"Adani Ports and Special Economic Zone Limited Q2 FY-26 Earnings Conference Call"

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MODERATOR:	**MR. VEENIT PASAD – INVESTEC INDIA**

Moderator: Ladies and gentlemen, good day and welcome to the Adani Ports and SEZ Limited Q2 FY '26 Earnings Conference Call.

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

I now hand the conference over to Mr. Veenit. Thank you and over to you sir.

Veenit Pasad: Thank you. Shruti. Good evening, everyone. A warm welcome on behalf of Investec India to Q2 FY '26 Earnings Call of Adani Ports.

We have with us the Senior Management Team of Adani Ports, represented by Mr. Ashwani Gupta – Whole-Time Director and CEO; Mr. D. Muthukumaran – CFO; Mr. Pranav Choudhary – CEO (Ports Business); Mr. Divij Taneja – CEO, Logistics Business; and Mr. Rahul Agarwal – Head of Investor Relations and ESG.

Now I hand over the call to the Management for initial comments, post which we will open the floor for Q&A. Thank you and over to you, sir.

Rahul Agarwal: Thank you, Veenit. Good evening, everyone, and a very warm welcome to our second quarter earnings call. We will begin this call with opening remarks from Ashwani, and then we will open the floor for questions. Ashwani sir, over to you.

Ashwani Gupta: Good evening, and thanks for being on the call. Yet again, APSEZ has delivered a record quarter, where all parameters demonstrated significant growth and achieved all time high milestones.

During the quarter, APSEZ scaled new heights across financial and operating metrics, including market share, revenue and EBITDA free-cash flow, and most importantly, significant improvement in return on capital employed across the businesses.

Last year, we redefined the strategy for Logistics as well as Marine, and our focus was more on improving the International Ports performance. I am very happy to say that that specifically Logistics, Marine and International Ports have significantly shown improvement, which is the right fact to demonstrate that our strategy, which we launched last year, has started demonstrating with the figures. Quarter 1 was the first representative of those figures and Quarter 2 in continuation, is the representation of that, of those figures.

With that, I will get into the figures:

We delivered strong double-digit growth during the quarter. Our Quarter 2 revenue hit INR 9,167 crores, up 30%. EBITDA at INR 5,550 crores, grew 27%, and the net profit was at INR 3,120 crores, up 29%.

Consolidated ROCE increased to 16% in H1 FY '26 compared to 15% in FY '25, led by better capital efficiency across Ports, Logistics and Marine. We generated INR 3,000 crores plus of free cash during H1.

I will touch upon some of the key highlights of this quarter:

Domestic Ports revenue grew to INR 6,351 crores, up 15% driven by 8% cargo increase and record high 28% market share. Domestic Ports also delivered the highest ever H1 EBITDA margin at 74.2% which is the result of successful implementation of various operational efficiency initiatives.

Domestic Ports ROCE improved to 24% in H1 compared to 21% in FY '25. Quarter 2 FY '26 International Ports revenue hit lifetime high of INR 1,077 crores, driven by growth in Tanzania. Stable Haifa operations accelerated ramp up in Colombo. I am delighted to announce that Colombo has delivered its third consecutive month of 100,000 TEU+.

Also, International Ports EBITDA margin improved by 969 points during the quarter and registered its highest ever print at INR 261 crores. ROCE improved to 7% in H1 compared to 6% in FY '25.

Exponential growth continued in Logistics business, driven by ramp up in asset-light trucking and international freight network services and sweating of hard assets. The Logistics revenue grew to Rs 1,055 crores, up 79%. More importantly, Logistics ROCE increased to 9% in H1 FY '26, compared to 6% in FY '25, reflecting our focus on capital efficient growth.

Marine business is another bright spot driven by ready to deploy vessel acquisitions in the Middle East and expansion in West Africa waters. Marine revenue grew remarkably by 237% to INR 641 crores in Quarter 2 FY '26.

Our vessel count stands at 127 compared to 75 in Quarter 2 FY '25. Towards the end of Quarter 2, we closed an en-bloc acquisition of 4 platform supply vessels and one workboat. ROCE has increased to 15% compared to 13%.

We continue to invest strategically in growth in line with our 5-year CAPEX plan of Rs 75,000 crores. NQXT in Australia, Dhamra port expansion, Vizhinjam Phase-2, Colombo Phase-2, INR 600 crore investment in 1.3 million square foot logistic park in Kochi, and Marine vessel acquisition will be key growth levers for us in the future.

Profitable and capital efficient growth continues to be our focus. We closed H1 FY '26 with net debt to EBITDA at 1.8x, while increasing our average debt maturity to 5.2 years from 4.3 years in FY '25. Acknowledging our strengthening balance sheet, Fitch Ratings has devised the outlook on APSEZ to 'Stable' from 'Negative'.

Finally, building on our philosophy of growth with goodness, we continue to set benchmarks in sustainability. Our efforts are being recognized by ESG rating agencies. S&P CSA ranked APSEZ amongst the top 5% of the companies globally in the transportation sector and MSCI recently upgraded our ESG rating.

Looking ahead, we are building a truly global integrated transport platform. The momentum we have demonstrated in the first half, gives me confidence we are executing our strategy effectively and creating long term value.

We will now take questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Alok from Motilal Oswal. Please proceed.

Alok Deora: Hi, good evening, sir. And congratulations on very good numbers. Just had a few questions. First is on the Ports business. We have seen while the overall Ports business has done well, but Domestic continues to be a little muted even if we see October numbers for that matter. So, just wanted to understand what's happening there. We are doing very well as far as International is concerned. On the Domestic Ports, if you could highlight what we could look forward to.

Ashwani Gupta: Well, thank you for the question. And I think it's very important to understand from the big number, right. The first number which I would like to give is all India cargo growth is 4.3%, whereas APSEZ has grown by 6.9%.

So, I think we should enter into the top line that we are still growing 1.6x to 1.7x than the cargo growth in the maritime. So, which means APSEZ performance is linked to the trade, and we are doing much better than the trade. And this is the reason that our market share has grown from 27.4% to 28.1%. When I go in detail, our container market share has grown from 44.4% to 45.9%.

Then the second part which we have to see is obviously what is happening as geopolitics, what is happening as the country's economy, what is happening as a country's future growth plan. And also, we have to see what is the impact of the policies/ the global trade. So, definitely when we look at the EXIM coal. EXIM coal, all India has gone down, and obviously we have gone down.

When we look at iron ore, the All-India iron ore has almost vanished and definitely we have the impact. But on the other side, when we look at coking coal, we have increased our market share from 36.5% to 41.9%. When we look at coastal coal, which is replacing based on Make in India or use in India, which is replacing the EXIM coal, our market share has gone up from 27.8% to 31.1%.

So, I think from the trade perspective, from the commodity trajectory perspective, and from our market share perspective, and the EBITDA which we are generating on the port, definitely demonstrates that we are gaining the market share by creating higher EBITDA value at the port. So, that's the first conclusion I would like to make.

The second, obviously, we will have to see the geography. And obviously, I think even if you have not asked this question, but definitely you will ask this question or not, your colleague would be asking this question that what is happening to Mundra, right? Because this is 40% of our business.

Mundra, we have mainly the 3 commodities. So, we have containers, we have coal, and of course, we have fertilizers, and so on, and then we have liquid. You would have seen that fertilizers, liquid, everything is doing great. Containers, we had the challenge during the Operation Sindoor. We had the challenge because of Operation Sindoor and the geopolitics. There was a redefinition of the cargo.

And you would have seen that since we talked about in the first quarter results, month on month, Mundra is growing in terms of containers. And in October, you would have seen that we did more than 720,000 containers, which is really demonstrating that Mundra is getting back after going through the disturbances of Operation Sindoor and so on. However, because of the configuration of the power plant, which are in the Mundra ecosystem and their dependency on the imported coal is definitely hitting them hard.

And that's why Mundra in total is not seen in the same way as it used to be before. But when you look at container, when you look at liquid, when you look at fertilizer, everywhere Mundra is growing. So, to give you the answer, first, we are still growing at 1.6x than the trade in India. We had the challenges because of trade, but also because of Operation Sindoor, which are gone. And this is where you see now the improvement which is going on.

Alok Deora: Sure. Thanks for the elaborate answer, sir. Sir, a follow up on that. If I look at the International Ports there, the margins have been increasing every quarter. So, we are at around 24%, 25% margins there. What could the potential margins be here, once we achieve further scale? Because this business is growing like significantly for us. So, once it reaches a certain scale, what kind of potential margin this business holds, the International Ports?

Ashwani Gupta: See, I would request Muthu to answer, but let me first answer you the question from operations viewpoint. If you remember in last call, we talked about 2 things which we have taken in our control, which is helping us in inducing the DNA of APSEZ. The first one is the Management, and the second is the technology.

For example, you have seen Vizhinjam port. The Colombo is exactly the same configuration with fully automated port with our CEO, our CFO, our leadership team. So, definitely a combination of leadership team, and the technology is improving the operational efficiency. And this is what is happening. Of course, we have not set the target of how much EBITDA we want to reach, but maybe Muthu you want to give a big picture on the return on International Ports business.

D. Muthukumaran: Sure. Thanks a lot. Let me just tell you the most important metric is return on capital employed. EBITDA and margin is actually a secondary measurement. So, it's important to note that. In that context, let me tell you actually, giving you one number has some assumption of weighted average, basically because the dynamics of each business are different. Colombo, for example, is transhipment, it has its own margin profile; and Haifa has a different margin profile, and in Australia.

But given that we have got already a portfolio of 4 assets, we expect the EBITDA margin when all these operations are stabilized to go from 26% to somewhere between, around 45%. So, that is what actually is our long-term target for the businesses. And Colombo will be around 50%; Haifa will be around 30% to 40%; and Australia will be around 65%. So, it has got different margin profiles.

Alok Deora: Sure. Thank you. Just one last question, if I can. Your full-year EBITDA guidance is nearly INR 21,000, INR 22,000 crore. We have already achieved half of that. So, typically, you would have a better period in the second half of the year. So, is there a possibility of a revised EBITDA on this number?

Ashwani Gupta: I think our endeavour is keep going, keep doing the best out of the best, and then result will come. So, we don't want to comment it on today, not only on EBITDA, but any of the financial indicator. I think results will show. But we are doing our best to do the best.

Alok Deora: Sure. That's all from my side, sir. Thank you and all the best.

Ashwani Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Parash Jain from HSBC. Please proceed.

Parash Jain: Thank you for taking my question. And Ashwani, good to hear from you. I have 2 questions and 1 was partially answered, but I will still ask. So, when we look at your portfolio, let's say 2030, how shall we think about theRoIC for different businesses like high 20s for your Domestic business? But so far as Logistic and International business is concerned, do you think that on a sustainable, ongoing basis, once they mature, we shall expect somewhere in mid-teen or it could actually be similar to what you have delivered in terms of your Domestic Portfolio?

And my second question is if you can help us bridging today's volume versus the billion ton, because at least on my number, it becomes very difficult how you can maintain this leverage. You are deleveraging and probably you will accelerate your deleveraging plan, unless there is a change in the capital return policy with respect to buyback or dividend. So, your thoughts on those 2, please. Thank you.

D. Muthukumaran: So, your first question on return on invested capital. This is Muthukumaran here. So, again, the most important measure for us is whether we are actually in a planned manner and in a predetermined manner, are we getting threshold return for each of our investment? We are very strict about it. We actually expect 16% return on equity for all our investments on a fully absorbed project timeframe basis.

So, we will deliver this result in each of our business lines that we get into. And as far as return on capital employed or return on invested capital is concerned, we commented about a year ago that Logistics and International business will actually keep going up and catch up to the threshold returns. You can see the progression happening as we speak.

To your question on actually volume bridge, we are this year-round number going to do 510 million metric tons this year as we close the year. So, from here, we have to go to billion. And, International in that would broadly be around 150 million to 160 million metric tons. We have these 4 ports which are actually going to be operational in the current portfolio. These 4 portfolio assets themselves will actually contribute the international volume that is required. We are on the lookout and if there is any more acquisitions that we do, that will actually add to the volume.

As far as the Domestic profile is concerned, broadly speaking, we expect the current portfolio mix to remain the same as far as the contribution from each ports to the total kitty is concerned. We did say last quarter that we are actually investing the big amount in Dhamra port. We are expecting that to be taken to 90 to 100 million tons in terms of capacity. We expect to invest in Mundra. So, the volume profile of Domestic business will continue to be broadly in this range as to how we are doing.

And the last question that you asked is on deleveraging profile. So, deleveraging profile is a consequence of our strategy and it is actually going to be consequence of our cash generation to start with.

Our approach is sort of laid out again in the past, which is we expect cash generation to be deployed first in organic, where we have guided up to INR 75,000 crores over a period of next 5 years. We will need some kitty for the M&A that we will actually do in the next 5 years. And if after that, if there is excess cash left, we will evaluate between returning the capital to the lenders on one side, and on the other side some kind of enhanced cash return to the equity holders.

So, our approach to leverage, we have said that we would like to actually have a policy of average net debt to EBITDA of 2.5x. We are way under that at this point in time. And as our investment profile catches up, we expect to actually catch up on the 2.5 leverage profile in times to come.

Ashwani Gupta: If I may add on the volume, just to give how we should look at the volume now, 150 to 160 from International is not a brainer any more. But yes, 840 is, as you said, your calculation shows, has a reference. We are still keeping the reference of GDP growing between 6% to 7%. Trade is growing between exactly 6% to 7% or 5.5% to 6.5%. But as you would have seen, because of geopolitics, because of many other things, the trade dropped to 4.3%. And definitely you start multiplying the market increase in market share with the trade, and that's how you land up.

But you would have seen also that the statistics show that the impact of geopolitics on our GDP was roughly 0.1% to 0.2%, whereas the GST reforms have given an additional advantage of contribution to GDP between 0.4% to 0.5%, right. So, there is no fundamental, and I don't have to repeat it again, there is no other fundamental which will work in our country, in our economy, which is driven by 4 big pillars.

And 4 big pillars are bringing the business and the trade to India, which means if the trade is between what trade has been showing in the previous years and what trade will be in the coming years, growing with that speed which APSEZ has been growing with the organic growth is not a brainer to touch 830, and this is where I would say that we will be working on that. We are extremely confident and hopeful to achieve the 1 billion metric ton.

But on the other side, it should be a meaningful 1 billion metric ton, which means achieving the volume with the increase in market share, which is generating better financial discipline, financial return is also equally important, same as volume. And that's why you would have seen that our financial discipline, our financial numbers are equally good as the others.

Parash Jain: I think that's very, very clear. Just one, if I could squeeze any word, any sense on the renewal of concession for your Gujarat portfolio, particularly in Mundra, because we have been hearing about it for the last few years, where do we stand in terms of timeline? Any guess?

D. Muthukumaran: Yes. We would like to just reiterate that we expect things to be closed out in the short order. And we have few concessions coming up for renewal ahead of us. So, we have plenty of margin in terms of time. So, it will happen well within the time.

Parash Jain: Sure, lovely. And have a good evening. Thank you.

Moderator: Thank you. The next question is from the line of Achal Lohade from Nuvama. Please proceed.

Achal Lohade: Yes, good evening, sir. Thank you for the opportunity. Sir, 2 questions. First, just to extend the previous answer assuming we touch about 510 in the current year, and we are talking about a billion ton by FY '30. We are talking 150 out of that International 850. So, where I am coming from, I am just trying to pick your mind with respect to which particular cargo sector do you see apart from container which can have, because coal was one of the large ones in the past, but given the context of what is happening, do you see that reviving very soon or that doesn't assume the revival and something else will pick up?

Ashwani Gupta: No, I think at first, we should keep focusing on containers. This is what we are doing. Make in India, I don't know you are following the statistics or not. The EV scooters, the EV motorcycles export out of India, the EV cars exports are exported out of India. We did record in Mundra now on exporting of cars.

I think we should just see this geopolitical impact as an opportunity and not as a risk. Of course, the markets are resetting. The supply chain is resetting. You would have seen that the impact of U.S. tariff is minimal, because the exports to the non-U.S. countries have increased significantly in last 3 months. We have to let the supply chain to redefine by itself, exactly in the same way it did during the semiconductor crisis and before that, the pandemic.

And to answer to your question, container for sure. In addition to the Make in India, I think a lot of containerization of the new commodities are also moving in the right direction. You said coal, but don't forget that coal is also coastal. And as I said before, because of our strategic location around the 11,000 kilometers of coastal line from west to east to south, because of coastal, we get twice the trade, loading and unloading both. And that's where we are increasing the market share. So, we have a great opportunity there.

And the third of the liquid, we started from Mundra, then Hazira. And as you know, that East Coast is also redefining the supply chain for liquid. And that's where we decided to have Dhamra and very recently we announced with BPCL, the bunkering for LNG. So, I would say huge opportunity.

And I think we, as APSEZ have evolved our model of financial simulation, and the business simulation, which was 100% linked to the cargo volume to realistic trade, driven by the 4 commodities, which is container, dry and in the dry 2 commodities, but also the liquid. So, the mix will change, the geography will change, however, the overall growth will not change.

D. Muthukumaran: And just to add to it, you might notice that actually, even on the thermal part, there has been capacity expansions. So, they will also actually contribute to our volume.

Achal Lohade: Got it. And just 2 bookkeeping questions, sir. First, if you could clarify on the other income that has seen a substantial increase, somewhere around 800 crores in this current quarter. If you could call out if there are any one-offs.

And secondly, in terms of Mundra, EBITDA margin, last quarter was somewhere around 67%. This quarter it's gone up to 73%, 74%. If you could call out if there is anything, in terms of one-offs here, and what is the sustainable margin out there? That's all from me. Thank you so much.

D. Muthukumaran: Sure. So, first on the other income, there is actually INR 350 crores of dividends, which has come from subsidiary, which is our joint venture in Mundra. Otherwise, it would have come in share of profit in joint ventures, so it's an accounting thing. So, it could have come in either one of those 2. We saw this dividend coming in the previous financial year, in Q1. We did say in Q1 that actually we will expect this to be coming in Q2. So, that is this dividend, number one.

And number two, actually there is also about INR 120 odd crores of bond buyback profit. So, we did this bond buyback in the last quarter, so that is also sitting there. So, these are the 2 differences that you will find in other income.

And your second question was around Mundra margin. See Mundra margin, if you actually see if you take a snapshotic view, the way you are talking about, which is Quarter 1 to Quarter 2, there seems to be a big difference.

But if you actually compare last year Quarter 1 and last year Quarter 2 also, the pattern is pretty similar. Basically, we have high value cargo like fertilizer and all coming in. Though the quarter 2 volume usually is slightly lower compared to other quarters, but the mix of Quarter 2 is actually oriented towards the higher EBITDA, which is a pattern. There's not one-off in this financial year. It happens every year, number one.

And number two, there is a little bit of an increase in our price, which is linked to FX. So, these are sort of 2 things. Our overall margin profile, there is nothing which is one-off. So, therefore, sustainability is actually something that we can assure you that there is nothing one-off or episodic in this EBITDA margin of Mundra.

Achal Lohade: Got it. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Priyankar from JM Financial. Please proceed.

Priyankar Biswas: Thanks for the opportunity. And I would say quite good results, based on the EBITDA delivery. So, sir, my first question is, I see that there is some increase in JV losses. So, what is the reason behind that, especially it seems to be increasing at Dhamra? So, what are the reasons?

D. Muthukumaran: So, first of all, like I mentioned in the previous answer, JV income goes down if there is dividend. So, we either get that in the form of consolidation of JV income or in the form of dividend if it is distributed. Okay, so that is one reason why you will see movement in JV income. And the LNG business in Dhamra is ramping up. So, there is certain increase in profitability of Dhamra operations. So, that is the reason why there is JV component difference.

Ashwani Gupta: No. Yes, I think very, very important point. First of all, all our JVs are performing extremely well. So, second thing, if we have the unused cash in the JV, which is generated because of the operational excellence, then we have to get it back. And the way to get it back is to get the dividend. The moment you get it back by having the dividend, we have to show the losses as part of accounting in the JV, but then you will see that our other income will increase. So, it's from left to right, but at the end, it is demonstration of operational excellence of our JVs.

Priyankar Biswas: That is very clear, sir. And sir, also I wanted to get some idea of the volume break up in International Ports, let's say the individual volumes for Haifa, Tanzania, Colombo. And since you were also mentioning about surge in car exports from Mundra, can we get a sense of your RORO volumes and how it has increased? Let's say Y-o-Y or quarter on quarter, whichever you can provide.

D. Muthukumaran: So, as far as the International, we don't give the volume specifically by the port. Is your question by port, Priyankar?

Priyankar Biswas: Yes. So, to get a sense of volumes by port, because if I recall like last quarter, you did give us some sense. So, essentially was asking on those lines.

Ashwani Gupta: So, Haifa in this quarter, in the first half, actually, we did about 5.25 million, and in Tanzania, we did about 7 million, and Colombo we did about 5.5 million.

Priyankar Biswas: And sir, I was also asking you about, since in one of the remarks, you mentioned about strong growth in export of cars out of Mundra. So, can you give us a sense of that? Like, how is it accounted for here? Is there some RORO volumes that we should look into? And if you can give us a sense of that.

Pranav Choudhary: Yes, so I think on a Y-o-Y basis, from a half year perspective, Mundra we have seen about 32% increase in the RORO volumes, car export volumes. So, that shows the role of the car exports from India.

Rahul Agarwal: And Priyankar, this is clubbed under dry, right? So, it is not the port specific, but like we have done in this particular, that's really continuing to give a sense of what the RORO volumes and their growth looks like.

Priyankar Biswas: Sir, I missed it. Which segment it is clubbed into, if you can say?

Rahul Agarwal: It is part of dry.

Ashwani Gupta: Part of what he's asking?

Rahul Agarwal: Dry. Part of dry.

Rahul Agarwal: Part of dry.

Priyankar Biswas: Okay. The dry. Okay. And sir, if I may squeeze just one more question in. So, in Dhamra, we are seeing that the margins are a bit impacted Y-o-Y, if we look at it. At the same time, we are seeing that liquid volumes are also rising. So, liquid volumes are typically high margins. So, is it because of substitution between coastal coal or EXIM coal? And if you can share like, what is the extent of margin differences between, let's say, coastal coal and EXIM coal? That's the last question from my end.

D.Muthukumaran: No, so there is no difference between EXIM and coastal coal. It is all actually priced, as far as we are concerned, on the similar footing. Of course, there is some price differences between the players with people with assured volume. We have slightly aggressive pricing, because they have commitment of take-or-pay, for example. So, it is because of that. It is actually nothing to do with coastal versus import coal. For us, it's all the same.

Priyankar Biswas: Okay. So, we should actually expect the Dhamra margins to be around these levels, or are there some levers to improve it? So, if you may answer that.

D. Muthukumaran: No. So, Dhamra margin, I think you will find improvement even in Q3 and Q4 as we go forward. So, we have taken some one-off repairs and maintenance, and also the cargo mix in this quarter. We don't have much of an iron ore as much as we would like in this quarter. So, therefore, actually, what you are seeing is not representative. 50% should go up to our normal levels in time to come.

Priyankar Biswas: Thank you so much, sir. That's all from my side.

Moderator: Thank you. The next question is from the line of Asmeeta from MetLife Investment. Please proceed.

Asmeeta Sidhu: Hi. Thank you very much, Management, for taking my question today. I just have a question regarding your rating. So, as you mentioned, Fitch has put your rating back on stable today. Just in regards to Moody's, given that the last one having a negative outlook, have the conversations over the past few months turned a little bit more positive? Do we expect to see any possible change in the outlook, or will it be something that will be a little bit more further out? Thank you very much.

D.Muthukumaran: So, without stepping into sort of their territory and being conscious about what we could be talking about future events. If you look at our numbers, if you look at our balance sheet strength, and if you look at our operational performance and sustainability, it does warrant us to be in stable. And we do expect all rating agency to reflect that in few months of time.

So, in short, the answer is they should be doing it. As to when they will do, I guess, we will wait and watch.

Asmeeta Sidhu: That's fine. Thank you very much.

Moderator: Thank you. The next question is from the line of Aritra from Nomura. Please proceed.

Aritra Banerjee: So, obviously, we have little record high in H1, but going forward, are these Domestic Port margins, because the non-Mundra share will also increase with a significantly lower margin. So, what is the outlook for the Domestic Port margins profile?

Ashwani Gupta: So, we are working on two things, and we are demonstrating it month on month. First is the revenue optimization. Revenue optimization is done by getting more and more volumes, more and more customers with the capacities which we have, and this is which we are demonstrating.

But the second most important is our operational excellence on the cost platform. You would have seen with our data that we are keeping our cost per ton almost flat, net of inflation. When I say almost, almost could be higher or lower. But at the end, our focus is to increase the revenue and optimize the cost as much as possible. And this is the reflection on the EBITDA percentage, which you are seeing month on month.

D.Muthukumaran: If I can just also add, as you have observed, and some of you have asked the questions, between ports and between quarters, our EBITDA percentage do sort of vary, but in a small range. But our overall guidance for the year and our visibility to the market, we don't see any compression of margin, if anything, assuming our operational projects excellence kicks in, we could increase the margin.

Aritra Banerjee: Got it, sir. Got it. Thank you. That is very helpful. Sir, my second question is on the Other Logistics margin. So, that has also seen a quarter-on-quarter improvement. So, what should we take as a sustainable margin probably 2 to 3 years down the line, because it has been improving and overall Logistics could give a sense as to what will be the stable state margins going forward.

D.Muthukumaran: So, we did say, I think in the last quarter, if I am not mistaken, we are talking about over a period of time, Logistics business to give 40% to 45% margin on the non-IFN and the non-trucking business. So, we will work towards it. Obviously, that is when we actually have all stable operations, but for foreseeable future, we expect gestating business to be in the portfolio. So, yes, I mean, that's the margin.

Aritra Banerjee: Sir, thank you. And just, if I could squeeze in one more question. Sir, any update on the NQXT acquisitions and any update on that will be helpful?

D.Muthukumaran: So, we are waiting for that last approval, which we were and we have been for a while now. So, as you know, it is actually from the Department of Government in Australia. So, it's not particularly time-bound, but at the same time, I can also tell you it's progressing smoothly. So, it should happen soon.

Aritra Banerjee: Sure, sir. Thank you. Those were my questions. All the best for the coming quarters.

Moderator: Thank you. The next question is from the line of Koundinya from Jefferies. Please proceed.

Koundinya Nimmagadda: Yes. Hi, sir. Thanks for the opportunity. Sir, a couple of questions. First one on the capacity expansion plans. If you can throw some color, from a medium-term perspective, obviously the long-term plans, easy upload capacity, we are well aware of those, but I mean, especially for certain ports like your Hazira, Dhamra, and Mundra in that order, can you put some numbers, what is the medium-term capacity that you are looking at? Because given the capacity utilization, where they are operating, just trying to get some sense around that number, on what are the plans, and are you seeing any congestion? Because Mundra, we see certain media articles quoting congestion around the port. So, if you can provide a little more granularity on that aspect, please?

Ashwani Gupta: Sure. So, I think exports today, we are running, we have a capacity of 633. The next 5 years, we will take up the capacity between 1.1 to 1.2 billion metric tons. And these capacities, the investment, which we have declared of INR 45,000 crores to INR 50,000 crores will be for the ports.

And these investments will be done, or are being done, like Vizhinjam Phase-2, we already announced; Kattupalli, we are already doing; Hazira, we are already doing; Dhamra, we are doubling the capacity. We are putting up rails, we are putting up warehouses, and so on and so on. And between 1.1 to 1.2 billion metric tons, which will enable us to do more than 840 million metric tons, which we are, of course, targeting.

Then the allocation of these capex will be driven by number one, commodity trajectory, linked with the trade. We do believe that containers will attract the maximum trade growth. So, that's why the container capacities will be the first priority for us.

The second is driven by energy infrastructure, which is mainly the dry cargo, which is coal or cement or steel, all these kinds of dry bulks. And that's where the ports like Dhamra and everybody's getting the investments.

And the third one, the Chemical industry, the liquid, and so on. And that's where the Hazira is getting the investment, Dhamra is getting the investment, Krishnapatnam may get the investment, Gangavaram may get the investment. And this is how we are planning.

So, we are fully prepared. We are not waiting for the demand to come up. APSEZ policy has always been be ready with the supply, so that when demand comes, we can deliver the best-in class customer satisfaction with the minimum turnaround time of the vessel, of the evacuation, and this is where we are doing.

In addition to the capacities at the port, we are also investing in the ecosystem. So, investing in the port is important, but investing in the evacuation, especially rail, trucking, warehousing, is integral part of the total investment plan. Hope it answers your question.

Koundinya Nimmagadda: Yes sir. Just one small clarification before I move on to the second question. But the understanding is that at any of our ports, there is no congestion and operations are functioning extremely smoothly. We are not losing volumes because of port congestion. Is that a fair understanding?

Ashwani Gupta: Yes, you are right. We maybe running 90%, 92% of our utilization on some of the ports, but we have enough capability and capacity to welcome each and every cargo which comes to our port.

Koundinya Nimmagadda: Sure, sir. Sir, the second question is on the Domestic Port margins. Obviously, part of it was answered in the previous question, but on a sustainable basis, where can we see these margins heading to? I mean, there has been recent improvement over the past couple of quarters, but we are already at 74%. What is the sustainable number that we can look at?

D.Muthukumaran: Yes, it is in that ballpark, 75%. I know 75% is what we have shown this year, or this quarter, both, YTD, and we expect that to be somewhere in the region of 75% to 77% whenever we are able to, over a long period of time, whenever we are able to get our operating efficiencies up and pricing continuing this way.

Koundinya Nimmagadda: The reason I am also asking that question is that part of the expansion, if I take it or maybe take an FY '23 base and look at it, there has also been improvement in capacity utilization, which I am assuming would have driven the margins up. So, as you add new capacities, do you think that will have a near-term or temporary impact to margins, or that will be taken care of?

Ashwani Gupta: Yes, so all the capacity expansion which we are doing are the marginal capacity expansion, right? We are not building the Mundra Port. We are not building the Hazira Port. So, the basic investments which has already been done in the infrastructure ecosystem will have a significant impact on the return on investment. So, we don't see any drop in the margin.

Last year, we started the new berth in Mundra, and you would have seen that the margin has increased. So, I think the way we run the business is totally different than what is in the mathematics.

Koundinya Nimmagadda: Okay. If I may squeeze one last question because Divij is also here. So, is there anything that we should read into the trucking business growth on a Q-o-Q basis. I understand 2Q is usually weak? Are we on par with respect to the growth over there for Trucking and on Logistics as far as the guidance is concerned for the full year? Or is there something that is not going as per plan?

Divij Taneja: So, absolutely on track. The tech platforms are alive and kicking. We can track the chain of custody. We have interaction with stakeholders, and we also have the control mechanisms placed within the trucks. So, all of this means it is scalable, and we are on track for it.

Koundinya Nimmagadda: Sure, sir. Thank you and all the best.

Divij Taneja: Thanks.

Ashwani Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Manish Somaiya from Cantor. Please proceed.

Manish Somaiya: Thank you so much, and congrats again on a really strong quarter. Also, congrats to Rahul and his team for preparing such great insights in the presentation. Obviously, I am sure everybody appreciates it. A lot of my questions have been answered, but I did have a few more that I wanted to touch on. First is on the cash flow conversion. Obviously, it was very impressive in the first half at 85%, I believe. Can you give us a sense as to how we should think about that for the full year?

D.Muthulumaran: It's the same, Manish. There is neither significantly lower or higher cash conversion that happened. We don't have much receivables or inventory in our business. So, cash conversion should be very similar to what you see in the first half.

Manish Somaiya: Okay. Ashwani, you mentioned an interesting point that at your ports, you are seeing very close shift, because of geopolitics, because of trade policies globally. I was hoping to get your perspective on the kinds of shifts that you are seeing. If the goods aren't going to the U.S., maybe if you can just help us understand where are the goods going and how do you see the evolution of that in the next 2, 3 years?

Ashwani Gupta: Yes. No, thank you, Manish. And I would say it's too early to say that, but for sure what we are seeing is that supply chain is redefining by itself, because origin of customer and destination of customer, which means customers will always remain, the world population will always remain. That is going to grow. So, my view is the supply chain is being redefined and Quarter 2 is the first quarter where we have already started seeing this redefinition of supply chain.

Having said that, it will create its own opportunities, but also its own challenges. For example, in India, we clearly see today an imbalance between import and export, because in India, import used to be in 40 feet container and export used to be on 20 feet container. So, now we see that imbalance. So, definitely the supply chain will have to readjust itself, but it will take time. But on the other side, in mid to long term, Manish, to be honest with you, including U.S., the overall trade will grow. It's just a question of resetting itself.

Manish Somaiya: Right. Okay. Now that's super helpful. And then Ashwani, maybe this is a bit of an unfair question, but perhaps if you can just give us, at a very high level as to how to think about the different businesses as we go into '27, because let's face it, '26, we are pretty much over with for the most part. So, as we think about your business, modelling figures, just high level, nothing sort of specific on the numbers, but just at a high level, if you can just kind of walk us through Domestic, International, Logistics and Marine. Domestically, how we should think about it.

Ashwani Gupta: Wonderful. I think, thank you. We will keep this target of Domestic, which is growing between 1.6x to 1.8x of the trade. I do believe that trade will come back to 5.5% to 6%. Then I think I am especially very much bullish on container. Next year, we will open up our new capacity in Mundra, which is going to be huge one. And we are waiting for that capacity to be open. So, Vizhinjam is going on, Colombo is going on, Gangavaram is going on, Hazira is going on. So, which means that containers will keep the main driver of our growth next year.

Then I would say that the power demand in our country will still keep on growing, but replacement of imported coal by coastal coal will go on. So, definitely our investments in Dhamra, in Gopalpur, in Krishnapatnam and so on will pay us.

And the third one is what we see clearly in 2027. And that is also coming because of the redefinition after the geopolitics is the liquid. And we see clearly the redefinition of supply chain for HSD and these kinds of liquids. And this is where we are investing in the tank farms. Hazira, as I speak, is opening up tanks on tanks. I think tank farm for Hazira will also be increasing the capacity next year.

So, we are very bullish on trade, but we are also very confident, because of the capacities which we are creating before trade could utilize it. So, I would say Manish that Domestic, we will keep on going like this. In fact, we will have a good tailwind, because we will open up a big capacity next year.

Now, when we come to International, International we have pulled ahead the start of Phase-2 in Colombo, because we are much ahead of the plan, not only volume, but also the margins. So, Colombo will go on like this. Tanzania, we already decided to invest in the elongation of the berth, so increase in capacity. So, Tanzania will bring in additional volumes.

Haifa, we have enough capacity with what we have seen now the peace agreement and so on. Israel as a country will attract more cargo. And so as Haifa, we have already restarted the cruise terminal and so on in Haifa.

And then finally comes Australia, which is already in. We should be consolidating in few weeks or few months and then Australia will kick in. So, which means International will be on track with that. So, that's why we keep the confidence in meeting the 2030 five year APSEZ business plan, which is driven by integrated transport utility. So, that's all about Ports.

But on the Logistics, with our strategy of asset heavy, asset light, and asset zero, we keep on thinking and there's a huge opportunity in India about Logistics. We have not captured most of it. What we have captured so far is the low hanging fruits. There are a lot of fruits which are still to be caught. So, Logistics, we are going to grow exactly like this.

And then finally the Marine. Marine, I think India, we are already at 75% market share. We will not go beyond that. But we are adding as we announced 8 tugs in the next 2 years, which should come in 2027 and 2028, where almost half of it is already contracted. But yes, on the offshore, we have entered West Africa, but we want to enter Southeast Asia. So, that's a big opportunity which we are seeing in terms of Marine.

So, putting Ports, Logistics and Marine, we do believe that we will keep the trajectory and trade should grow, and I am pretty sure it will grow and definitely our pie in the cake will grow.

Manish Somaiya: Hey, that was super, super-helpful. Thank you so much. And again, congratulations to the team.

Ashwani Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Palash Jain from ICICI Securities. Please proceed.

Palash Jain: Hello. Yes. Congratulations on a great set of numbers. So, I just had 2 questions. First being that considering that APSEZ has signed 2 MOUs with JNPA for Vadhavan Port, how do you see yourself in that light, considering the competitive intensity from other peers?

And second being, could you throw some light on CAPEX guidance for International Ports specifically?

Ashwani Gupta: Okay. So, I just talked about, let me say, let me give you a big picture, right? 2047, India wants to build 10 billion metric ton. And we say that by 2030, we should have 33% market share. So, by 2047, if you are looking at 33% market share, we should be roughly 3.3 billion metric ton. And I just said that in next 5 years, we will be 1.2 billion metric ton. So, which means from 2030 till 2047, which is 17 years, we have to go from 1.2 billion metric ton to 3.3, if India is asking for 10 billion metric ton.

So, all these projects, Vadhavan, then Galathea and so on, are the greenfield projects which will bring that kind of catchment area and that kind of volume potential. And that's why we are integral part of the study, integral part of the project plan, which is going on. And as you would have seen that we have already signed the non-binding MoU for the exploratory studies for the Vadhavan.

So, we are very closely involved, and we will follow the tendering process and the selection and so on in the coming thing. So, next 5 years, anything which comes in as a greenfield in India, brownfield, we will go for it.

Palash Jain: Okay. That's very helpful. And regarding the International ports, CAPEX guidance, if you could just throw some light on that.

D. Muthukumaran: So, at the moment, nothing very large, Palash, in the International. It's just a routine ongoing CAPEX that we do.

Palash Jain: Okay. Yes. Thank you so much.

D.Muthukumaran: Okay. So, thank you very much for the interest. Actually, we are over and a little bit. On the one side, apologies for that. But we also take it as a good interest, and we are happy with it. So, this brings to end of analyst call for this quarter. Look forward to actually meeting you all next month, in February. Thank you very much.

Ashwani Gupta: Thank you.

Moderator: Thank you. That was the last question for the day. I would now like to hand the conference over to Mr. Veenit for his closing comments. Mr. Veenit.

Veenit Pasad: I would like to thank the Management Ream of Adani Ports for giving us a chance to host a call. Thank you so much. Thank you everyone for joining in.

Moderator: Thank you. On behalf of Adani Ports and SEZ, that concludes this conference. Thank you for joining us and you may now disconnect your lines.