume run rate of 30 million metric tonne in the initial four months of FY '23 is in line with our guidance of 350 million to 360 million metric tonne for the full year and will enable us to deliver our guided EBITDA INR 12,200 crore to INR 12,600 crore. Let me conclude by saying that our focus on customer centricity and sustainability will enable APSEZ to achieve its growth ambition and become a global force in the ports industry.

With this, we can open the lines for question-and-answer. Ladies and gentlemen, a very good evening.

Moderator: We have a first question from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: My compliments to the management team on a very strong performance in the logistics business and your continued leadership in the ports business. My first question is, in relation to your vision to be the largest ports and logistics platform in the coming decade. If you could elaborate on this vision, who are you benchmarking against and where are we at present? That's the first question.

Karan Adani: When we look at a trend -- we have stated a goal that by 2030, we want to be the largest transport utility. And on that front, basically, we are looking at the whole value chain from the factory gate to the port. And basically we are looking to create a model horizontally as well as vertically in each of the business lines that we would be entering. So just to give you an idea, we are already there on the rail business, we are there on the ICD. But now we are looking at warehousing, we are looking at trucking business. We're looking at the ports -- ports, we are already there. And in ports, we are adding like marine services. So I think we will keep adding businesses, as we go to make sure that we get a full control of the cargo, when it comes to the whole logistics chain. And basically the idea is that you integrate all of that and remove the middle middlemen in each of those transactions and give an end-to-end visibility, end to end service as well as commercially and operationally to the customer.

I think, to be honest, globally, there are not a lot of people who are doing this across the board. And basically, in each of those verticals that you would look at we would look at benchmarking it individually. So that's how we would look at it. And I think we would keep adding businesses every year to ensure that we bring in -- we reduced that volatility into the volumes to bring that most stickiness in the volumes in all our business. So that's the goal.

Sumit Kishore: Sorry my audio went away for a moment, I heard large part of what current said. Can I move to the next question, please?

Karan Adani: Yes, please.

Sumit Kishore: Karan, my second question is on the ROCE profile of your logistics business, which appears to be well below your mature ports. Given your plan outlined, post the FY '22 result to raise capital allocation for logistics, could this prove to be a bit of a drag in the interim on the consolidated ROCE target of 20% for Adani Ports? So could you speak about the ROCE profile for your retirement investments in the logistics business?

Charanjit Singh: Yes, hi, Sumit, Charanjit here. That's not the case. You will have to take a longer timeframe into consideration. And if you average it out over 10 plus years, you will see that the ROCE is inching towards the ports numbers that we have given. It even has a higher ROE in comparison to the port, it's like an annuity business and our financing is primarily largely debt post the construction of the warehouse. So very happy to discuss in detail the numbers. We have a model with calculations. And we can run you through the model, in case you're interested.

Sumit Kishore: My last question is on the EXIM rail container volumes for Adani Ports, which are well ahead of market growth and clearly gaining market share. Just wanted to check whether there is any sacrifice on margins here, because the market leader on its conference call claimed that some private players are gaining market share, but they were pricing aggressively to achieve that. Some comments here would be useful.

Karan Adani: Yes, no, so our revenue on per TEU basis, we have not taken any hit actually, we have increased our prices across the board on the container. And if you see we have gained market share on the railway side where we have an advantage over other ports. But no to answer your question, our EBITDA margins have been north of 70% on container, and our pricing has also increased on a per TEU basis.

Moderator: Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: And congratulations on a good set of numbers, especially on the port revenue and EBITDA side. My question is, given the geopolitics, how to see the cargo, especially if you can give cargo wise outlook in the sense container, crude and coal, are you more bullish about coal and coal this year compared to container? And do we see any risk emerging on the container in the second half?

Karan Adani: So far, we are not seeing any slowdown on any of the commodities and we see our run rates being crossing 30 million tonne mark every month. I think on a short term to medium term, we are not seeing any slowdown as of now.

Mohit Kumar: So are you more bullish about crude and coal this year compared to last year?

Karan Adani: No, I think as manufacturing base increases in the country, I think energy is going to increase. So we are not bullish, but I would say we believe that energy imports in the country are going to continue and I think you will see more addition of power plants or manufacturing units, which will enhance the consumption of the energy. So I think -- and that will indirectly anyway benefit the port. So we don't see any slowdown on coal imports or on crude as well.

Mohit Kumar: Sir, on the Gangavaram, what is delaying the completion or acquisition of Gangavaram and then fabulous improvement in the revenue and EBITDA of the Gangavaram, can you through some light on that?

Karan Adani: Sure. So, the NCLT process of Gangavaram at final stage, we expect the final hearing to close by the end of this month, and we should be able to consolidate -- I mean, we should be able to take over the boat by end of this month that is the expected timeline. Sorry, what was your second question?

Mohit Kumar: The financial performance of Gangavaram has been superb. So, if you can please comment on that what is driving their performance?

Karan Adani: So, that is as if you remember, when we took over the port, we had outlined our various initiatives that we will be doing to improve the margins and improve the revenue. So whatever you're seeing are the numbers of the actions that we are taking, which we had outlined when we took over the port.

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

Ashish Shah: So the first question is that in terms of the realization there has been a visible improvement in the quarter. So are there any specific tariff hikes that we would have taken during the quarter?

Karan Adani: Yes, so first quarter is generally where we need to renegotiate all our contracts and this is an effect of that.

Ashish Shah: And do that extended can obviously be expected to continue?

Karan Adani: Yes, that's right.

Ashish Shah: Sir secondly, on the Krishnapatnam port, so there has been a significant drop in the container volumes handled at the book, anything that we want to highlight, what are we really doing to get the volumes back? Because when you acquired it was doing something like 0.5 million TEUs, so anything you could highlight there so please?

Subrata Tripathy: So if you look at the southern sector, and that's where we have kind of reclassified the way we handle the containers and the penetration in that particular hinderland, I would not like to see Krishnapatnam in isolation rather in the southern sector, where we have been consistently growing at Kattupalli and Ennore. And Krishnapatnam was earlier linked to the feeder services, which have had a little bit of disruption. To that extent, we have regained our share and recast the way we handled the southern market at Kattupalli and at Ennore and you will see addition of new services as well as if you look at both these at Kattupalli and we have been growing very heavily. Krishnapatnam we are reworking on a new strategy to see that we get into the feeder business of the South Asian region. We are also looking at certain of the initiatives of the Government of India in the BIMSTEC region. As and when they mature we will see that we get the feeder volumes back from Krishnapatnam in this catchment area of Bangladesh, Myanmar, etc. And this will become a transshipment hub for these geographies in the future. So watch out for Q3 where we will be certainly getting back our services in Krishnapatnam certainly. But incidentally on Krishnapatnam, while on the container story, it has been a little subdued, otherwise, especially on the call volumes happy to note that when we took over, we hadn't had cape facilities in all the handling of the ports. Today, we have more than four births we are enabled entirely for cape facilities and we are doing very, very well on the coal front at Krishnapatnam, particularly as well as serving the catchment area of the steel plants in the southern sector namely JSW and the power plants which Karan bhai has elaborated both for AT Genco and for Karnataka Power as well as for the other private powerhouses namely Sim Corp in Andhra. Watch out Q3, we will have a revival of containers in Krishnapatnam, certainly.

Ashish Shah: One last one from my side, in March, we have signed an agreement with ROCL for handling incremental 10 million tonnes of crude annually, any further development and anything that you could pencil in, in terms of our future expectations?

Karan Adani: Yes, so this is linked with the Panipat expansion. So as and when the expansion of the refinery happens, which is expected in ‘24, the volumes will flow into Andhra.

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

Girish: Sir on the realization is there something more than normal that you've taken this time around? Because it appears that the realization increased Y-o-Y effectively much higher, is it specifically to do with cargo mix as well or something more than usual?

Charanjit Singh: Yes, there is a normal increase but no major change, except that if you look Y-o-Y there were some one-off revenues last year, which were from the sale of jetty and land lease, that you find it in the SEZ segment. Otherwise, if you try to compare on the port side, there's a nominal increase, which has happened. Also, whatever changes you see are a resultant of the change in the cargo mix, and higher inflation.

Girish: And sorry to harp on this question, but on the coal volumes, I think we did probably about 12%, 13% growth Y-o-Y, Karan what's the outlook here on coal? And containers obviously has seen sluggish growth, I don't know if it's base effect, but we couldn't highlight, I mean, what's outlook for coal and container?

Subrata Tripathy: First on coal as Karan bhai has explained you would have seen that we are going through a very good cycle until in July the first month that we have seen a little drop in exports. And that's because of the volatility of the international market. But happy to note you will see that India's sustained penetration in the world market as far as the trading penetration is concerned is growing by the month. The high pricing of crude oil etc., has meant that the balance of trade has differed. To that extent there's a slight I would say hesitation in the volumes in July as far as exports are concerned. But India's penetration into value added engineering goods means that we will continue to see rise in exports barring one or two months aside. So, on the EXIM front, you will see that our container growth has been quite sustained. And the fact that Mundra emerges as the gateway of the EXIM trade and containers of India, we clarified to you that at 1.65 million TEUs versus JNPT, which was the traditional gateway at 1.48 million. And since the last more than a year and a half, we have been well ahead in the race. So, we are not very concerned about container exports per se.

Coming from the coal front, you will see that there has been a quite a rally about coal and that is because of two factors certainly the core sector growth fueled by POL fertilizer and the industrial growth, you will see that the conventional energy generation has grown by more than 15.6% in India in YTD basis, which means like never before, while the winds of recession are growing across the world, India stands as an very splintered example of growth over here. And in coal per se when we look at APSEZ, we have grown at more than 20% and at YTD basis as on the end of July, while in the quarter we were quite well set at a 13% growth we are actually growing when I look at a YTD up to July. Having handled about 41 million metric tonnes last year and now at 49.49, which is a very healthy 20% growth.

So we see coal going quite northwards. And in that segment of course, EXIM import coal for the power sector does grow, but also happy to note that coking coal which is an input to the steel plants, and that is where our ports at Dhamra, Gangavaram, Krishnapatnam play a crucial role in the supply chain and management of the steel plants starting from sale and starting from Tata Steel, Rashmi, Jindal JSW, we are well entrenched into that. So, we are extremely bullish about coal. And in the coking coal segment, both in market share as well as growth we are ahead of the all India figures.

Girish: Just a clarification, I mean, in your 360 million target, what kind of coal volumes, I mean thermal coal volumes are you baking in because the government as we see, given the sluggish July numbers, and obviously the inventory that has happened increase in the coal-based power plant has already relaxed the condition to import coal. So, just want to understand what numbers are you working with in your annual guidance for coal this year?

Subrata Tripathy: In fact, as clarified when we did the budgeting exercise in the annual guidance, two things see we were logging 30 plus every month consistently, which is in line with our guidance of 350 to 360 that is point number one. Point number two, when we sat down we had a little more kind of a more optimistic feature on the minerals, certain kind of a course correction or certain kind of relook into the sector has been done by government in imposing export duties on iron ore and on steel, which has meant that while the core sector growth is very bullish to input coal has certainly come in.

To that extent, our expectations are bellied by more rally on EXIM coal, we will stick to the guidance, in fact, we will go beyond on the coal at large. We will also recover on coking coal, whereas I clarified we are quite -- I mean slightly ahead. But on EXIM input coal, yes, you are correct, I can come back to tell you that traditionally in the month of -- with the onset of monsoon, Indian coal mines are besotted with the problem of water logging etc. And the coal offtake from the coal mines does come down.

Notwithstanding that, since the comfort level in the power plants has come back to a certain level, we do expect that the expectation that the blending which the government has given a guidance from 20% has been relaxed down, did gives an apprehension in the minds that coal volumes may come down. But let me clarify, at this moment and with vessel nominations for the next one quarter, we are seeing quite a amount of healthy nomination on all our ports, especially the western ports of Mundra and Dahej, which are linked to the central Indian power houses, there is a very large offtake of coal.

And if you look at it further, while the Indian coal that goes from the eastern sector that is from Jharkhand, Bengal and from Chattisgarh and Orissa would be distorted as monsoon, the northern power houses for import substitution will depend on Mundra and Dahej. And you'll be happy to note that not only are we receiving healthy volumes, we're also a record offtake in terms of Indian railways giving us rigs at both these ports. So we are extremely bullish about the whole outlook.

Girish: Just one bookkeeping question, can you share the CAPEX number for the quarter and any ballpark net debt number, please?

Charanjit Singh: See, our guidance for the full year remain same and we generally don't give the quarterly numbers on the CAPEX. And we are on track with respect to the guidance what we have given.

Moderator: We have the next question from the line of Abhiram Iyer from Deutsche Bank. Please go ahead.

Abhiram Iyer: And congratulations on a good set of results. My question is pertaining to the Forex losses of 1.2 billion that you took this quarter -- sorry INR12 billion that you took this quarter? Could you let us know because you know, the USD bonds have dropped in value and because you're taking MTM losses on Forex, is there any plan to buy back some of the bonds?

Charanjit Singh: There are no plans at such for the buyback.

Abhiram Iyer: So the current cash balance that you have, which was significant as of March, that would primarily be used for the capital expenditure and for the acquisitions that we're doing currently.

Charanjit Singh: That's right.

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

Swarnim Maheshwari: Sir, in your opening remarks, you mentioned about we have added about 125 trucks for the last mile connectivity. So, there seems to be some change in our approach, because earlier the trucking business was supposed to be on a leasing basis. Now over here, we are actually owning those trucks. So what is leading to such a change? If you can just highlight that.

Karan Adani: Swarnim this is as part of our moving into a transport utility. We believe that time is right now to enter into the trucking business and to start with giving the last mile connectivity from our ICD. And basically, with that, able to divert volume from competing ICDs as well as the same time reduce the logistics costs for the exporter and the importer. So that's the reason why we have looked at it and we believe that time is right to enter this market and to scale it up going forward.

Swarnim Maheshwari: So this would be 100% captive, right? No third party over here for us?

Karan Adani: No, no it's 100% captive.

Swarnim Maheshwari: Okay. Sorry, any sort of guidance that you would like to give? What kind of trucks that we are looking at the end of FY '25? Some guidance over there?

Karan Adani: No, I think it's too early to give guidance on that. But at an appropriate time we will come out with the whole plan for trucking, the similar way what we have done for warehousing.

Swarnim Maheshwari: Also, Karan, there was a media article on our collaboration with AD Ports Group for the infra investments in Tanzania. So if you could just highlight, we are looking towards the African market now, we just kind of extending not at this port gate operations, but also our boundaries. So if you can just highlight our take on this Tanzania foray?

Karan Adani: Yes, sure. So, as we've always stated that outside India, we are looking at Eastern African regions. And the reason why we have partnered with AD Ports is because it gives us a sovereign cover from a risk perspective. And basically what we are looking at is we are looking at existing terminals, both on bulk container as well as liquids to start with in Tanzania, but eventually to roll it out across Africa, and create that network. So that's what we're looking at. And as I said, the reason we chose AD Ports is apart from being a credible partner in the ports and logistics, it also gives us sovereign cover from a risk perspective.

Moderator: Our next question is from the line of Sanjay Parekh from Soham Asset Managers. Please go ahead.

Sanjay H Parekh: So, I have two questions. One is in this global acquisitions all of them that we recently did. And of course, we are placed on globally, what sort of efficiency gains can we get? I mean, clearly, we are very, very efficient. So that is one area that I have. Second is in terms of our group ambitions itself in terms of CAPEX in different sectors, will that become meaningful for us in terms of capital goods imports and later on the regular annuity volumes? That the second. And third is pricing, I mean, EBTIDA per tonne per se over next three years, can we see that growing up 3% to 5% in terms of EBITDA per tonne?

Karan Adani: Sanjay bhai can you repeat the third question?

Sanjay H Parekh: Yes, the EBITDA per tonne that we have today, which has done well over two, three years can we see that going up 3% to 5% per annum?

Karan Adani: So let me answer the third question first, so EBITDA on per tonne basis will keep increasing because as we've always guided that our revenue on a per tonne basis will increase by 1.5% to 2%. And we are always looking at ways to reduce our costs to increase our EBITDA margin. So on an EBITDA per tonne basis for ports, we will keep increasing by 2.5%, 3% that is where we're on target. I think your second question on the group perspective, as you know, that Adani Enterprises has announced the Adani new industries, which is the hydrogen-based economy, and that whole thing will be set up in Mundra. And as it gets developed, it will become captive volume, it's hard to give you the numbers on what it is because the plans are being finalized. But as and when it does get finalized with -- when we have more clarity on the numbers, we will definitely communicate.

On the first question that is on the -- I'm assuming you're asking about Haifa Port?

Sanjay H Parekh: Yes. I mean, generally, there certainly would be efficiency gains as you acquire them. And globally the idea that when you acquire them the meaningful change in EBITDA per tonne or realization. I mean, if we can get some perspective of the gap they have what we can get…

Karan Adani: So on Haifa Port, we have a detailed presentation which we will send across to you. But in Haifa Port more than the efficiency gain, it is more of increasing our volumes on the bulk side. And second is the real estate development. These are the two big value drivers over there. Yes, there is efficiency gain. But the efficiency gain is roughly tend to…

Charanjit Singh: The majority of the efficiency gains with respect to Haifa are coming from the retirement of existing employees where they have signed for a voluntary retirement plan a couple of years back. The cost of that was factored in two years back, and we have given a detailed presentation, which reflects roughly INR 100 million NIS savings just on account of those retirements. We don't have to add any further employees for the volume set, which we see. So the detailed plan with respect to the pessimistic scenario and our base case is provided in the presentation. I'm happy to share that after this call.

Moderator: Our next question is from the line of Lokesh Garg from Credit Suisse. Please go ahead. I said,

Lokesh Garg: Just want to ask you basically on this logistics business, you have had stupendous growth over the last two years and government obviously has been delaying Concor divestment, let's say, in a hypothetical scenario of this divestment getting delayed further, so in our judgment, you have already reached roughly one-fourth the size of Concor in EXIM business. As you sort of grow organically, does this inorganic acquisitions start to sound less attractive over a period of time?

Karan Adani: No, I think it is not one or the other. I think the way we would look at it is we would look at both. And we look at both the engines independently and keep trying. I think India has a long way to go in terms of logistics potential, and I think, personally if you ask me, there is room for not just one Concor, but I think there is room for two or three Concors. So I think that's how we would look at it and I would not say that because we are growing we would not look at Concor.

Lokesh Garg: Sure. My other question is related to Dhamra LNG terminal which you say is coming up in later part of the year, what is the total CAPEX schedule over there, how much is our equity? And any sort of visibility on LNG LPG volumes that we had in the quarter alongside that?

Karan Adani: Yes, so Dhamra LNG as you know is a 50-50 JV with APSEZ and Total the total project cost is roughly INR 4,500 crore, roughly, I don't have the exact numbers but it is roughly INR 4,500 crore and it is at 70-30 debt equity. And we expect the terminal to get commissioned by November end. And as the commissioning cargo is coming in November and we expect the terminal to get fully commissioned by December end. And as you know Dhamra LNG as a take or pay contract with IOC and GAIL. So, it is a 5 million tonne per annum terminal and there is a 4.5 million tonne take or pay contract with both IOC and GAIL.

Lokesh Garg: And we aim to retain the terminal in this 50-50 structure, because usually we are interested in marine side of business and not in regasification and all but in this case, you will retain the full terminal, 50-50.

Karan Adani: So, marine side is 100% owned by Dhamra port only the backup infrastructure that is the tankage and the regas facility is a 50-50 between Total and APSEZ and we will retain that 50-50 ratio.

Lokesh Garg: My last question relates to this GPWIS, general purpose rather investment scheme now the scheme obviously gets you to invest in assets of railways, and railways in turn gives you some incentive, but often there are restrictions related to circuit on which some of the trains can run and tied in customer from both ends and things like that. So, you have been able to obviously create a fairly large business in that niche, can you just explain a little bit more about that business, how is it running, how is it getting created and what is the revenue model out of it? Because I think primarily at least it used to operate on a discount to general freight rates of railways.

Vikram Jaisinghani: So, I think the business model is very robust, over and above the rebate that railways give us we also charge a premium in lieu of assured services, thereby giving our customers a lot of other benefits like lower inventory costs, increased service levels. And say for example, somebody has to run a power plant and his plant has to be starved of coal, that cost is much, much higher than giving a little premium for getting assured services in the form of rig. So, this is working out very well for us in terms of return on investment. And also the customers who see a lot more other benefits in their operations, because of getting reliable services and all. So works out well. And that is how the model is serving the test of time, business is growing our demand is actually increasing quarter-on-quarter and this is likely to continue.

As far as the circuits are concerned, you're right that these circuits are pre worked with the customer. The customers have a good visibility for the next six months on how this circuit will work, basis that prior approval has to be taken from the Indian railway and they have in fact been now more flexible in giving permissions. In case of certain changes like sometimes the import of iron ores and all those things get impacted because of change of policy. We always go back to the railway with different circuits, modified circuits and that operationally has served us well without any loss of business or any loss of service to the customer.

And railways has been very supportive because they also believe that this complements well with their growth of trade strategy. It's a win-win for everyone railways, us and the business and the customers.

Moderator: We have the next question from the line of Abhishek Nigam from B&K Securities. Please go ahead.

Abhishek Nigam: Yes, hi, just two questions for me one, the rise in employee expenses, if you could just give us some more details around that. So that's my first question.

Karan Adani: Sorry, can you repeat that question?

Abhishek Nigam: So the rise in employee expenses on a Q-o-Q basis seems like a fairly big rise over there. So if you could just give us some more color over there?

Karan Adani: Yes, so there was a one-time incentive paid to all the employees as a special incentive for crossing 300 million tonne mark. So it's a one-time expense, it's not a recurring expense.

Abhishek Nigam: And my second question is a couple of quarters back, we were talking about another terminal on Gopalpur, I wanted to check what's happening there, because I was on the Petronet LNG call on Friday and they have basically announced that they are in advanced stages of doing an FSRU. And so just, if you have any more color over there, like, is there a change in plans or something?

Karan Adani: So we don't have anything in Gopalpur. So we have signed an MOU with IOCL for LPG in Gangavaram.

Moderator: Our next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, my question is, are we seeing the impact of DFCC, I know it's very difficult to segregate the impact, but are seeing the impact of the DFCC on the rail coefficient? And if you can broadly lay out, throw some color in the sense how it is -- the shift is happening with the railroad.

Subrata Tripathy: See the DFCC first let's understand connects the -- as contemplated to connect NCR to JNPT. And the node would come from the mainline at Palanpur to Mundra, which is on a JV model where we along with the Kutch Railway Corporation are one of the partners in developing the last point connectivity to Mundra port. As of today the DFC as has been harnessed best in favors of Mundra. One is the advantage of distance that Mundra enjoys over JNPT through a distance of about 330 kilometers and over Pipavav where a distance of roughly about 100 kilometers 97 to be very precise.

Now this is meant along -- DFC may not be seen in mere isolation. The fact that it has a proximity to the NCR region has led to a predictability in train running either to the DFC, Mundra is the only port where between the container train operators Indian Railways and the port were able to run predictable services in the export stream either brought to the DFC coming a train would normally take more than about unpredicted pattern of more than about three days. Today happy to announce that we are able to run predictable trains in less than 30 hours. And we wish to do this also for the input stream as we go forward. We are working very close with the CTOs and Indian Railways.

The other thing that has been kind of a derived thing from the DFC and particularly in favor of Mundra has been the double stacking, you will see that over the years, our penetration into the NCR region has been growing and today the rail coefficient at Mundra is at a -- we are doing at about close to 37% rail penetration, we seem to have stabilized at that. Before the COVID we were less than 30%, but now we have stabilized at more than 37%. And as the years come we will intend to grow on that. But that'll also mean the choice of the pattern of the export and import that will take place.

The second more important aspect of the DFC is the double stack benefit, which is on a per TEU benefit that the customer is deriving from carrying about an additional 45 boxes on each train. Happy to announce last year, we had guided you that we are concentrating very, very significantly in aligning with the CTOs and the ICD operators, including our own operation at Patli. So today as a result of these actions, the double stacking is at about 58% showing a growth of close to more than 14% on a year-on-year basis. So these are the kind of pretty significant developments which have arisen out of the DFC. Thank you.

Mohit Kumar: Sir, one clarification, A, the expansion of Kutch Railway Company, which was happening is it completed?

Subrata Tripathy: The latest targets for is a certain amount of a doubling it would have been but for COVID has a little reset. The latest is that it will be completed by December. So the section from Palanpur to Samakhiali, and then on to Mundra will be an entire double line section. And from Palanpur to Delhi, double line on the main line in any case. So a last stretch of our 90 odd kilometers, which is well into the thing is getting doubled. Also the fact is getting electrified, and this electrification would mean fit for double stacking. And in turn in line with that we are also electrifying our line from Adipur to Mundra on the last leg of our own last mile connectivity on what is on the NGR line. And so that is in tune with the KRCL doubling as well as the electrification.

Moderator: The next question is from the line of Vijay Kumar Barni from Spark Capital. Please go ahead.

Vijay Kumar Barni: This 350 to 360 metric tonnes of expected volumes for this year, does it include the Haifa port?

Karan Adani: No, it does not include Haifa port.

Vijay Kumar Barni: Sir, what would be the debt at the Haifa port company?

Karan Adani: Right now it's a cash surplus company. There's no debt in that company.

Vijay Kumar Barni: Okay. My second question is on the opportunity coming up from the major port terminals in India, I know we have covered most of the geographies and hinterlands by expanding till now. But we had a bid for few terminals in JNPT recently, and we were not able to bid for some terminals on the east side. But what are the opportunities coming what would be our interest and some color on how our capacity in the major four terminals will grow?

Subrata Tripathy: See at portfolio level of APSEZ we have and a penetration into 90% of India's hinderland and with a very robust capital structure that we have we would like to consolidate the APSEZ portfolio itself. So in line with, let's say, let's take one or two instances to give you a little more color. In Mundra along with the four terminals, we are going ahead with the addition of another container terminal at CT5, we are rationalizing one of our CT so that we go from a capacity from about 0.7 million, 0.8 million TEUs to about 1.2 million to 1.3 million TEUs. So we would rather that we expand at each of our ports. Likewise, you saw at Gangavaram where we saw the opportunity, the container terminal is ready to receive vessels. In fact, by the time they announce the next time we're doing a call, we'll be happy to announce that we've had the first vessel call.

Similarly, we will be also looking to exploit and grow our NO terminal, which we already are there and at Kattupalli. We would also like to see that in the northeastern part of the Indian eastern coastline, we have the Dhamra port. So as and when we develop Dhamra we want to see that that part of the large hinterland which is landlocked, but for the deep seas at Dhamra we are developing a container terminal. So rather that we consolidate our own portfolio and have their containers to us. As and when opportunities do come up, we'll evaluate but you'd like to grow the APSEZ portfolio and strengthen it further.

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

Pulkit Patni: Sir, first one is more of a clarification, I think there was some confusion at the start of the call in terms of realization, is this understanding correct that because of rupee depreciation, and quite a lot of our revenue comes in US dollar, the realization on a Q-o-Q basis which has gone up from 421 to 450 my calculation, a large part of it is contributed just by the depreciation of the rupee is that understanding right?

Karan Adani: No, that understanding is not right. Part of it is -- only a small part of it is because of rupee depreciation, a large part of the increase is the actual increase in our revenue on a per tonne basis? And second is a large part of the increase is also due to the mix change cargo mix change.

Pulkit Patni: And could you highlight what is that per tonne revenue increase that we would have taken on a Q-o-Q basis?

Karan Adani: Details we can give you later in terms of -- we'll look into the details of the number and share it after the call. If that's okay.

Pulkit Patni: Okay, that should be fine. Sir my second question is, if you were to explain more in a layman's language, what is the advantage for, say, an exporter or an importer based out of NCR to work with Adani Rail vis-à-vis a Concor? What I'm trying to understand is, because now that we are owning trucks, we own the port, can you just explain what is the advantage for a user to work with a Adani Rail vis-à-vis any other CTO?

Subrata Tripathy: So, I think Karan explained it earlier, but let me amplify our offering. We are the only player who can offer end to end offering to a customer. A customer will need reliable port services, a customer will need reliable train services and I think we excel very happy to say that we were awarded the Best National Rail Logistics Player very recently by the Ministry of Commerce. Obviously, we have done a lot to merit our rail efficiencies and the services that we provide to all the customers. Customers are not just satisfied with this, then they look at very specialized infrastructure to give them specific needs of the supply chain, special warehouses. They need specific end to end first mile last mile delivery of trucking to suit their specific requirement. So I think we are the only ones who can give all this in one offering.

Let's say Concor does not give you trucking, Concor does not give you these kinds of warehousing services that we have given. We are very proud that many, many years back the kind of warehousing facilities that we developed for Maruti for their end-to-end auto structure is still considered the best-in-class infrastructure for the auto sector.

Similarly, we are building a lot of such specialized facilities, tailor made facilities, custom made facilities for all our customers. And that makes us quite unique. That makes us very formidable in terms of giving an end-to-end solution with a person customer does not have to look at anyone else.

Pulkit Patni: Your points are very clear and that I would guess would also make the cargo very sticky once you do customization.

Subrata Tripathy: That's the whole strategy. That's where we kind of come out as a complete end to end transport utility company.

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

Charanjit Singh: Thank you, everyone, for taking out the time to join this call. Hoping that all your questions or queries have been answered. In case there are still any pending questions and particularly where we said we will come back, you can call us after this call. And we'll be happy to provide any details.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Nomura and Adani that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.