"Adani Ports & SEZ Limited Conference Call to Discuss Recent Corporate Developments"

January 03, 2020

MANAGEMENT:	**MR. ROBBIE SINGH – GROUP CFO, ADANI GROUP** **MR. KARAN GAUTAM ADANI – CEO & WHOLE-TIME DIRECTOR, ADANI PORTS & SEZ** **MR. DEEPAK MAHESHWARI – CFO & HEAD OF STRATEGY, ADANI PORTS & SEZ**
MODERATOR:	**MR. SHIRISH RANE – IDFC SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Adani Ports & SEZ conference call to discuss recent corporate developments hosted by IDFC Securities Limited.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shirish Rane from IDFC Securities. Thank you and over to you, sir.

Shirish Rane: Good evening everyone and a warm welcome to Adani Ports & SEZ Ltd conference call to discuss the important corporate developments. Today we have with us from Adani Ports & SEZ Mr. Robbie Singh – Group CFO, Adani Group; Mr. Karan Adani – CEO & Whole-time Director, Adani Ports & SEZ; and Mr. Deepak Maheshwari – CFO & Head of Strategy, Adani Ports & SEZ.

To start off the call, Mr. Robbie Singh will give his opening remarks and then Karan will give the details of the whole transaction. Over to you, Robbie.

Robbie Singh: Thank you everyone for joining on Friday evening. We are very pleased to announce acquisition by APSEZ of Krishnapatnam port. APSEZ will acquire 75% of the shares from the existing owners. Krishnapatnam port is the second largest commercial port in the country other than Mundra. This is a transaction in line with APSEZ strategy to continue to expand its footprint to a new economic hinterland.

This transaction is at an enterprise value of 10 times current year's EBITDA and post stabilization period which we expect to be no more than 6 to 9 months. It will be 8.6x EBITDA. This is accretive from day #1. It is EPS positive on as is where is basis with an estimated equity payback period of 4 years. Deepak will run through the details of this. The purchase consideration which is the equity purchase consideration is fully funded through cash accruals. So, no new debt is required for the purposes of funding the purchase price. We are also pleased to inform that credit matrix of APSEZ on a consolidated basis will remain what they were prior to this acquisition. In FY19, we had 3.1x debt to EBITDA and we expect that post stabilization period of 6 to 9 months after acquisition, this will revert to approximately 3.2x debt to EBITDA.

From a strategic point of view, this now gives APSEZ on 1-year forward basis over 100 million metric tons per annum on the East Coast. That's for 3 flagship ports there Dhamra, Kattupalli, and now Krishnapatnam. With an East Coast port side land exceeding 14,000 acres. So, this effectively puts us in a position to have another Mundra on the East Coast.

From a strategic flexibility point of view, I will hand it over to Karan shortly but it adds important progressive state of Andhra Pradesh as a new hinterland for APSEZ and we expect the growth in Krishnapatnam to exceed the average growth of APSEZ. So, from a growth perspective, it is additive. With this, I hand over to Karan who will run through the strategic rationales followed by Deepak on finance. Karan, over to you.

Karan G Adani: Good evening to everybody. As Robbie mentioned to you that this is the second largest private port in India after Mundra port. So, we are very excited and delighted with this announcement. This obviously will fast track our vision of 400 million tonnes of handling by 2025. So, with this acquisition, we will be fast tracking on achieving that vision.

A little bit of background on Krishnapatnam port: It is in the state of Andhra Pradesh. It has a concession of 50 years, 30 kilometers of waterfront, 6800 acres of land, current capacity of 64 million tonnes with and approval of both environment as well as state government to take it up to 250 million tonnes. It is a deep-draft port, multi product, multi cargo, and we do believe that in terms of cargo profile, we can definitely diversify it further. In terms of the strategic rationale, it taps into two core fundamentals – strength of APSEZ. The first one is our operational excellence. As you have seen that currently the port is running at 53% to 54% EBITDA margin. We are very confident of taking this up to 65% to 68% in the next 6 months itself and then further expanding the EBITDA margin. As Robbie mentioned that we would be targeting 100 million tonnes in 7 years, but we do expect to double our EBITDA in the next 4 years' time. The second area where strategically it fits into APSEZ is that we are entering into Andhra Pradesh where we had very low profile and low coverage in the hinterland and with this acquisition, we are very confident that we would be able to increase our penetration into the hinterland and just with this acquisition, our market share moves from 22% to 27% and we are very confident that with the growth aspects coming in, we would be able to increase our market share much higher in the coming years.

With this, I would request Deepak to take through some of the key finances and then we can open up the line for questions.

Deepak Maheshwari: Very briefly, as Robbie has already mentioned about the valuation framework under which this particular acquisition is being made and it is value accretive from day #1. Secondly, there is significant amount of synergies that over and above the operating synergies which Karan talked about. On the financing side, there are synergies which we can bring in to reduce the overall cost of financing, which is at KPCL, thereby improving the overall profitability and the free cash flow which will be available to APSEZ as a shareholder.

We expect that the payback period for the money that we will be investing will be in the range of around 4 years. The Krishnapatnam port has a very diverse set of customers which broadens our overall profile and the long-term contracts will be in the range of around 50% to 55% thereby giving further solidity and stability to the cash flows which emanate from this particular asset.

We believe and you will see on one of our slides on slide #19 where we have given the projections for the next 5 years where we expect the cargo volume to increase from next year FY2021 to around 59 million tonnes and going all the way up to 84 with a growth rate which is in line and slightly higher than the group that you would see at APSEZ and the EBITDA margin which at this point of time is in the range of around 54% to 55%, we can see significant benefits coming through because of the operational strategy and the processes that we would be introducing in this port taking it all the way up to 65% in the first year and going then up to 67%.

On the whole, we think this asset will add significant value to both the EBITDA and the profitability of APSEZ and as we mentioned, we are very delighted to be in this position to make this acquisition of this strategic size and at this point in time of our APSEZ journey of achieving 400 million tonnes.

With that, we are quite happy to address specific questions around the transaction and the asset itself.

Moderator: We will now begin the question & answer session.

Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Lokesh Garg from Credit Suisse. Please go ahead.

Lokesh Garg: Sir, you have laid out the rationale for the acquisition reasonably well in the presentation. Quite a lot of details have come through. It seems to make a lot of sense prima facie as it may layout in the presentation. One thing which I wanted to ask you is that a lot of calls in this acquisition is actually being placed on coal and to that extent, a 40-year call on coal volumes growing is becoming more and more difficult. So, to that extent, what gave you that confidence? And a case in point is that from the presentation itself, it is visible that fiscal 20 volumes actually declined or are likely to decline from fiscal 19 and to some part driven by decline in coal also which is basically 54 going to 49. Can you contextualize these 2 things for us?

Karan Adani: Lokesh, the reason why we are very confident on the coal volumes is because as you have seen in the presentation, almost 6800 megawatts of commercial power plants which are right in the vicinity of the port which are connected by the conveyor, and these are the plants which are run by APGENCO and Sembcorp and those plants are also going through an expansion. 800 megawatts is under expansion which will be commissioned by the end of this calendar year.

The second reason why we are confident on the coal volume is, there is a lot of trading volume which happens out of Ennore which we are very confident of shifting that because the rail freight over here in Krishnapatnam is lower for Bellary and Hospet area.

To answer your 2nd question, the FY20 volumes are lower primarily not because of coal but primarily because of iron ore. So, if you see in FY19, there was 8 million tonnes of iron ore which was imported by JSW and that volume did not come this year because JSW has got a domestic mine for their steel plant. In our calculation and in our evaluation, we have anyway not considered iron ore as a potential volume for Krishnapatnam port.

Moderator: The next question is from the line of Parag Jain from HSBC. Please go ahead.

Parag Jain: Thank you Karan, Robbie, and Deepak. Thanks for the presentation. I just have 2 questions. First, when we look at your current utilization which seems significantly higher than where the group's overall portfolio is running reasonably targeting volume double in 7 years effectively means that we will be aiming to double the capacity as well. So, when you talk about 150 crores CAPEX annually, is it fair to assume that we will be able to add let's say 75 million tonnes of capacity at the cost of 750 crores. Does it sound just about right?

Second, when we talk about 10 to 12 percentage point increase in EBITDA margin, is it largely a function of improvement in realizations or actually there is so much flab in the cost that we will be able to squeeze to achieve those targets?

Karan Adani: Parag, in terms of current utilization, the current capacity is 64 and we expect 64 to go up to almost 90 to 100 million tonnes primarily through debottlenecking and that is the cost that we have put in – 150 crores. We would be looking at expansion in FY23 or FY24 for further expansion, but we are very confident that the existing 13 berths that the current owners have built, there is a lot of debottlenecking possibility, there is a lot of mechanization which is possible and with the addition of few equipments, we would be able to achieve this. So, we are not looking to build new berths and build capacity through the addition of assets in that way.

In terms of EBITDA margin, in the first 6 months, it is primarily the function of cost optimization. There is a lot of flab in the cost which we believe that with our processes and with our technology as well as our install systems as well as with our team, we are very confident that we will be able to reduce these costs drastically.

Six months later on is when we would look at the price increase and further increase. But in the first 6 months, we don't see EBITDA margins increasing because of pricing. And I think if you see the analysis as well, their prices per tonne is much higher than even APSEZ prices per tonne.

Parag Jain: That makes sense. And just if I may ask another followup question, in terms of your cargo mix, as you said in your opening remarks that you will continue to look to diversify, how does this pie chart will change over the next 5 years, let's say from your current reliance of north of 60% on coal? Which commodity do you expect to lead the charge in terms of doubling up of volume over the next 7 years?

Karan Adani: We do expect coal to play a role. We are not saying that coal will not play a role because as I said that the power plants in the vicinity of the ports are increasing their capacity. The second area where we are looking increase in volumes is in fertilizer. We do believe with the kind of infrastructure that this port has, it should easily be handling around 3 to 4 million tonnes of fertilizer from the current 1 to 1.5 million tonnes that it is handling. The second area where we do expect volumes to grow is in petrochemical and POL. There is a contract which has been signed with BPCL for POL products by the existing seller. So, we do expect liquid volumes also to increase in this port. And the final area where we do expect volumes increase is on the steel side. So, steel products, i.e., basically coils, for both domestic coastal route as well as for exports, we do expect that to increase over here. And if I may say so, the last part of the increase is in container as well. If you see container volumes, we are expecting that to continue to increase from the current 8.5 million tonnes to 14 million tonnes in the next 5 years.

Moderator: The next question is from the line of Bharanidhar Vijayakumar from Spark Capital. Please go ahead.

Bharanidhar Vijayakumar: If I were to look at the way the deal would be funded, primarily it would come from the cash that we had already accumulated in the first half sitting in the balance sheet. That would be the source of funds primarily, right?

Karan Adani: Yes, that's right.

Bharanidhar Vijayakumar: And if were to look at the container volumes, probably about 500,000 TU per year is what the port is delivering. Is it possible to highlight the mix of say probably the exim cargo and transshipment over there and how the landside intralogistics work for containers, specifically in this port, realization probably; on that front, could you throw some light?

Karan Adani: Currently, the container mix is 70% Exim and 30% transshipment approximately. I am just giving broad numbers. In terms of hinterland growth, it will be in line with what Kattupalli and Ennore is having, i.e., Bengaluru and that region. The primary game over year is especially in container would be to increase the prices across the board with the control of Krishnapatnam port as well. So between Ennore – Kattupalli and Krishnapatnam, we would be able to increase the price across the board on the container side.

Bharanidhar Vijayakumar: That probably explains the improvement in EBITDA margin from your expectation?

Karan Adani: No, but broadly EBITDA margins increase if you see from the current 54 to 65, what we have said is predominantly on the cost side. From 65 to whatever 67, 68 what we have is a mix of both cost as well as price increase.

Bharanidhar Vijayakumar: And could you highlight why the overall volumes in FY20 is probably dipping by about 10%?

Karan Adani: The volumes in FY20 are down is because iron ore imports which happened in FY19 which was predominantly by JSW that has not happened. The reason for that imports was because JSW has got a domestic mine in Karnataka and but anyway in our evaluation, we have never taken iron ore as a commodity for this port.

Bharanidhar Vijayakumar: Understood. And in one of the slides, I see that there is a 55% of cargos of long-term nature, I know it is mentioned. So does that mean with the client do we have any such take-or-pay kind of arrangement or any long-term commitment, anything like that?

Karan Adani: Yes. When we say 50 to 55% is long term nature, these are predominantly take-or-pay contracts.

Bharanidhar Vijayakumar: So these would be mostly on the coal side, right?

Karan Adani: Coal and edible oil.

Moderator: Thank you. The next question is from the line of Ajinkya Bhat from Macquarie Group. Please go ahead.

Ajinkya Bhat: Sir, I have two questions. The first question is that obviously you have previously talked about your interest in the divestment of CONCOR. Now 30% of CONCOR would probably require somewhere close to Rs. 11,000-12,000 crores whereas this acquisition would essentially eat away about 5500 crores roughly at 75% of the equity value. So do you think that this acquisition could in anyway reduce your bandwidth to bid for CONCOR or do we think that it is completely manageable that is the first question and second is a smaller question. Actually, there were a couple of media reports which stated that Andhra Pradesh government is keen on developing the Ramayapatnam port on the Northern side I think of Krishnapatnam which is why they have also stripped away some of the exclusive rights of the port on the Northern side up to 30 km. So this was just a media article, if you could just comment on that what that issue is and if it affects our business plan in any way?

Robbie Singh: I think I will just take the question on CONCOR. This is Robbie here. I think we do not want to comment on any specific item in relation to possible transactions, so that is one. The second I think it is too early to say how our overall logistics strategy and how CONCOR fits into logistic strategies, it is too early to make any commentary on that. Karan, over to you in relation to specific question on the competing port in Andhra Pradesh.

Karan Adani: The Ramayapatnam port, I think it was just a media coverage, but we do not expect any major competition out of, it is a barren side, it is a greenfield development which whoever is the new owner will have to do. So we do not see this as any major threat or a major competition.

Moderator: Thank you. Next question is from the line of Deepak Krishnan from Goldman Sachs. Please go ahead.

Pulkit: This is Pulkit from Goldman. Two questions from my side. The first one is more about the strategic fit of this asset. This is not an asset that has been in operation for a small amount of time, it has been there for a while, it is a proven asset. What I am trying to understand is how are we going to add significantly more value than what the current promoters who are doing and if you could just highlight the debottlenecking opportunities that you highlighted that would be my first question.

Karan Adani: Sure. So Pulkit, I think as I said that when we did the due diligence of this asset, we did find that there is lot of lag in the cost in terms of cost structure, in terms of the resources that they use, in terms of the planning, in terms of the way they handle the commodities and also in terms of the mechanization, the kind of volume that they are handling through unmechanized manner even though having mechanized facility. So we do believe that with our systems processes, a) we will be able to bring immediate visibility to the operation team in terms of what is the real picture happening on a real time basis 2) we have a benchmark in Mundra, Dhamra, in Hazira, in all our ports in Kattupalli to know what is our minimum benchmark in terms of our cost which has been you would know that most of our cost structure works out to be more or less similar across our ports. So that is the benchmark and we are very confident of achieving those benchmarks. So that is the two big fundamental value that we bring onto the table and where we are very confident of achieving the cost that we want to. Second, the value that we bring on the table is with the string of ports that we have, we are able to give, this is another hinterland where we will be able to give access solution to our existing customers and we do believe that is a big value driver in terms of bringing more cargo into this port. And finally, as you can see that we have 6000 acres of land that is coming with this port approximately 6000 acres. So that gives us ample opportunity and ample room to grow the port in the right manner and not in a very haphazard manner. So these are the three big things why we are very confident on achieving the turnaround as well as the value that we bring on to the table.

Pulkit: Understood Karan, that is useful. My second question is that I looked through the revenue estimates and the volume estimates that you have put out in the presentation, what I realized is that the realization per tonne effectively even in FY25 gets to a number which is lower than what the port is currently generating. So currently, they are at about Rs. 440, we get to Rs. 435 by 2025, anything that your estimates in corporate in terms of cargo mix or why that realization number as we start from a pretty low base in FY21 of 406 and then goes to 435 over the fiver-year period?

Deepak Maheshwari: This is Deepak here. It is largely because of the mix and some of the contracts which exist at this point of time which are relating to the core contracts through the offtake agreements for under the fuel supply agreements. They have pretty high price at this point of time as we can see as compared to the normal prices that we have seen in other markets. So what we have done is that we have looked at the future in a manner which is more realistic according to our assessment and also looking at as to as how other types of cargo will grow as to what is the kind of realization that we will have from the different type of cargos.

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

Venugopal Garre: I have just a few small questions. Firstly on the need for expansion given that your volume targets of course **29:56 (Inaudible)** you to increase capacity, at this juncture are there any approvals required for you which would require for expansion of capacity and number two was even from an evacuation perspective, is there any bottleneck that you see which could sort of impact the capacity expansion?

Karan Adani: No, so to answer your first question, there are no approvals required for expansion. There is already an approval in place both the environmental as well as on the government of AP side for the expansion of the port for a capacity of 250 million tonnes. We do not foresee any bottlenecks in terms of the evacuation at least till 100 million tonnes.

Venugopal Garre: Second question is again it has been discussed on the call, but I just wanted to get some sense on this coal side. You have almost 5 million tonne increase every year broadly, so about 20 million tonne increase from FY20 to 25, it is a fairly large increase. So 20 million tonne is almost like of an equivalent power plant. So would it be fair to say that a bulk of this 20 million tonne is coming from nonpower customers because power you still have a visibility what is going to get implemented in terms of commissioning of plant from the next 3 to 5 years?

Karan Adani: So it is a mix of both. Actually it is a mix of three. One, it is taking the expansion of the power plants which are happening in the immediate vicinity which we have highlighted earlier also. It is 800 MW has been added. The second is in terms of the volumes that we will be taking from Ennore port which is mainly trading volumes which are approximately 8 to 9 million tonnes which the port is doing and that volume is growing by almost 15% year-on-year and the third as you rightly said is the growth from the steel industry primarily from the Bellary-Hospet area.

Venugopal Garre: My last question is a bit tricky one, if you can choose not to answer. Andhra government is having seen the government for the last 1-1.5 years, fairly notorious in terms of contractual changes we have seen that with particular capital city itself in a situation we do not even know that they will have capital and also with certain solar projects, etc., we are seeing a lot of issue.

So wanted to understand how watertight you feel these contracts are with this particular port, do you envisage any risk and historically do you have any presence in the particular state?

Karan Adani: Fortunately if you see, port sector is the only one in Andhra Pradesh where there has been no change in any policy or no change in terms of contracts or look backs at the contracts or renegotiations of the contract and I do not mean just in Krishnapatnam. I think Andhra Pradesh government has three private ports which are already operational; Krishnapatnam, Gangavaram and Kakinada and all three have not faced, touchwood they have not faced issue with the government and we had evaluated this from a risk perspective and we are very confident that we do not foresee that any major risk coming out of this issue that you have raised. Obviously, when you are doing a large acquisition in a state unless you do not have the support of the state government, nobody will be doing that. So obviously we have a support from the state government as well for this acquisition.

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

Mohit Kumar: Sir, one question on the shareholding of the SPV. We are acquiring 75% right, balance 25% with the erstwhile promoters, is it right? And secondly, what happens to 3i, is it TDI, I believe there was a dispute between the promoters and 3i on the put option. Can you please update on the same?

Karan Adani: On the shareholding structure, the 75% as you know will be owned by APSEZ, 25% will be owned by one of the sons coming from the CVR family who was looking after the port asset prior to the sale for this particular asset. You will also notice that the 3i stake in this particular thing is around 9.4% and the plan is to acquire stake from the CVR family as well as 3i as a part of our acquisition for the 75%.

Mohit Kumar: What happens with CCRPS, is it off the book now?

Karan Adani: That is the value which is between 3i and its investment whether it is through in the form of equity shares or in the form of the convertible instrument that you are talking about. The effective value for the whole thing that they will have is 9.4%.

Mohit Kumar: There is nothing to do with us, am I right?

Karan Adani: Yes.

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

Prateek Kumar: Sir, my first question is how does the volume and CAPEX targets at Krishnapatnam port impact your expected similar targets at Kattupalli and Ennore going forward?

Karan Adani: We do not foresee any impact on Krishnapatnam with this acquisition on the growth plans of Kattupalli. We would still continue to make Kattupalli a multipurpose multiproduct cargo port and we do not foresee any changes over there.

Prateek Kumar: But you talked about certain volume shifting from Ennore coal trading volumes to this port, so that is how much percentage of that Ennore's volumes?

Karan Adani: No, the Ennore is not owned by us by the way that is owned by government of India. We have a container terminal over there. We do not have a coal terminal over there. So it does not impact us in that way.

Prateek Kumar: And is there a SEZ development opportunity at this port as well?

Karan Adani: The current promoter does have an SEZ, but SEZ is not what we are buying from them. But it has enough land for its current development, port development.

Prateek Kumar: And just to clarify on pricing, so all of the port revenues, all of the reported revenues of port is completely port revenues, there is no other segment which is part of the reported revenues, right?

Karan Adani: Yes, you are right. It is all port revenue. There is no other revenue.

Prateek Kumar: So just to clarify on pricing again, so you mentioned there are agreements, fixed contracts with the local for coal which are specifically higher which can go down once you take over, is that what you said, why those prices than the average pricing on the port is higher, that is not very well understood to me.

Karan Adani: I think the point that you making is as we grow the business in newer revenue that the newer per metric tonne cargo that you will have is likely to be at a rate which is lower than what we have right now and I think we should appreciate a conservative approach out there rather we are not being as aggressive and we are looking that even when we manage our growth within those numbers, we can still have significant amount of increase in EBITDA and overall growth.

Prateek Kumar: But your container pricing at this port, is it similar to your pricing as of now, nearby ports?

Karan Adani: No, the pricing in container is little lower than that of Kattupalli and Ennore and that is what we had commented earlier as well that in container apart from the volume growth, the idea is to increase the prices across the board that is in KPCL, in Kattupalli and in Ennore.

Moderator: Thank you. Next question is from the line of Swarnim Maheshwari from Edelweiss Broking Limited. Sir, please go ahead.

Swarnim Maheshwari: Sir, couple of questions from my side. Firstly, when you look at the incremental volumes, the coal volumes, you did mention that you will be looking to garner some share from the Ennore trading volumes, if you can help us understand what is the trading volumes at the Ennore port and how much you are looking…

Karan Adani: Around 8 million tonnes right now and growing at 15% per annum.

Swarnim Maheshwari: So our thought process is like we will be able to take about 25-30% market share within these trading volumes to KPCL port?

Karan Adani: Yes, may be little higher but yes.

Swarnim Maheshwari: Sir, secondly just wanted to understand what is the level of mechanization at KPCL when you compare this with the Mundra because just wanted to better understand there is a strong push or a strong rationale for acquiring this port on the margin front because there is clearly a margin differentials about 15 to 17% that we are looking for and which is actually coming through only because of the cost factor, so I mean is it like the mechanization is very high at KPCL already?

Karan Adani: From a coal perspective, they are fairly mechanized. They are not as mechanized as what West Basin is, but they are incomparable range as what Dhamra is.

Swarnim Maheshwari: So the mechanization level is comparable to that of Dhamra port?

Karan Adani: Yes.

Swarnim Maheshwari: And sir, what is the current royalty share to the government?

Karan Adani: It is in the presentation, it is 2.6%.

Swarnim Maheshwari: Sir, we did actually focus on the container volume going forward as well apart from coal, container is also one of the key focused areas, so I was trying to understand that given the hinterland is actually common, broadly common for Kattupalli and KPCL, so what can be the incremental volume or incremental focus on the container for us at KPCL port?

Karan Adani: That incremental is, currently it is doing 8.5 million tonnes and we expect that to go up to 14.3 without changing the volumes that we have given for Kattupalli and Ennore in our 5-year presentation.

Swarnim Maheshwari: And sir, lastly, would we be further interested in Gangavaram and Kakinada because they are also up for sale?

Karan Adani: I would not like to comment on that.

Moderator: Thank you. Next question is from the line of Ashish Shah from Centrum Broking Limited. Please go ahead.

Ashish Shah: On the coal that we handle at the port, can you give a breakup of how much of that is contracted and how much is traded at the KPCL?

Karan Adani: Almost 43 to 45% is contracted for the power plants which are in the immediate of the port and the remaining is end customers but if you see predominantly, I would say about 7 million is trading coal out of 33 million tonnes.

Ashish Shah: And the end customers would typically be who sir?

Karan Adani: We have given you the list of the top 10 customers in coal, so if you see it is basically slide 13, if you see, it will give you the top 10 customers' volume wise for coal. So that is mainly Sembcorp, APGENCO, JSW, Ultratech.

Ashish Shah: No, actually what I meant is, 43-45% which is contracted, outside of the contracted, who are the customers who are directly taking the coal from us?

Karan Adani: That is with the trading cargo.

Ashish Shah: Okay, you are saying what is not contracted is mixed with the entire trading cargo?

Karan Adani: Yes.

Ashish Shah: What I meant is that customers who are taking but maybe we don't necessarily have a long-term take-or-pay sort of a contract?

Management: Why don't we do this offline, so we can share more information with you and of course this specific…

Ashish Shah: Just one last thing, about the balance 25% stake, so is there a time period for which it will continue to be there or is it required by the possession framework for the original promoter to have 25% is something like that?

Karan Adani: No, there is no bar from the concession point of view, it is part of the deal construct and we don't have a timeline in terms of how long that 25% will continue but now you think of this as a joint venture where they are 25% shareholder.

Moderator: Thank you. Next question is from the line of Vibhor Singhal from PhillipCapital India. Please go ahead.

Vibhor Singhal: Karan, just one question on the overall container cargo growth production that we are looking at for this port, we have very ambitious plants for our Kattupalli port in terms of container growth, Dhamra as well and now we are looking at Krishnapatnam port as well, so for all the three ports, do we able to report strong growth in container cargo volumes, so do you see the cargo volumes on the East Coast for the overall Indian subcontinent to increase significantly which you believe will probably benefit all these ports or are we looking at, let us say some significant market share capture from the Chennai port which at this point of time is not very efficient and probably help us, so is it a congression of both or is it primarily that you are actually seeing growth on the Eastern Coast as well in terms of the next 4-5 years?

Karan Adani: Yes, it is predominantly both, one is to faster ship from Chennai to our existing ports including Krishnapatnam and obviously second is the growth factor we do which is that as more efficient logistics chains keep flowing into Southern part of India, we do expect volume growth to happen much faster. I just want to clarify over here is that Dhamra is in a very different hinterland and that of Krishnapatnam and Kattupalli and I would not mix both of them.

Vibhor Singhal: Sure, but a significant part of the market share, the volumes for these two ports could come for the Chennai port also?

Karan Adani: Yes.

Vibhor Singhal: Just last on the EBITDA number side, the Krishnapatnam port right now has around 3000 crores of domestic debt, any plans in near future to may be refinance it at a lower cost in terms of foreign borrowings or the capital structure of that port will probably remain the same?

Deepak Maheshwari: So what you will see is that we have identified as to what will be the capital structure and how we would propose to keep the long-term debt at KPCL and considering there is a certain amount of dollar revenues which also accrue at KPCL, we would like to have a mix of both dollar and rupee debt at KPCL. Our current plan is such that we will have mix of around 50% in rupee and 50% in dollars, thereby taking the benefit on the natural hedge that we have in reducing the overall rate of interest.

Vibhor Singhal: And no tax benefit that KPCL enjoyed right, over and above or which is different from what Adani Ports require, that probably would be the same tax statement level entity?

Karan Adani: That is correct.

Moderator: Thank you. Next question is from the line of Sumit Kishore from JP Morgan Chase. Please go ahead.

Sumit Kishore: My first question is, you spoke about the leverage and pricing for your ports in the region especially as far as containers are concerned and broadly of your market share expanding up quite rapidly, do you foresee any risk of CCI approval being delayed or any risk on that account?

Karan Adani: So obviously this transaction is subject to CCI approval.

Sumit Kishore: But given that AP, the new state for you, would that be just a formality or given that you are consolidating your position in the same hinterland and achieving significant market share or prospects of achieving significant market share in that region as well, do you foresee any risk on CCI approval?

Karan Adani: So far, our analysis don't foresee any risk on CCI approval.

Sumit Kishore: And my second question is, does this acquisition really raise opportunity spectrum for Adani Ports & SEZ on coastal shipping of coal, now that you have Dhamra, you have KPCL on the East Coast and you have strong presence on the West Coast both in Gujarat and other states?

Karan Adani: As you know APGENCO plant which is right behind Krishnapatnam that runs predominantly on coastal coal, so obviously this will give an additional benefit of giving an integrated solution from Dhamra to Krishnapatnam but yes, the idea is from a long-term perspective definitely with position increasing in Andhra Pradesh and Tamil Nadu, this gives us an opportunity to do more coastal volumes in the country.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was last question for today. I will now hand the conference over to the management for closing comments.

Karan Adani: I just want to reiterate, thank you everybody for coming on the call. We know it is Friday and if there are any further questions, our IR team is there to answer and thank you for getting on the call.

Moderator: Thank you very much. On behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.