



“Adani Ports and SEZ Q3 and 9 Months FY20 Earnings Conference Call”

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**MANAGEMENT: MR. KARAN ADANI – CEO AND WHOLE TIME DIRECTOR, ADANI PORTS AND SEZ.**

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**MODERATOR: MR. GIRISH ACHHIPALIA – MORGAN STANLEY INDIA**

**Moderator:** Ladies and Gentlemen, Good Day and welcome to Adani Ports and SEZ Q3 and 9 months FY20 Earnings Conference Call hosted by Morgan Stanley India. 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 '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Girish Achhipalia from Morgan Stanley India. Thank you and over to you, sir.

**Girish Achhipalia:** Hello and Good Evening everyone. On behalf of Morgan Stanley India I welcome you all to Adani Ports and SEZ Q3 and 9 months FY20 Earnings Conference Call. From the senior management we have with us Mr. Karan Adani – CEO and Whole Time Director as well as Mr. Deepak Maheshwari – CFO and Head of Strategy. I request Karan to make his opening remarks followed by Deepak following which we will have a Q&A session. Thanks and over to you Karan.

**Karan Adani:** Good evening, welcome to the conference call of Adani Ports and SEZ Limited to discuss operation and financial performance for 9 months ended December 2019. During 9 months FY20 we achieved a throughput of 165 million metric ton translating into a year-on-year cargo volume growth of 8%. It is against 5% cargo volume growth registered by all India ports. In container APSEZ handled at 4.63 million TEUs registering a growth of 8%. This is against 4% growth container growth by all India Ports. The consistent outperformance reflects our resilience and our ability to grow across all our operating ports. For the 9 months ended December 2019 while operating revenues grew by 14% consolidated EBITDA grew by 15%. Consolidated EBITDA margin expanded by 100 basis points to 66%. Port revenue and EBITDA during the same period grew by 11%. Port EBITDA margin continued to be at 70%. Deepak will later take you through the other details of the financial numbers.

Coming to update on acquisition Krishnapatnam acquisition is on track and

expected to be completed in Quarter 1 of FY21. The equity portion of Rs. 5,520 crores will be funded through internal accruals and existing cash balances.

Let me now share some updates on operational assets:

In Quarter 3 FY20, Mundra LPG handled volumes of 100,000 tons. In Quarter 4 FY20 we expect Mundra to handle additional 150,000 tons of LPG. I am happy to inform that Mundra LNG terminals with a capacity of 5 million metric tons has commenced operation in January 2020. In Q4 of FY20 we expect Mundra to handle 300,000 tons of LNG. Coming to Dhamra port, Dharma port in the 9 months of FY20 registered cargo volume growth of 44% thus surpassing full year FY19 cargo volumes of 21 million metric tons. Increase rate availability enabled Dhamra port to handle higher cargo volume while Adani Logistic Limited operated 147 rakes under GPWI from Dhamra port average rake availability in Q3 FY20 has also increased from 15 rakes per days to 20 rakes per day. The port continuous to focus on adding new types of cargo namely gypsum, fertilizer and clinker imports which are handled through road.

Coming to update on Mundra port for 9 months FY20 Mundra port registered a cargo volume growth of 3% this was on account of higher coal volumes handled for APL and CGPL. The growth at Mundra would have been much higher, but for lower crude volume. HPCL and IOCL imports were lower which led to lower crude volume. In Quarter 3 FY20 at Mundra we have added 5 new services which will add 230,000 TEUs annually. On logistics Adani Logistics is on track toward its goal of expanding logistic footprint across India meeting multimodal logistics parks, warehousing, rail network and distribution. Rail volumes handled by ALL in 9 months FY20 registered a year-on-year growth of 111%. Rail volumes increased due to addition of new rakes realignment and adding new routes.

Revenue in 9 months FY20 grew by 56% and EBITDA grew by 186%, EBITDA margins increased from 15% in 9 months FY19 to 27% in 9 months FY20. Adani Logistics Limited is on track to operate 60 plus rakes by end of FY20. It is currently operating 56 rakes which includes container rakes, rakes

under GPWI, Green Rakes Under Own Your Wagon Scheme and an auto rakes. Coming to the operations of Adani Agri Logistics Limited it handled 0.92 million metric ton of cargo in 9 months FY20 and is on track towards the target of 1.3 million metric ton in FY20. Currently Adani Agri Logistics has 8 Silo unit under implementation. In Quarter 3, FY20 Adani Agri Logistics Limited participated in a tender floated by UP State government for 3 more locations for an addition of 150,000 metric ton capacity. With commissioning of Malur Logistics Park in Q3 FY20 ALL now operates 5 logistics park. It is also developing a logistic park in Nagpur and warehouses at Kattupalli, Taloja and Mundra which will be commissioned in H1 of FY21.

To conclude APSEZ with Pan India presence has been continuously outperforming Indian cargo volume growth. In FY20 we expect to achieve cargo volume of 224 to 226 million metric ton. Revenue growth of around 13% and EBITDA growth of around 14%. We expect cash flow from operations after change in working capital investing activity to be in the range of Rs. 2,250 crores. Now I request Deepak to take you through the financial numbers.

**Deepak Maheshwari:** Thank you Karan for the introduction. During 9 months FY20 operating revenue grew by 14% to 8,952 crores from Rs. 7,843 crores in 9 months FY19 on back of 11% growth in port revenue and 56% growth in logistics revenue. Consolidated EBITDA grew by 15% to 5,921 crores on the back of all around growth in port revenue, logistics revenue and port led developmental. Consolidate EBITDA margin expanded by 100 basis points to 66% in the 9 months FY20. APSEZ were developing to Dhamra LNG terminals and its agreements was entered with Total for development of the project. Few conditions which were to be completed are now completed and thus resulting in recognition relating to port and terminal, infrastructure development during this quarter. Depreciation in 9 months FY20 has increased by Rs. 213 crores due to capitalization of assets at Mundra, Dhamra and Kattupalli in addition to the logistics business.

During 9 months FY20 interest cost increase because of increase in gross debt from approximately 24,500 crores in Sept 2018 to approximately 31,200 crores in Sept 2019 which includes US\$ bonds for capital expenditure and rupee

financing for acquisitions and increase in one-time issuance and prepayment expenses. Healthy growth in cargo volume operating revenue and EBITDA have resulted in PBT increasing by 13% to Rs. 3,987 crores and PAT increasing by 27% to Rs. 3,439 crores in the 9 month period for FY20. Let me give you a short update on Dighi and Myanmar port. In Dighi post the selection of APSEZ a successful bidder proceedings at NCLT and NCLAT are underway for Myanmar the construction work has commenced and we are on track to complete phase 1 in FY22.

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

**Moderator:** Thank you very much sir. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Mohit Kumar from IDFC Securities. Please go ahead.

**Mohit Kumar:** Sir, my two questions firstly on the crude the Mundra volumes are impacted by the decline of crude oil volumes from HPCL or IOCL, sir has it recovered in the January and how do you see the key for planning out and are you fairly confident of meeting this bottom line of guidance?

**Karan Adani:** Crude volumes, at the least we expect IOCL to close around 7.5 to 8 million tons and HMEL to be closing around 11 million tons by end of this year. We are very confident in terms of reaching our target of 224 to 226 that is why it is such a narrow gap that we have given.

**Mohit Kumar:** And sir second is what is the status of Dighi port acquisition do we expected to get finalized by March?

**Deepak Maheshwari:** Right now the matter is in NCLT. I think safely said it would happen in first quarter of next year if it does happen.

**Mohit Kumar:** So last year the Mundra LPG you have commission in this quarter, sir is there any guidance in terms of volumes or FY21 from this particular terminal which you can provide?

**Karan Adani :** Q4 FY21 we expect around 1.5 million tons of LPG volumes because we are just about to sign 2 agreements 1 with HPCL and other with BPCL. So we

would be expecting next year to be around 1.5 million tons.

**Moderator:** Thank you. The next question from the line of Prateek Kumar from Antique Stock Broking.

Please go ahead.

**Prateek Kumar:** I have few questions firstly regarding this SEZ income, so we have reported like slightly higher margins like hover 90% in this segment in this quarter versus generally 70%, 80% I am saying so any specific additional income there?

**Deepak Maheshwari:** So the SEZ income includes the income which is relating to the fair value gain from the agreement with Total which is if you see the Note #5 the 434 crores so that is included in the SEZ income because that is all relating to infrastructure and port led development.

**Prateek Kumar:** So most of the top line has got converted into EBITDA like no construction of land development cost I mean no material and land development cost has been factored there?

**Deepak Maheshwari:** But that is all factored into the value itself.

**Prateek Kumar:** And sir in logistic segment your top line I mean I understand this quarter you integrated B2B logistics also I mean you integrated towards the end of last quarter, so this quarter should have full impact of that despite that your top line has dip quarter-on-quarter and your margins also has slipped versus first half of FY20, any specific things to read there?

**Deepak Maheshwari:** So we can look at the data once again, but overall from a 9 month perspective if you were to look the AA the overall logistic business as you have become 677 crores in revenue where ALL has been around 500 and B2B has also been around in the range of around 100. So the integration for B2B is in full swing so you will see the full benefits of that coming through in this quarter.

**Prateek Kumar:** And regarding margins have also slip because these are I mean ALL is the higher margin segments, but despite that in Q3 margins looks slower?

**Deepak Maheshwari:** So the overall margin is in the range of around 27% and the EBITDA from

AALL is around one-third which has a higher margin. So on the whole if you were to look at the margins which are coming from the logistic business that would be in the range of around 17% to 22% depending on whether we are looking at B2B or ALL. So it is largely in the same range of around 20 odd percent for the pure logistics business.

**Prateek Kumar:** One question on your other volume segments so we have reported like 35% growth in that segment in fact on a quarter-on-quarter basis also the volumes looks quite stable or I think growth there also, so the specific categories are contributing to growth here and I mean what are the per ton margins here versus like let us say how it plays versus coal and container?

**Karan Adani:** The volumes that we were talking others is fertilizer, iron ore, clinker, gypsum and minerals like bauxite and bentonite. Generally the margins are in per ton basis they are very similar to coal. So they should be there is actually no difference versus us handling those versus coal.

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

**Vibhor Singhal:** Sir, my question was broadly on the overall trading volumes in the cargo growth that you see specifically for Mundra and also for the overall portfolio that we have, now given the global weakness that we are looking as well and of course the global trade volume that is impacted, how do you see FY21 playing out in terms of cargo volume growth and maybe some commentary on where some growth come us I know we will probably be always benchmark ourselves for the growth for the overall Indian cargo growth, but how do you see the overall cargo growth for ourselves as well as India?

**Karan Adani:** Vibhor to be honest it is very difficult for us to comment on that right now because we are itself going through the whole process of assessing how the economy is going to behave in the next 6 months to 1 year and what are the impacts that global trade will have if there is any. What we can assure you and the guidance what we can give is that we will continue even next year our volume growth will be one and half times that of the India's trade and on overall basis and container we would continue to be 2x that of total container

growth in the country. So we are not changing that guidance, but exact growth number I think it is too early for us to tell you right now for next year maybe I think May is the right time for us to tell you exactly what would be that sort of guidance.

**Vibhor Singhal:** Appreciate that, but I was not looking for a number per se I was looking for more a decisional kind of a thing, so does not even say your discussions with various clients and various shifting lines does not that also that give you a sense on the same directionally there is going to be more optimistic or negative or maybe slightly weaker or stronger than the current scenario?

**Karan Adani:** I think everybody is grappling with the answer to that what you are asking. I think to be honest genuinely to give you a sort of an intelligent answer it will take us another month and half to come back and tell you directionally whether it is going to be 6%, 8%, 10%, 4% I mean it will be very hard for us to tell you right now and I am sure you will appreciate that some of the situations are very evolving in nature it is very difficult for us to put our hand out and say this is where things are going to land. So as Karan mentioned we have always benchmarked ourselves as compared to how we see the overall market growing and you would see that in a numbers in this particular quarter and for this particular 9 month period as well where we have been in the same range of around 1.5 to 2 times overall growth in the market and our business is a resilient and we think that we will be able to maintain the same and we are still continuing to maintain our EBITDA margins.

**Vibhor Singhal:** Sir, just last question from my side can I have the gross debt number at the end of the quarter at the console level?

**Deepak Maheshwari:** So as you know that we do not typically end up giving the gross debt numbers or net debt numbers at any quarter that is typically given only 6 months, but broadly to say that our debt levels and the net debt levels are in the same range and what we had said in September.

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



**Swarnim Maheshwari:** Sir, maybe a tough one, but just wanted to understand are we facing some disruption in the current container volumes due to this coronavirus outbreak and also if you can just quantify what is the percentage of volume that we will handle from the vessels originating and from the Chinese ports?

**Karan Adani:** The impact of this coronavirus I think on the overall trade and specifically to us I think so far we have not faced that impact, or we have not seen that impact coming in. Again how much will it be on a shorter term that is 3 to 4 months I think it will take us at least one month to understand how the China is reacting to this. In terms of our total volume for APSEZ our volume is less than 4% which is originating from 4% of container volumes sorry not 4% of overall volume 4% of container volume is what is originating directly from China. So we so far all the ship we have been talking to all our customers shipping line we have not seen any realignment or any impact because of this thing as of now and we do not foresee it till March at least till March the guidance what we have given that has taken all of this into account.

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

**Ankit Panchmatia:** Sir, if I did right I believe that the debt number were close to 31,000 crore as on December, sir just to get your view that if we kind of incorporate Krishnapatnam acquisition as well, what are we targeting for FY20 exit that rate or exit that levels which we have in mind?

**Deepak Maheshwari:** First of all I think we did not give out a gross debt number, so I just want to correct there what we have said is that we are largely in the same range on the net debt basis. If you were to look at our overall plan from a Krishnapatnam perspective we have said that Krishnapatnam will largely be funded from the cash accruals that we have in our business and we have the same discussion and we have explained our financial strategy to all the rating analyst and you would have seen that all the rating analyst have continued with the same rating and with a positive outlook for us. What we do expect is that as we implement Krishnapatnam acquisition and the overall EV to EBITDA of an

acquisition before it would logically include the equity value as well is going to be higher than our debt to EBITDA. So we would fall for a brief period end of with debt to EBITDA number which is higher than our typical debt to EBITDA which is in the range of 3 to 3.5, but having said that we are very minded that we should by the end of the next financial year come back to the same debt to EBITDA and we continue to believe that the right optimal structure for our business from a long term perspective is to maintain the strong investment rating that we have and we will maintain our leverage ratios and our financial ratios in order to be able to continue with that strong rating.

**Ankit Panchmatia:** Sir, any ballpark exit debt number could be much of a help for us maybe according to you?

**Deepak Maheshwari:** Sorry could you repeat that question.

**Ankit Panchmatia:** Any ballpark number of debt levels for exit of FY20 would be much helpful for us according to your rough estimates?

**Deepak Maheshwari:** The thing is it also becomes a function of when Krishnapatnam gets consummated and so we are as Karan did mentioned that it is likely to take place in Quarter 1 of the next financial year, but we are trying to see if we can do it in this part of the year else it becomes a little more trickier to give the debt number.

**Ankit Panchmatia:** Sir any rough estimate of size of Dighi port acquisition what could that be any ballpark number on that side?

**Deepak Maheshwari:** So from a Dighi port perspective we have put in the bid at around 650 odd crores and so the cost of acquisition of Dighi port will be 650 crores.

**Ankit Panchmatia:** Sir, this long term guidance which we are talking about of 400 million metric tons this includes our KPCL estimates as well or these are they should be adding or building up on this 400 MMT target which we have set?

**Deepak Maheshwari:** No, the 400 target was without KPCL if you see the presentation that we have just sent out with KPCL now instead of 400 our numbers coming to around 425,430.

**Ankit Panchmatia:** And sir any update regarding your view of this new coal mining licenses and tweets which are being made regarding coal mining, so do we see the import steadily getting lower than domestic coal trying to offset those imports?

**Karan Adani:** No so I think if you see and as what we have always been saying that on a steady state we would still expect country to import around 120 to 130 million tons of thermal coal because there are power plans on the coastal side which would be beneficial for them to run on imported coal and second even with the domestic coal coming in there will be a mixing of high value international coal whether it is South African, Indonesian or Australian coal that will happen. So even on a steady state basis we would expect 120 million tons to be there as a worst case scenario which we had shared in our when we did the 400 million tons presentation in that we had taken the worst case scenario.

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

**Ashish Shah:** First question is on Kattupalli we have seen a good growth in the cargo however the margin has actually come off, so anything particular to read there

**Deepak Maheshwari:** So as you can see that the overall volume in Kattupalli has increased from 6.53 to 8.01 so which is at 23% increase in the overall cargo volume in Kattupalli then there is a onetime expenditure which is relating to the RFID cost side. So there is an RFID cost over the cost nine months which is costed us around 7.2 crores and the same thing on the revenue side only adds up to around 7.6 so to that extent it impacts the overall EBITDA margins, but if you see on a 9 month basis we are more or less in the same range in terms of the margins. The reason for this quarter would be it is a onetime expense it is not any structural changes.

**Ashish Shah:** Sir, my primary question was that there has not been any change in the mix or anything like that I mean the mix is what it was there could have been some of the factors why the margins is lower. So we should see this margin go back to let us say we were at?

**Deepak Maheshwari:** Yeah you should see Kattupalli to be ending around 59%, 60% is what you

should expect.

**Ashish Shah:** Sir, secondly on Dahej obviously the port cargo has been impacted because of the coal lower coal imports and all, but any medium term outlook you have in terms of what you want to do with the assets because the volume there is not stabilizing and we were looking at adding some more cargos streams, but despite that the volume is not really stacking up that?

**Deepak Maheshwari:** Sir, to be honest the way you should look at Dahej is along with Hazira especially for bulk because we Hazira and Dahej to interchange cargo looking at where we would get profitability as well as where we would look at where we can manage excess flow of cargo without incurring additional CAPEX at either of the ports. So the way we look at it is Hazira and Dahej are especially for bulk they are quite fungible in terms of where you want to move that volume. So we would continue to do that keeping in mind where we get the maximum value from the customer and where we can if we are seeing any congestion we can divert the cargo without losing it to competition.

**Ashish Shah:** So would we expect this level of cargo to grow from here or the way it is probably going to be at roughly 2 million tons a quarter or about 8 million, 9 million annually or do you see it at some point going to 12, 15 million ton?

**Deepak Maheshwari:** I would say that we would expect Dahej to be around 9 to 10 million not more than that.

**Ashish Shah:** Sir, lastly we have spoken about some four shipping lines getting added at Mundra, so what are those shipping lines and what is the nature of the cargo is it EXIM, is it transshipment?

**Karan Adani:** It is all EXIM cargo, Bala \will give you more details in terms of which are the customer and which are the routes, but it is all EXIM cargo there is no transshipment over there.

**Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.

**Ankita Shah:** Sir, I had a question on the other income number which has been high for the first 9 months at around 1,400 crores versus last year already a high number at

1360 crores, so is this number how this number is likely to shape up going forward and what is it that we can read into this?

**Deepak Maheshwari:** So this number as you are probably aware we have been way certain amount of liquidity we have created it because of the acquisition which are planned and hence that other income is slightly on the higher side because of the investments that we have made keeping our cash position and our liquidity in order to make the acquisition you should expect that this number would reduce going forward in the next year as we complete the various acquisitions that we have currently planned.

**Ankita Shah:** So could it go back to 1,000, 1,100 crore kind of range that was there earlier that would be a safe number to assume?

**Deepak Maheshwari:** For the next year perspective yeah it would start declining in any case because we would not be keeping the same amount of cash and once we complete the Krishnapatnam acquisition then we should expect the numbers to come down to the numbers that you indicated.

**Ankita Shah:** And the cash outgo for Krishnapatnam will happen in Q1?

**Deepak Maheshwari:** Most probably we are waiting for CCI approval so once the CCI approval is through we will be closing the transaction.

**Ankita Shah:** And how is the snowman logistics acquisition update on that front?

**Deepak Maheshwari:** Snowman logistics we are expecting to buy the promoter stake by end of this month February end and the whole transaction will be closed by March end. By March end we would expect the open offer as well. So we are currently waiting for the letter of offer to be cleared by SEBI and once that is done then you start implementing the various steps, but we are expecting it in short order.

**Ankita Shah:** Sir, would you be able to share the total volumes handle by Adani Logistics by any chance?

**Deepak Maheshwari:** You want the rail volumes.

- Ankita Shah:** The total volumes if you can break it up in rail and other cargo?
- Karan Adani:** The total rail volume for 9 month is 232,983 TEUs I think we will send it to you separately if it is okay.
- Ankita Shah:** And also even I had that question on the QoQ decline in the topline and margin for Adani Logistics business, so if you could just kind of help us consolidate the numbers in terms of segment wise amount so that we can exactly see where there could have been a miss in the numbers?
- Karan Adani:** I think we can send you that whole thing separately if it is okay we will give you in terms of ALL AALL, B2B so we will give you break up of that so that will give you an idea and just to answer your question about terminal TEU the terminal TEUs for the 9 month period is 247,411.
- Ankita Shah:** And how does this stack up in terms of YoY just a growth number if you can share?
- Karan Adani:** So if you see Patli which is our biggest terminal that has grown from 110,000 TEUs to 145,000 TEUs so that is a 31.6% increase and overall including what we have started in Mundra and what we have acquired from B2B that will go up to an increase of around 39%.
- Ankita Shah:** Sorry for my ignorance, but which is your biggest terminal?
- Deepak Maheshwari:** Patli.
- Ankita Shah:** Our CAPEX continuous as per guidance no change there?
- Deepak Maheshwari:** Yeah no change.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking.  
Please go ahead.
- Prateek Kumar:** Sir, can you give more precise guidelines for commissioning of Myanmar port and Vizhinjam port?
- Deepak Maheshwari:** I think for Myanmar it continuous to be in the same construction on Myanmar

is continuing and our CAPEX as we have indicated in the past continuous to be in the same range and the precisely we think that we are trying to get one quarter in the year after, but as we had said we will complete everything in 24 months and so we will start in FY22.

**Prateek Kumar:** So it is first quarter FY22?

**Deepak Maheshwari:** First quarter FY22 or last quarter of FY21, but FY22 is what we have...

**Prateek Kumar:** Full year of impact.

**Deepak Maheshwari:** Yes that is right.

**Prateek Kumar:** And sir the Vizhinjam Port?

**Deepak Maheshwari:** Vizhinjam port would be by end of calendar year 2022 the phase one.

**Prateek Kumar:** End of 22.

**Deepak Maheshwari:** December 2022.

**Prateek Kumar:** Also it is FY24?

**Deepak Maheshwari:** FY23 because in December 22.

**Prateek Kumar:** Full year of impact like FY24?

**Deepak Maheshwari:** Yeah.

**Prateek Kumar:** And just one question on how much is the equity investment in this Myanmar port we have like I mean excluding debt?

**Deepak Maheshwari:** We do not fund on a project finance basis and hence it is no specific debt to equity for any of the 100% subs that we have. It is financed on a corporate basis, so it is completely finance out of the debt or the cash flows that we have at APSEZ. So there is no specific debt equity for that particular project and if I may just help you there the total amount of money that we plan to spend on

Myanmar in this particular year will be in the range of around 1,000 crores and a similar number for next year.

**Prateek Kumar:** And in this quarter we have like other income has remained higher like interest expense has fallen like around 17% quarter-on-quarter you said the net debt number roughly the same, so the gross debt has dipped to that extent?

**Deepak Maheshwari:** That is because if you go back to what we had announced at the end of the September quarter there were also one-off which were coming in the interest expense for that particular 6 months period which were arising from the premium that we had to pay when we refinance the US dollar bond.

**Prateek Kumar:** So that was part of September quarter's the interest expense?

**Deepak Maheshwari:** That is right.

**Prateek Kumar:** And for SEZ income for full year we continue to expect it 800 to 1,000 crore number for FY20?

**Deepak Maheshwari:** Yes that is right we continue with the guidance with the earlier guidance.

**Prateek Kumar:** There is some question on budget so any takeaway would you have from budget for like port sector or your company?

**Karan Adani:** To be honest we are just focusing on our results right now so maybe we can do that offline informally.

**Moderator:** Thank you. The next question is from the line of Lokesh Garg from Credit Suisse. Please go ahead.

**Lokesh Garg:** I just wanted to ask you basically I am reading the notes to accounts and Note #6A there is mention of a contract settlement with a customer, can you give a background to this as to what this is probably the note which was earlier carried with 200 crore advance received from this customer and now there is some settlement which has happened, can you share background to this?

**Karan Adani:** This is the dispute that APSEZ has been having with Mundra LNG terminal. So that is GSPC and this is against the port infrastructure that we have



developed for them and the amount payable over there. So right now we have reached we have agreed to go into an arbitration and part of that payment if they paid 333 crores right now and they would be paying another 333 crores in next one month time and the remaining amount will be going into arbitration with GSPC. Meantime you have commissioned the terminals so that the volume starts flowing into the port.

**Lokesh Garg:** What is the remaining expectation amount in this case?

**Deepak Maheshwari:** It is hard to say it is a matter for arbitration it is hard for us to tell you what will be the remaining amount or we can say that our claim is another 800 crores on top of what we have got 1,200 crores.

**Lokesh Garg:** 1,200 crore over but we have got already this is for the port infrastructure charges that you had to charge this customers?

**Deepak Maheshwari:** So this is what our claim is now let us see where the arbitration comes once we start the arbitration proceedings we have to see where we reach this is our claim I am just clarifying this is our claim.

**Lokesh Garg:** And 1.5 million ton that you shared earlier in the call is LNG volume right?

**Deepak Maheshwari:** That is LPG volume.

**Lokesh Garg:** Because LNG is also commission now if there is a guidance and purpose.

**Karan Adani:** LNG would also be around 1.5 million ton.

**Lokesh Garg:** And are there contracts for that which are already giving visibility to that?

**Karan Adani:** No, this is what guidance we have got from GSPC I am just sharing that directly.

**Lokesh Garg:** One question which I wanted to ask you which is related to a long term presentation earlier when you had shared this in August let us share 400 million ton, but at that point of time it was x of Krishnapatnam. Now inclusive of Krishnapatnam we have revise it to 429 by far as I remember FY25 projection of Krishnapatnam was probably closer to 50-55, so why is there

some kind of pull back you are seeing through Krishnapatnam?

**Karan Adani:** That is predominantly because we would have realigned the Kattupalli expansion keeping in mind now Krishnapatnam coming here.

**Lokesh Garg:** So you have pulled back Kattupalli container thermal expansion?

**Karan Adani:** Not container, but the bulk expansion we would definitely not do right in Kattupalli since we already have now Krishnapatnam.

**Lokesh Gargh:** And the details of Mundra volumes for Q3 as well as 9 months in containers seem to suggest that CT3 which MSC JV seems to have gone down meaningfully what is happening and when can we recover from this?

**Karan Adani:** The degrowth is mainly in transshipment volume not in the EXIM. EXIM volume has been going quite substantially actually. So what we are seeing degrowth is only on the transshipment because of transshipment volume falling off.

**Lokesh Garg:** So why is it happening is there a recovery from it?

**Karan Adani:** No, it is basically realignment at the shipping line.

**Moderator:** Thank you. The next question is from the line of Amish Shah from Bank of America. Please go ahead.

**Amish Shah:** You know LNG, LPG you did speak about 1.5 million tons of volumes near term, but I just wanted to understand that given the recent gas licenses awards over a long term does that help that side of the business?

**Karan Adani:** Sorry Amish can you repeat that?

**Amish Shah:** So in the near term you have given the guidance of 1.5 million tons of volumes for LNG and LPG, but over a long term I just wanted to understand that given the recent large gap distribution licenses being awarded by the government how does it help that side of the business?

**Karan Adani:** So as you know that LPG terminals capacity 3.2 million ton and LNG

capacity is 5 million tons so obviously with the recent announcement so we would look at fast tracking the utilization of both those terminals.

**Amish Shah:** But I just wanted some understanding that is there some direct correlation that we can draw that once these license has come online, does the volume definitely go up and does it benefit our ports?

**Karan Adani:** See to be honest more than the city gas distribution you have to keep an eye on the commissioning of the fertilizer plans and the conversion of the refineries from naphtha to gas. I think you need to keep an eye on those. So the day those conversions happened and those projects are commissioned the jump in the volume will be much higher than what you will get out of LNG and LPG business.

**Amish Shah:** Secondly you know in this quarter third quarter FY20 if I look at the Mundra coal volumes excluding for Adani Power it seems like a YoY decline, so is there again just some coal realignment amongst your western side ports like Dahej and Hazira or is the coal volume in the near term coming off?

**Karan Adani :** No I think it is a little bit of realignment between Tuna and Mundra especially on the trading coal not anything else.

**Amish Shah:** So as a full year basis it is not as if we have to budget for a declining trend of coal volumes into the country?

**Karan Adani:** No.

**Amish Shah:** Is the Dhamra rack availability issue completely behind us or have we maximized on the rake issue or are there more rakes that we will probably add in the own your wagon policy and maybe the volumes can scale up there?

**Karan Adani:** No, we will definitely look at adding rakes over there I would not say that rake issue is I mean rake adding new rakes is behind us. We will keep definitely look at adding more rakes over there and availability wise right now touchwood we are averaging 17 rakes in Dhamra and I so far at least till March we are not seeing any issues over there and even next quarter I mean next year also we do not foresee any major issues.

**Amish Shah:** The reason I asked is somewhere in the presentation you mentioned that there are some cargo bulk cargo that you have started handling through road, so is it supposed to be by road?

**Karan Adani :** No, it is supposed to be by road.

**Amish Shah:** And then lastly my question is around maybe it is too early, but there is a lot of land parcel or SEZ around your Eastern side post as well like Krishnapatnam, Dhamra, Kattupalli, so is there some holistic planning there that you can share on should we budget for some additional revenue stream through those SEZ land parcel?

**Karan Adani:** I think you should at least in the near term that is in next 2 years you should budget for Dhamra LNG. The remaining right now is we are still in the planning stage and we will come back to you.

**Moderator:** Ladies and Gentlemen that was the last question. I now hand the conference over to the management for closing comments.

**Deepak Maheshwari:** So thank you very to everybody for participating in this call and we look forward to speaking with you and if you have any specific question please do feel free to reach out to either Bala or to Satya and they will be able to help you with any further details that you give. Thanks a ton, bye.

**Moderator:** Thank you very much sir. Ladies and Gentlemen, on behalf of Morgan Stanley India that concludes this conference. Thank you for joining us and you may now disconnect your lines.