"Adani Ports and SEZ Limited Q2 FY-21 Earnings Conference Call"

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MANAGEMENT: **MR. KARAN ADANI - CEO & WHOLE TIME DIRECTOR.**
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MODERATOR: **MR. MOHIT KUMAR, DAM CAPITAL.**

Moderator: Ladies and gentlemen, good day and welcome to Adani Ports and SEZ Limited Q2 FY21 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant 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. Mohit Kumar from DAM Capital. Thank you and over to you, sir.

Mohit Kumar: Thank you, Neerav. On behalf of DAM Capital, I welcome you all onto the Q2 FY21 Earnings Call of Adani Ports and SEZ from the management side we have Karan Adani - CEO and Whole Time Director and Deepak Maheshwari - CFO and Head of Strategy. Over to you Karan.

Karan Adani: Good evening ladies and gentlemen. Welcome to the conference call to discuss quarter two, FY21 operational and financial performance of Adani Ports and SEZ Limited.

With gradual reopening of Indian economy in quarter two of FY21 APSEZ handled cargo volumes of 56 million metric tonne, registering a quarter-on-quarter growth of 36% against 18% growth registered by All India Ports.

In quarter two of FY21 all types of cargo registered double-digit growth while coal grew by 30%, container grew by 34%, crude by 52% and other bulk cargo excluding coal grew by 40%. The larger ports that is Mundra registered a growth of 40% while Hazira registered a growth of 45%, Dhamra registered a growth of 30% and Kattupalli port grew by 54%.

In container, our market share increased by 100 basis points to 39% of all India container volume. We have been progressively increasing our market share both in West and South Coast of India. On a quarter-on-quarter basis, our market share in West Coast has increased from 49% to 52% and in South Coast it is consistent at around 15%. Our strategy to achieve East Coast, West Coast parity under all types of cargo and diversified cargo mix enables us to continuously gain market share in India. During quarter two FY21 our overall market share increased by 300 basis points to 24%. With enhanced capacity and acquisition of Krishnapatnam port, we expect to achieve a market share of 25% by FY22.

Adani Logistics currently operates 60 rakes and continues to be the largest private rail operator in India. In quarter two of FY21 it handled rail volumes of 69,061 TEUs versus 76,925 TEUs in quarter one of FY21. We have recently incorporated a subsidiary company namely Adani Tracks Management Service Private Limited, which will diligently work to provide relevant expertise relating to rail development and operation. This will consolidate rail assets at various sites currently held under respective companies and bring best practices, operational efficiency, technology, integration and common skill sets under one platform. We have initiated process to consolidate our Mundra and Dhamra rail assets under this entity. Apart from this, we are also consolidating our shareholding in Kutch Railway Corporation and Baruch Dahej Rail Corporation Limited.

Coming to key financials:

On the back of 36% growth of cargo volumes, port revenue in quarter two of FY21 grew by 28% and port EBITDA increased by 30% on quarter-on-quarter basis. Our efforts to optimally utilize resources resulted in increasing port EBITDA margins by 100 basis points to 71%. Going forward, we expect margins to expand further and reach our targeted levels of 72% to 73%. Our logistics business continues to consolidate while revenues grew by 15%, EBITDA grew by 19% on a quarter-on-quarter basis. During H1 of FY21 we have generated Rs.2884 crores of free cash flow from operation after adjusting for working capital changes, CAPEX and net interest cost. This is against 1002 crores generated in H1 of a FY20.

Net debt-to-EBITDA as on 30th September 20, 3.4x which is within our guided range. Deepak will take you through the financials in details later.

Now, let me walk you through key port performances.

Coming to Mundra port:

Mundra port is our flagship port, and it handled a cargo volume of 36 million metric tonne in quarter two of FY21 and registered quarter-on-quarter growth of 40%. The growth was led by crude which grew by 62%, container which grew by 36% and other bulk cargo which grew by 47%. In addition, as part of our cargo diversification plan Mundra port handled 142,000 metric tonne of LPG and 517,000 metric tonne of LNG in quarter two of FY21. Mundra port continues to handle highest container volumes in India. It has for the second quarter in a row surpassed volume handled by JNPT. The port handled 1.33 million TEUs compared to 1.08 million TEUs handled by JNPT in quarter two of FY21. Similarly, in H1 FY21 Mundra port handled container volumes of 2.3 million TEUs against 1.9 million TEUs handled by JNPT. The market share of Mundra port in container for Q2 FY21 has increased from 30% to 32% on a quarter-on-quarter basis. Coal volume was higher by 34% due to higher imports by Adani Power and CGPL Tata Power,

Increase in cargo volumes, change in cargo mix, continuous efforts to rationalize costs through operational efficiency and redeployment of resources resulted in Mundra port EBITDA margins expanding by 300 basis points to 66%. Happy to share that we have entered into an exclusive 30 year agreement with HPCL Rajasthan Refinery Limited to facilitate crude imports for their refinery located in Barmer, Rajasthan. Under this agreement we will be getting two income streams. The first income stream will be from SEZ Port led income on leasing 375 acres of land in H2 of FY21, which includes upfront fee of around 100 crores and regular lease income of Rs.4 crores every year from FY22 onwards. The second income stream will be the annual income of Rs.115 crores on cargo volumes of 5 million metric tonne which will progressively increase to 18 million metric tonne after 10 years.

Coming to Dhamra port performance:

In quarter two of FY21 Dhamra port achieved highest ever cargo volume in a quarter, it handled 8.30 million metric tonne of cargo a growth of 30% on a quarter-on-quarter basis. The port registered a growth of 21% on a year-on-year basis. The port continues to handle new types of cargo and add new customers.

During the quarter, the port started handling limestones for SAIL and handled first ever NPS shipment for Indian Potash Limited. The port also signed a five-year long-term contract with Jindal Steel and Power Limited for an annual volume of 3 million metric tonne, thus giving further visibility of its higher growth trajectory of 20% to 25% from FY21 onwards. Happy to inform that Dhamra port like all our other ports continue during Q2 FY21 to focus on environment protection. As a reward for his effort, the port received Golden Award for 5th EKDKN Exceed Award 2020 under environment preservation category.

Coming to Hazira port:

In quarter two of FY21 on a quarter-on-quarter basis, Hazira port registered a growth of 45% and handled cargo of 5.61 million metric tonne. This is the highest volume handled by Hazira port in a quarter. This growth was led by higher coal demand, which grew by 96% and container volumes registered a growth of 25%. From September 20, a new service from Maersk Line namely Arabian Star has start calling our Hazira container terminal.

On Kattupalli port cargo volumes on a quarter-on-quarter basis recovered by 54%, due to higher container volumes and handling of liquid. Container volumes grew by 54%, thus increasing our market share in South India from 11% to 13%. Our logistics performance remains resilient, Adani Logistics Limited operate 60 rakes and 4 logistics parks, new warehouse at Malur and Kattupalli commenced operation in quarter two of FY21 with a capacity of 70,000 square feet.

Coming to operations of Adani Agri Logistics:

The company managed movement of 0.2 million metric tonne in quarter two of FY21. Currently, AALL has 6 Silos under various stages of development. Under GPWIS Adani Logistics handled 1.21 million metric tonne of cargo, a growth of 28% on a quarter-on-quarter basis. Warehouse industry is witnessing strong demand for providing large format warehousing solution to capture this opportunity Adani Logistics is scaling up its capability and capacity by building large format built to suit creative warehousing at major locations and is in discussion with major e-commerce players for providing such solutions.

In conclusion:

APSEZ handled a record cargo volume of 25.25 million metric tonne in the month of October 2020. If we exclude Krishnapatnam port, APSEZ handled cargo volume of 22 million metric tonne a growth of 21% on year-on-year basis. This was led by robust growth in container volumes at our port. Mundra port set a record of handling highest monthly container volumes in India, by handling 0.52 million TEUs. The clear signs of revival of Indian economy gives us comfort to come out with full year guidance on cargo volume. Throughput at our ports, excluding Krishnapatnam in FY21 is likely to be in the range of 225 to 230 million metric tonne. In addition, Krishnapatnam port is expected to handle around 20 million in H2 of FY21.

Similarly, in FY 21 cargo volume at Mundra is expected to be around 142 million metric tonne, Hazira to be around 22 million metric tonne, Dhamra in the range of 30 to 32 million metric tonne and Kattupalli around 11 million metric tonne. Under Capital Management our focus continues on judicious use of cash and ensuring adequate liquidity as guided in May 2020. We have curtailed our discretionary CAPEX in FY21 and expect this to be in the range of Rs.1,800 to Rs.2,000 crores. Our EBITDA for the full year would be in the range of Rs.8,000 to Rs.8,500 crores and the port EBITDA will be in the range of Rs.7,500 to Rs.7,700 crores. With increased cargo volumes, reducing cost and maintaining margins we will continue to generate free cash flow from operations and expect it to be, targeted range of 3x. APSEZ is committed to its shareholders return policy, where in 20% to 25% of the PAT will be distributed in the form of dividends or buybacks. As part of our endeavor to constantly improve our governance structure, we are working on appointing a lead Independent Director. With the acquisition of transformational asset like KPCL, APSEZ is well on course, to achieve 500 million metric tonne cargo throughput by FY25. Our focus remains on improving the free cash generation and ROCE of all our ports to be in the excess of 16%.

Now, I request Deepak to take you through the financial number.

Deepak Maheshwari: Thanks, Karan and good evening to everyone on the call. I hope you had sufficient time to go through the detailed operational and financial presentation which has been uploaded on our website. Let me briefly take you through key financial performance. In Q2 FY21 on the back of 36% cargo volume growth on a quarter-on-quarter basis port revenue and EBITDA grew by 28% and 30% respectively. During this period due to consistent efforts to optimize resource utilization and reduce cost we were able to enhance port EBITDA margin to 71%. Growth in port revenue and EBITDA were lower as compared to growth in cargo volumes as a portion of the container business at Mundra port is handled through our joint venture entities and those revenue and EBITDA are not consolidated to our books.

Rupee appreciation has resulted in a FOREX mark to market gain of Rs.448 crores in Q2 FY21 as compared to a gain of 37 crores in Q1 FY21. However, as you are aware, we exclude FOREX gain or loss while reporting our EBITDA. Depreciation for Q2 FY21 is broadly in line with Q1 FY21. Effective income tax incidence for the quarter was 22% of PBT the same is not comparable to Q1 FY21 due to tax impact on FOREX mark to market gain on account of appreciation of rupee. Our effective income tax rate is in the range of 20% without FOREX loss or gain. Hence, if there is higher FOREX gain the effective tax rate will be higher and vice versa. As far as our balance sheet is concerned on working capital, there has been a significant improvement in net working capital position as receivable saw a decline of 18% from Rs.2,589 crores in FY20 to Rs.2,128 crores in H1 FY21. In September of FY21 DSO, which is days of sales outstanding has come down from 83 days in March to 69 days on a Q2 run rate basis. We continue to focus on improving our working capital cycle.

On loans and advances given, you will notice an increase which is on account of loans to KPCL of Rs.6,200 crores for refinancing the bank debt and obtaining the required NOC to complete the transaction as the transaction is now completed and KPCL will be a subsidiary, the March 21 financial results will not include this loan amount. This is in-line with our overall strategy to raise capital at a consolidated level to achieve lower finance cost.

On gross and net debt, gross debt as of 30th September 2020 has increased by nearly Rs.7,000 crores and the net debt has increased by Rs.2,700 crores as compared to March 20. The increase is mainly on account of new borrowings of US$750 million and rupee borrowings of Rs.1,500 crores raised for refinancing KPCL debt. Our cash and bank balance which was Rs.7,326 crores in March 20 has increased to Rs.11,686 crores in September 20. We have maintained a higher cash for KPCL and Dighi acquisitions and create sufficient liquidity for debt repayments during H2 FY21 and building liquidity for bond repayment in FY22. On Key ratio net debt-to-EBITDA stands at 3.4x in H1 FY21 as compared to 2.9x in FY20. The net debt-to-EBITDA also expanded due to compression of EBITDA in quarter one. We expect the net debt-to-EBITDA to be around 3.5 times in March 2021 due to the consolidation of KPCL with the increase in EBITDA on account of growth in cargo volume and consolidation of KPCL EBITDA, we expect this ratio to come down within our target range of 3 times to 3.5 times by FY22. CAPEX spending during H1 of FY21 was Rs.905 crores and is expected to be in the range of Rs.2,000 crores for the full year.

During H1 FY21 we have generated Rs.2,884 crores of free cash from operations after adjusting for working capital changes CAPEX and net interest cost and as Karan mentioned earlier, we expect the same to be in the range from Rs.5,500 crores to Rs.6,100 crores for FY21. This is reflective of the resilience and the tenacity of our business. To give you an update on the Dighi port transaction, the formalities relating to the NCLT process is over and we will complete the transaction in this quarter, Myanmar terminal will commence commercial operation by March 21. In summary, we will continue to focus on cost reduction, prudent capital management and judicious CAPEX deployment to ensure adequate liquidity and maintain our investment grade rating.

With this, we open the lines for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. First question is from the line of Venugopal Garre from Bernstein. Please go ahead.

Venugopal Garre: In the presentation as well as in the press accounts you have potentially given this loan which have increased from Rs.1,784 to Rs.7,958 crores on account of loan given to subsidiary, so this is primarily related to KPCL right, because that was not consolidated in the quarter?

Deepak Maheshwari: That's correct Venu. That's absolutely correct, the Rs.6,200 number and which I have also mentioned in my opening remarks, that's all relating to KPCL and without that the number would be similar to what it was at the end of March. And as you know that we have completed the transaction of KPCL only in the beginning of October and so it is no longer going to be, as for FY 21 when it gets consolidated you will see a different balance sheet and it will no longer be sitting as loan, but it would be sitting in the form of assets.

Venugopal Garre: Now, that's good. Just another smaller question on the LNG, LPG side can you just give us a perspective on how things will move from here over the next 12 to 18 months?

Karan Adani: The LNG right now we expect the terminal to be running at 50% capacity. So LNG, we expect volumes to be around 2.5 million tonnes at least for the next couple of years. And on LPG, we expect this year in Mundra to be around anything between 1.6 to 1.8 million tonnes and gradually increasing it up to, almost 3 million tonnes in next couple of years.

Moderator: Thank you very much. Next question is from the line of Bharnidhar from Spark Capital. Please go ahead.

Dharnidhar V: So, these estimates you had given for FY21, the EBITDA expected of Rs.8,000 to Rs.8,500 crores, does this include Krishnapatnam or is it excluding that?

Karan Adani: It includes Krishnapatnam.

Dharnidhar V: Okay, great. And second question is on, the news article I've read today on port in Sri Lanka, where we have shown some interest, is there any update on that?

Karan Adani: No, there's actually there's no meaningful update that we can give right now, it is G to G deal which is happening between government of India and government of Sri Lanka.

Dharnidhar V: Right. But we would be party so for that or you would come out with an update sometime later?

Karan Adani: We will come out with an update as and when there is some meaningful update to give.

Moderator: Thank you very much. Next question is from the line of Maggie from Hermes Please go ahead.

Maggie: Just got three questions. The first question is, like you mentioned about the market share gains can you just elaborate it more on what kind of like clients are you gaining the market share and which of the competitors are like losing the market share. My second question is on the cost reduction can you give us like some like target in the medium term or long term in the medium term or long term and what are the measures we'll take to reduce the cost and the third question is on the rebounds in the volume in the last quarter, is it sustainable and how much of the volume rebound is actually due to the pent up demand or supply. Fourth question is regarding the shipping rate increase, does it like the company thinking of increasing your tariff or handling the cargoes as well?

Karan Adani: Let me try to answer some of your questions. Let me start with the cost reduction. So as you know that at the start of the year, we have done a lot of process reengineering in terms of our operating costs, as well as we have converted a lot of our fixed costs into variable costs, variable in nature in terms of some of our operating contracts. So with that, we were able to, we are very confident that on a sustainable basis, we will continue to hold 71% EBITDA margin as of now. And our internal target is to bring up that EBITDA margin to around 72% to 73% in next couple of years. In terms of volumes, what we saw in quarter two and then what we are seeing even in the month of October, we see a strong rebound happening and that rebound, I would not say it is pent up demand. But it's actually the demand with the economy opening up and with the country opening up. And we do foresee that these numbers are very much sustainable and based on which we have given a guidance for the full year, which is little bit about and the volume that we did last year. In terms of shipping rates, what you said, so at the start of the year as we've always said that we keep looking at increasing our tariffs as and when possible and on a sustainable basis, we have at the start of the year, we have increased our tariff by almost 2.5% in container and we are looking at it more from a sustainable point of view and what is available rather than being more opportunistic. So, whatever you will see in our tariff increase, we have been able to do at the start of the year. And in terms of market share gain Deepak, will answer that one.

Deepak Maheshwari: We are just giving some numbers out there, what you will see is that on a quarterly basis, our cargo volumes have increased by 7% whereas the All India cargo volumes have reduced by 6%. Also at the same time it was, if one was to look at the container business, our cargo volumes have increased by 5% whereas the overall All India cargo numbers are down by 6%. So thereby clearly demonstrating that we are gaining market share. You would also see from the data that for the first half year and for the quarter two as well as for quarter one, Mundra as a terminal did more container business than JNPT thereby reinforcing the fact that Mundra is really the premier container terminal in India at this point in time. Similarly, if you were to see the performance of APSEZ as against the major ports and as I mentioned, our cargo volume on a quarter-on-quarter basis increased by 7% whereas the major port cargo volume has come down by 9%. So you will find that our rebound that we have in our cargo volumes has been very robust and strong. And whether we look at it on a quarterly perspective or whether we look at it on a half yearly perspective, our ability to service our customers and to gain market share have been demonstrated over the last six months.

Maggie: And also just like I want to follow up on the market share, do you think the volume shifts by the customer to Adani Ports as a more like a temporary or do you think it's more like a long term like a relationship?

Karan Adani: So, all these volumes which have moved as on long term these are not temporary shifts. So these are now permanent shifts which have happened.

Moderator: Thank you very much. Next question is from the line of Paras Jain from HSBC Hong Kong. Please go ahead.

Paras Jain: One and a half of my three questions has been answered. So, let me go ahead and ask the remaining. First, with the with second or third wave that we are witnessing primarily in Europe and US, how do you think India's cargo demand will be impacted as a result of this renewed lockdown, given the fact that perhaps the world has learned the lesson, the world is probably far more equipped to deal with the supply chain disruption now than ever before. And the fact that perhaps many of your customers perhaps would like to go ahead and do the restocking not only for perhaps winter but for the spring season. That's my first question and second question is pretty much continuation to what Maggie has asked, when we look at your market share, is it your customers in the respective businesses are doing better or you indeed are winning business from your rivals, IE so the services are actually moving away from your competitors. Thank you.

Karan Adani: So, to answer your first question if you see the trade which is happening in India, the energy basket which is crude, gas and coal and iron ore, these are not at all impacted regardless of lockdown in what happens in Europe or in US. So, that covers if I may say so, on a pan India basis that covers almost 70% of total basket, in terms of when we look at the container side, we've already seen shipping lines realigning trades and trade lanes, keeping in mind what could have happened in Europe. And second thing to keep in mind is in India, what will happen in Q3 is imports are going to increase drastically, because in Q2 we had a reversal, where we had more of exports and less of imports. But in Q3, what we are seeing is imports in India are going to increase drastically due to both the festive season as well as the stocking up, the stocks depleting which was done in Q1. So we are very confident that with this lockdown, which is announced in Europe, we don't foresee any major disruptions which happened, which will happen due to, we don't foresee any major disruption in the volumes on a pan India basis as well as for us. To answer your second question on market share, on market shares it is mainly because of shift of volume and shift of customers out of the competition that has led to increase in our volume across the board. And also if I may say so is our ability to give better performance and on time performance to our customers, which has given them greater confidence to push more volumes out of our ports rather than diversifying into multiple ports. So these are the predominant reasons why we've been able to gain market share.

Paras Jain: Okay, thanks Karan. And maybe one final question if I may and maybe Karan or Deepak anyone of you can wish to answer. With Krishnapatnam is it fair to assume that your drive with respect to your footprint and India across commodities have been achieved, if we look through, let's say next decade versus your past decade, is it fair to assume that your next decades, growth will be more expansionary in input reports like Mudra, particularly Krishnapatnam or Dhamra versus acquiring brownfield or building a greenfield terminal. And in that context, is it fair to assume that your next 200 billion or 300 million tonne of capacity attributed CAPEX will be somewhat lower than probably your past 2 to 300 billion tonne of expansion that you have achieved in the past decades?

Karan Adani: Yes, so you are right. So when we talk about at least for till FY25 500 million tonnes when we give the guidance that is everything to do with the expansion and expansion of capacity and expansion of commodities in the existing ports and pre dominately it will be driven through the existing locations and the existing ports that we have. You are right, the next phase of growth, which will happen the CAPEX over there, on a million tonne basis, it will be if I may say so, 0.65 or 65% of the first million tone that we had to spend in building up that port because all the ancillary and the supporting infrastructure has already been in place. And, I just want to add that apart from Krishnapatnam, we should not forget that we will be adding Digi by end of this month.

Moderator: Thank you very much. Next question is from line of Nishant Chandra from Temasek Holdings. Please go ahead.

Nishant Chandra: So, Deepak on the EBITDA guidance of Rs.8,000 to Rs.8,500 crores for FY21. This would include only six months of Krishnapatnam right, because it was acquisition was consummated in October 2020.

Deepak Maheshwari: That's right, it includes only six months of Krishnapatnam.

Nishant Chandra: Okay, so then the adjusted baseline for FY21 from a growth perspective is about 500 to 600 crores higher right?

Deepak Maheshwari: It should be a little over that.

Nishant Chandra: Okay and the second one is for the free cash flow Rs.5,500 to Rs.6,100 crores guidance for FY21 it includes the cash interest costs in your nomenclature. So, what would be the cash interest costs that you assumed here?

Deepak Maheshwari: So, it's in-line with what we have right now, which is around 4% for $1 borrowings and around 7% for a rupee borrowing.

Nishant Chandra: Okay. And in terms of roughly it would be about Rs.1,000, Rs.1,200 crores in terms of?

Deepak Maheshwari: It can be similar to what we have right now. So, in this particular quarter, in the half year we have had around Rs.2,884 which course has a significant amount of 400 odd crores of working capital which is unlikely that we will be able to reduce it to the same extent but if you were to look at 2400 and then with the cargo number that we have of around just sort of 100 million and when we go to 250 then you can just scale it up accordingly.

Nishant Chandra: Okay, got it because the EBITDA to FCF conversion for the full year is quite high, right, from let say Rs.8,000 to Rs.8,500 you are having effectively about Rs.2,500 to Rs.3,000 crores of delta there, of which Rs.1,000 crores itself would just be tax right cash tax payable. So and then CAPEX guidance that everyone is about Rs.2,000 crores so I'm just trying to understand why the FCFs conversion is so high this quarter and is it steady state?

Deepak Maheshwari: No, so in this particular quarter what we have also seen in there are significant reduction in the working capital. So, there is around 500 odd crores of tightening on the working capital cycle because of which our DSOs have come down. As, I mentioned in my statement, if you want to adjust for that, then you would see the numbers to be slightly different. But that's our endeavor, our endeavor is to assess and put those numbers out into the market so that you also know that this is how we are benchmarking our own performance. And to see that there is a higher level of conversion of FCF from EBITDA.

Nishant Chandra: Understood and any articulation, incremental articulation around distribution of cash, cash flows to the equity shareholders?

Deepak Maheshwari: Incrementally nothing new than what we have already mentioned. Because we do have a shareholder return policy, which is well articulated as is there are on our website and you and I, we have referred that earlier as well. Same line at this point of time, we do need to see as to how are the overall net debt-to-EBITDA pans out and basis that the board should be in a position to take a call as to whether there could be an incremental dividend.

Nishant Chandra: Okay, got it understood, because historically the existing distribution policy was articulated when the FCF generation was expected to be in the Rs.2,000 or Rs.3,000 crores mark. Now, the numbers meaningfully increased. So, I thought I'll just check if there's been there. This looks very good, thank you.

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

Vibhor Singhal: Sir just a small question which I have that is, we have guided to a SEZ net port income of around 800 to 1,000 crores, first half 20, Rs.21 to Rs.30 crores of income. So, while setting some large tractions to take place in the second half of the year which should begin us to guide for such a high jump in the SEZ income?

Deepak Maheshwari: No, as we have always been saying that, we have projects in pipeline for the next five years and so we do expect, we are expecting in H2 one of the projects that we have been working on to materialize in H2 of FY21 and we do expect 800 crores of income to, revenue to be generated out of that.

Vibhor Singhal: Okay, so that's it for, that one single projection basically enables us to achieve that number that we have?

Deepak Maheshwari: Yes.

Moderator: Thank you very much. Next question is from Amish Shah, from Bank of America. Please go ahead.

Amish Shah: So, first is just a clarification, so Deepak you mentioned in your comments that the cash is gone up from around Rs.7,500 crores to (+11000) crores, I didn't really get that. Can you please explain that Deepak?

Deepak Maheshwari: No. So the cash balance is Rs.9,995 that we have certain investments in FDs, which is around Rs.1,500. So, if you add the two up, it will get to that number.

Amish Shah: So this is the number as of September or this is?

Deepak Maheshwari: This is the number as of 30th of September because that's the balance sheet date.

Amish Shah: Okay, got it. And the second one was in conversations with the government, we do pick up that they are trying to come up with a policy on port led industrial development. In that context, is it possible to share any plans around the last 13,000 hectares of land bank that we have across ports?

Karan Adani: We are actively working with both government of India and government of Gujarat to see what was new investments can come not just in Mundra, but whether it's in Mundra, Dhamra or in Krishnapatnam. As of now, if you see most of the projects over there are long drawn in nature. From immediate perspective, as you know that we have signed an agreement with Hindustan RRL which is Hindustan Petroleum Rajasthan Refinery and they will be setting up tankages over there and in Mundra and for that we have leased approximately 300+ acres over there if I'm not wrong. So, that is something which is there immediately, but we continuously continue to work on various industries, which could look at port based development, I just want to add over here is that, there is also discussion going on which where we would allow domestic industries for domestic purposes to be set up in SEZ, there is a policy discussion which is going on, if that happens that will further accelerate development in SEZ.

Amish Shah: Got it so coming quickly on that, do you mean that there will be some tax benefits for unit set up under the SEZ even if they are meant for consumption?

Karan Adani: So, right now there is issues of people who want to serve the Indian market they can't set up in SEZ, they need to be net foreign exchange earner. So, all of those things will go away, tax benefit and all they will give whatever they are giving to a normal industry which is setting up within the country.

Amish Shah: Got it and Karan maybe too early, but the production link incentive scheme that we saw for mobiles and the announcements from Apple and Apple's contract manufacturers and Samsung on the back of that either in terms of volumes or in terms of them wanting to set up manufacturing facilities, either does that benefit us in the near term, near term as in over a period of two, three quarters, if you could give some color on that too?

Karan Adani: Due to the electronic manufacturing which is like these Apple products and Samsung products, they are more suited to be near the consumption area the manufacturing is best suited to be near the consumption area rather than a port facility because of two reasons. One, they don't occupy too much of space and two, they need their logistics cost after production that needs to be at the cheapest level. So from that perspective, they are better off we've seen that they prefer to be in Bangalore or Bombay or NCR region. For port, it is more of a large-scale industry which requires large format of logistics movement.

Moderator: Thank you very much. Next question is from the line of Ankit Gupta from Fidelity International. Please go ahead.

Ankit Gupta: So Deepak if you can just help me with free cash flow number, you mentioned around Rs.2,884 crores, so can you just tell me what is the cash interest expenses for the first half along with the cash taxes, which was credit for the first half.

Deepak Maheshwari: Yes, so the Tax is Rs.360 crores, interest expense is Rs.635. interest and the CAPEX number Rs.905 crores.

Ankit Gupta: Sorry sir around Rs.600 crore will be cash interest expenses?

Deepak Maheshwari: That's right.

Ankit Gupta: And what will be the cash taxes paid?

Deepak Maheshwari: Rs.359 crores.

Ankit Gupta: And I believe you mentioned that there was a working capital inflow of 500 crores am I right?

Deepak Maheshwari: That's right. We can give you the details if you really want to discuss it offline, we can do that.

Moderator: Thank you. Next participant is Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Just one clarification. So these Rs.8,000 to Rs.8,500 crores of EBITDA guidance, does it include other income or a part of other income or is it pure operational EBITDA that you are referring to what?

Deepak Maheshwari: This is pure operational EBITDA, but it's a combination of both EBITDA and all logistic EBITDA and SEZ EBITDA so all our operating EBITDA.

Moderator: Thank you very much. Next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: My first question is on logistics segment we have highlighted that we have some sent some goods. So, can you highlight a bit more on this and also like did we get benefit of haulage discount which is Indian Railways talked about, the haulage discount which Indian Railway has talked about haulage cut of 5% during the quarter in August onwards, we had like a 5% cut in haulage. So did that all benefit and how is the industry discounts going on and in general what was the reason for like cutting on some routes which you have talked about.

Deepak Maheshwari: Sure, just give us a minute. It's two routes that we have started is Enor to Malur and the second one is from Jamnagar to Mundra for servicing Reliance Cargo these are the two routes where we have pushed more volumes out of through our logistics network. In terms of the 5% haulage that has just helped in terms of to compete with the road transport companies. What has happened is with the lockdown, there's a lot of idle capacity and end of the day not to lose market share. Indian railway had taken a decision to give a 5% discount on haulage which was obviously which was all passed on to the consumers to make sure that they shift continues and the market share gain.

Prateek Kumar: And on Myanmar facility which starts now in March 2021. Can we have some like preliminary expectation what volumes we can expect for FY22 from that project?

Deepak Maheshwari: So, first full year of operation we expect anything between 400,000 to 500,000 TEUs of volume, 0.4 to 0.5 million is what we would, but we can share detailed P&L maybe in December if it is okay, we can share apart from numbers, we can also share the revenue and EBITDA expectations.

Prateek Kumar: And just one last question. On the recent increase in sharp increase in pledge personally for promoters can we have some, we have talked about reducing our pledge directionally lower. But that pledge again seems to go up to 45% and as per the last release, so anything we want to highlight there, how should we look at going forward?

Management: Bala here, so as we had already commented, the founders are very clear that by September 21, they will bring down this founders pledge that they have taken for strategic financing to a very negligible level and we had also commented that there would be some periods when within a bank these will move because of pre alignment of certain securities from long term to short term and you will see that by November end itself, it will start coming down.

Moderator: Thank you very much. Next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir most of my questions are answered just one question you mentioned about the HPCL Rajasthan Refinery, where you mentioned 100 crores as upfront fees, 4 crores as regular fees and then 115 crores is what if you spoke about 115 crores annual 5 million to 18 million, if you could just clarify just for us to model how that revenue line will move?

Deepak Maheshwari: 115 crores is the THC, terminal handling revenue that we will generate out of handling 5 million tonnes of crude and the volumes is expected to ramp up to 5 million in the course two years of operation. And then over the course of year as the refinery keeps increasing. We expect that volume to go up to 18 million tonnes, in the course of next 10 to 12 years.

Pulkit Patni: And the 5 to 18 million ramps up the 115 crores number remains as it is or does that also?

Deepak Maheshwari: Then that also move obviously that will move.

Pulkit Patni: Proportionately?

Deepak Maheshwari: Yes, this will move, that will move proportionately.

Moderator: Thank you very much. Next participant is Manish Agarwall from Edelweiss Financial Service. Please go ahead.

Participant: There are two set of questions, the first one is so, we are actually reading a lot on this container shortage crisis. So, just wanted to ask your thoughts, what is it exactly is it still due to the limited shipping liners calling in India or what really is the case that why there is a dearth of containers?

Karan Adani: That shortages is there because in Q2 if you had seen or specifically to container India had exported more containers rather than importing and generally what happens is India has to shift empties out of the country rather than bringing in empty. So, now with that change happening, there was a shortage and now we are seeing shipping lines repositioning empties into the country. So, generally as a country, we never import empty, but that is the first time that we will have to move in empties, the shipping lines are moving empties into the country. But we don't foresee this as a big problem. This thing should get cleared by mid-November, we will see things looking much better.

Participant: Okay. Sir just one related thing over here. So, the shipping line is raising their tariffs, raising their freights as if this has nothing to do with the shortage, right. That's totally two different things?

Karan Adani: That is two different things because tariffs are increasing because of supply demand, there is more demand than the supply is the available and this is not just within India, but this is a global, globally if you see container shipping lines are having one of the best quarters.

Participant: Got it. Sir secondly, you added two new services Hindustan and Middle East leader so what is the potential over here, what has been over to the number that we are looking at for FY22 on a full year basis?

Deepak Maheshwari: That both services will add 40,000 TUEs per annum.

Moderator: Thank you very much. Ladies and gentlemen, we'll take the last question from the line of Ashish Shah from Centrum Broking Limited. Please go ahead.

Ashish Shah: So, my first question is on the container mix, we see that a lot of growth is coming from CT4 and CT3. So would transshipment as a mix have substantially gone up or this is essentially EXIM cargo that we are getting at CT4 and CT3.

Deepak Maheshwari: So, transshipment volume has remained as percentage of our volume has remained more or less flat, it has remained at 18% of our total volumes. The growth in CT4 and CT3 is happening is because MSC and CMA both shipping lines as growing at a substantial fast pace.

Ashish Shah: Okay, so you wouldn't attribute this very big growth at CT3 or CT4 to really transshipment?

Deepak Maheshwari: This is mainly because of Exim volume growing for both these shipping lines.

Ashish Shah: Sure. And lastly if you can spend a minute on this Ennore we have seen some would have imposed and we have may document in the no show accounts. So where exactly we stand there and just if you can explain the matter?

Deepak Maheshwari: Sure. So Ennore as part of the concession, we had to build a second phase, which is to be expanded by another 300 meters of berth length. Due to COVID, we had taken up with the port authority to push the development for another two to three years because we don't see more volumes coming in right now in that region and because of COVID we do see the ramp up of volume, which was earlier anticipated when the bid had come out versus what is actually happening. There is a difference in the growth rate over there, so because of that we have requested for shifting the construction timeline. Obviously, being a government entity they can't take a decision unless it goes into arbitration. So we have moved into arbitration for seeking relief on these counts.

Moderator: Thank you very much. I will now hand the conference over to Mr. Mohit Kumar from DAM Capital for closing remarks.

Mohit Kumar: Thank you everyone for your participation and thank you Adani Port for giving us the opportunity to host the call. Karan, would you like to add any closing remark?

Karan Adani: Thank you, everybody for your support and joining the call. Bala and the team is obviously available for any questions or clarifications that any of you have and thank you all for joining. Thanks a lot. Bye.

Moderator: Thank you very much. On behalf of DAM Capital Advisors Limited that conclude this conference. Thank you for joining us, you may now disconnect your lines. Thank you.