"Adani Ports and Special Economic Zone Limited Q3 FY-21 Earnings Conference Call"

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MANAGEMENT:	**MR. KARAN ADANI – CHIEF EXECUTIVE OFFICER & WHOLETIME DIRECTOR, ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED** **MR. DEEPAK MAHESHWARI – CHIEF FINANCIAL OFFICER AND HEAD OF STRATEGY, ADANI PORTS AND SPECIAL ECONOMIC ZONE LIMITED** **MR. D. BALASUBRAMANYAM – HEAD-INVESTOR RELATIONS, ADANI GROUP**
MODERATOR:	**MR. SWARNIM MAHESHWARI – EDELWEISS SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Adani Ports & SEZ Q3 FY21 Earnings Conference Call hosted by Edelweiss Securities 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 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. Swarnim Maheshwari from Edelweiss Securities. Thank you and over to you, Mr. Maheshwari.

Swarnim Maheshwari: Hello good evening everyone. On behalf of Edelweiss Securities I welcome you all for Adani Ports & SEZ Q3 & 9 Months FY21 Earnings call. From the management today we have with us Mr. Karan Adani – CEO & Wholetime Director; Mr. Deepak Maheshwari – Chief Financial Officer and Head of Strategy and Mr. D. Balasubramanyam, who is the IR Head of Adani Group.

Without further ado, I would now handover the call to Mr. Karan Adani for his opening remarks which will be followed by Mr. Deepak Maheshwari's remarks and then we will open the floor for Q&A. Over to you, Karan.

Karan Adani: Good evening ladies and gentlemen. Welcome to the Conference Call to discuss quarter 3 FY21 operational and financial performance of Adani Ports & SEZ Limited. Hope all of you are doing well keeping safe and continue to take necessary precautions. Quarter 3 of FY21 was a period of reset at multiple levels. A ravaging pandemic and stuttering economy and unsettling future prospects were concerns during the first quarter. The business and economy have recovered strongly as the balance was reached between life and livelihood discussions.

The roll out of the successful vaccine invented in record time will further bring in balance. Coming to the key highlights of operational performance in quarter 3 FY21, APSEZ handled cargo volumes of 76 million metric tons, a growth of 37% as against 7% growth registered by all India ports. This includes 10 million metric tons of cargo handled by Krishnapatnam Port which was acquired in October 2020. In quarter 3 FY21 on a year-on-year basis APSEZ overall market share in all India cargo volumes has increased from 22% to 28%.

Similarly market share in all India container segment has also increased from 36% to 43%. This is on account of enhanced capacity and acquisition of Krishnapatnam Port. Our cargo basket continues to be diversified with bulk constituting 44% of our cargo; container 42% and liquid cargo included crude which constitutes 14% of total cargo. You may refer to our operational and financial highlights presentation for port and cargo segment wise breakup.

Let me take you through cargo volume performance segment wise. In container business for quarter 3 FY21 APSEZ handles a total container volume of 2.06 million TEUs. This is a growth of 36%. Mundra Port continues to handle the highest container volume in India and is now the premier container port in India. It has for the fourth quarter in a row surpassed volumes handled by JNPT.

Mundra Port in quarter 3 FY21 handled 1.59 million TEUs compared to 1.29 million TEUs handled by JNPT. Five new container services was added across Mundra, Hazira and Kattupalli Ports which will add another 340,000 TEUs of container volumes on an annualized basis. Dry Cargo as a segment registered a growth of 42% which was led by coal that grew by 51% and fertilizer which grew by 134%. In quarter 3 FY21 total cargo handled in this segment was 37 million metric tons.

During quarter 3 FY21 we have signed 5 new contracts at Dhamra Port to handle various cargos including gypsum and iron ore. Dhamra Port will handle an incremental volume of 10 million metric tons on account of these contracts. In quarter 3 FY21 APSEZ handled liquid cargo including crudes of 10 million metric tons which is a growth of 24%. As part of our diversification we have added LPG and LNG cargo into our portfolio. In quarter 3 FY21 APSEZ handled 213,000 metric tons of LPG and 567,000 metric tons of LNG. A growth of 50% and 10% respectively over quarter 2 of FY21.

Krishnapatnam Port which was acquired in October 2020 is now part of APSEZ's consolidated operations. During this quarter Krishnapatnam Port handled 10 million metric tons of cargo. Krishnapatnam Port on revenue of Rs. 473 crores and EBITDA of Rs. 336 crores in quarter 3 FY21. EBITDA margins during the period is 71% due to realignment of operations de-bottlenecking bringing in the operational practices of APSEZ. These initiatives will help the EBITDA margins of Krishnapatnam to reach 78% by FY23.

Coming to logistics business, we continue to pursue our objective of bringing the customer to our port gate by integrating our logistics business and consolidating all our rail assets in Adani Logistics Limited. As you are aware Adani Logistics currently operates 60 rakes on the Indian Railway network and includes container, auto, grain and bulk rakes under the general purpose wagon investment scheme.

Adani Logistics currently operates nine rakes under GPWIS. In our effort to expand this business Adani Logistics will be adding another 16 rakes to its portfolio and has signed long term contracts to handle incremental cargo of 6.5 million metric tons with key customers like Bengal Energy, Adani Power, Rungta Sons and Adani Enterprises. Adani Logistics currently operates five logistics parks and is creating two more logistics parks at Mundra and Nagpur which are under various stages of development.

This will further augment our effort to provide end-to-end solutions to our customers. To capture the opportunity in warehousing space Adani Logistics is scaling up its capacities by building large format built to suit grade A warehousing at major locations and is in discussion with major ecommerce players for providing such solutions.

Recently Adani Ports and SEZ Limited signed an MOU with Government of Gujarat to develop a multi model logistics park and a cargo hub at Virochan Nagar, Gujarat. It will be the first of its kind facility in India and an MMLT in its true sense. Planned in approximately 1,450 acres of land and involves the development of facilities that will cater to current and future logistics needs. The logistics park will have all three modes of connectivity that is air, rail and road. The proposed MMLT is positioned to improve the efficiency of logistics operations of existing industries and has the potential to attract new investments in the region.

Coming to key financial numbers, on the back of 37% growth in cargo volumes port revenue in quarter 3 FY21 grew by 35% and port EBITDA increased by 38% year-on-year.

Our effort to optimally utilize resources helped in improving port EBITDA margins by 140 basis points to 71.7%. Going forward we expect margins to expand further and reach our targeted levels of 72% to 73%. Our logistics business came back to the growth trajectory. In quarter 3 logistics revenue grew by 8% and EBITDA grew by 16%. This is on account of new routes started vis-à-vis Mundra to Kishangarh, Renukoot to JNPT and Morbi to Verna and discontinuing the routes which were not yielding optimal results.

To conclude, we feel 90% to 95% of cargo recovery is almost achieved in India led by higher exim trade and also reflected in IIP and PMI data. While the economy in general will still be on a means version trajectory the ports industry will be operating in a normal business cycle and we expect to achieve our cargo volume guidance of 245 to 250 million metric tons in FY21. Under capital management, our focus continues on judicious use of cash and ensuring adequate liquidity. As guided we have curtailed discretionary CAPEX in FY21 to around Rs. 2,000 crores.

Our business and future investments are aligned to sustainable growth with the focus on preserving the environment. Our strategy on environmental footprint seeks to address greenhouse gas emissions and waste management throughout the entire operations as we strive to continually strengthen our environmental practices and become carbon neutral by 2025.

Now I request Deepak to take you through the financial numbers.

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 the key financial performance. Total operating revenue grew by 12% from Rs. 3,336 crores in Q3 FY20 to Rs. 3,746 crores in Q3 FY21.

Port revenue has increased by 35% and revenue from logistics business has increased by 8%. Growth in operating revenue and EBITDA in Q3 FY21 were lower compared to Q3 FY20 on account of lower recognition of SEZ and port led development income. Growth excluding Krishnapatnam Port was 20% in terms of cargo volumes, 16% in port revenue and 18% in port EBITDA. Growth in port revenue is lower than volume growth as a portion of the container business at Mundra Port is handled through our joint venture entities.

And those revenues and EBITDA are not consolidated in APSEZ. APSEZ earned a foreign currency income of $141 million in Q3 FY21 and $339 million in the 9 months period ending at. Rupee appreciation over Q2 FY21 resulted in Forex mark-to-market gain of Rs. 206 crores in Q3 FY21 compared a loss of Rs. 145 crores in Q3 FY20. However, as you are aware we exclude Forex gain or loss while discussing our operating EBITDA.

Depreciation for Q3 FY21 increased to Rs. 594 crores due to the consolidation of KPCL assets during the current quarter. Interest cost was at Rs. 612 crores in Q3 FY21 compared to Rs. 467 crores in Q3 FY20. The increase is mainly on account of the addition of debt due to the acquisition of KPCL. Effective income tax incidents for the quarter was 22% of PBT. During 9 months FY21 the company has generated nearly Rs. 4,200 crores of free cash from operations after adjusting for working capital changes, CAPEX and net interest cost.

And we expect the same to be around Rs. 5,600 crores for the full year FY21. This is reflective of the superiority of the asset and its consistent ability to grow while generating cash at scale which is true to its utility nature. In the month of January we issued a US Dollar bond of $500 million as a part of the capital management program to extent debt maturity and refinanced debt well in advance of its maturity.

With this issuance the average maturity of the long term debt has increased over six years. We will continue to focus on cost reduction prudent capital management and judicial CAPEX deployment to ensure adequate liquidity and maintain our investment grade rating. With this we can open the lines for question-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session.

The first question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, my first question is I want to pick your brain on the fact that while there is a container shortage in the entire world and high container prices will this lead to reduction in volumes and thereby lesser revenues for us? How do you counter that? That is the first question. The second is what led to remarkably strong container volumes for the quarter and your outlook for liquid volumes for next two years?

Karan Adani: Can you repeat your second question?

Mohit Kumar: Sir, what led to the remarkably strong container volumes for Q3 FY21 and related question is what is the outlook for liquid volumes for next two years especially on LPG and LNG?

Karan Adani: So to answer your first question on the container shortage so far we do not see that impacting the overall trade in terms of from an India perspective because we are mainly an exim trade country. The reason why it is affected us as the country because what we are seeing rise in phase is not just limited to India but globally we are seeing that. So that has been factored in to the pricing when manufacturers or importers are bringing in the material.

Our view is that this is a short term phenomena. I think it is predominantly there was a disruption in Europe and US because of which the containers were not able to move and we expect this to ease out in coming few months or quarters. The overall strong container growth is predominantly due to obviously the growth in the India market and the second is also as we have kept explaining that we do continue to see diversion of volume from JNPT. The rail bound cargo which originally used to go to JNPT that diversion continues and predominantly the growth in the container business is on the west coast is due to that.

And on the east coast it is predominantly the Ennore terminal which was not there last year. That has added volume into our mix. So it is a new market for us. So these are the two reasons why we continue and we do expect this strong growth to continue in quarter 4 as well as we have added 5 new services across all our three ports.

So we do expect this growth to continue in quarter 4 as well. Outlook on LNG and LPG, LPG we expect volumes to be around 2.5 million to 3 million in next 2 year’s time and specifically in Mundra. LNG we expect volumes in Mundra to be around 2.5 million tons for the next two years. Also end of calendar year 2022 we expect Dhamra LNG also to be commissioned. So there we will see volumes adding on the LNG front as well.

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

Girish Achhipalia: Your guidance implies that for quarter 4 there may not be SEZ revenue, is that the way to understand it? That was the first question.

Karan Adani: Yes, that is right.

Girish Achhipalia: Sir, the second question I had was you have done tremendously well at Dhamra so congratulations. Just wanted to understand you have also added your slide says that another 9 million metric ton. So I think this will be one of the record years for Dhamra FY22 that is 121. Is there more likely customer addition over there in fiscal 22 and if you could help on Dhamra’s outlook and Kattupalli has been soft this quarter. When do you see a turnaround? That will be my last question.

Karan Adani: Yes, so Dhamra we do expect growth to continue because when we look at that hinterland and when we compare ourselves I mean our competition is Haldia and Paradeep so there is still lot of headroom to grow so I think on Dhamra there will be a continuous double digit growth for the next five years and we will be in a situation where we have to keep expanding capacity to keep up with the demand and the growth. On Kattupalli and Ennore I think the overall region has had a subdued growth.

I think what we have predominantly because of auto sector. I think what you will need to look at is how is our market share performing when you compare between when you take the volumes of Chennai Port and Ennore and Kattupalli together. So if you see that our market share over the last two quarters has been consistently increasing and we expect that market share gain to continue in Q4 as well.

Moderator: Thank you. The next question is from the line of Apoorva Bahadur from Jefferies. Please go ahead.

Apoorva Bahadur: Just wanted to understand on our operational expenses for the quarter. So are there any one offs or so we expected run rate for in post typical acquisition?

Deepak Maheshwari: That includes certain administrative legal and professional expenses which are relating to the KPCL acquisition. But otherwise typically you should expect as we have indicated earlier that the overall port EBITDA should be in the range of around 71% to 72% for this particular year and which will also get reflected when you look at APSEZ standalone that should also continue to be in the range of around 68% to 69%. Though in this particular quarter you are seeing the number to be 68% because of certain expenses.

Apoorva Bahadur: Sir, could you please quantify the acquisition expenses?

Deepak Maheshwari: These are acquisition expenses which basically include professional fees which are legal fees as well as M&A fees and they would end up being in the range of around $3 million.

Apoorva Bahadur: Just one more question. I think there was a question prior to this on the SEZ income. So I missed that part actually. Was that on not been included in the guidance?

Karan Adani: Yes, so we have not specifically provided any SEZ income guidance for this particular quarter.

Apoorva Bahadur: And this quarter itself it was quite low. Do not expect it to achieve last year's levels?

Karan Adani: It is likely to be lower than last year's level of course when you look at last year it was also included Rs. 484 odd crores which was because of Dhamra LNG and so it would not be the right number to compare. You would also clearly factor in as to what kind of developments you are seeing in the country and when you look at returning back from a Covid environment I think the volumes have increased first but our decisions for new investments which are likely to drive the SEZ land sales income, we expect that to start happening from next year and we do not expect much follow up during this particular quarter.

Moderator: Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: First question on the guidance wherein you have mentioned around Rs. 2,000 crores CAPEX for this year. Going ahead what are our thoughts there and especially we do have expansion plans on Adani Logistics how would they be broken up into the port side as well as on the Adani Logistics side?

Karan Adani: So I think depending on how we see next year I think the CAPEX should be in the range of Rs. 2,000 crores to Rs. 3,000 crores. Generally logistics CAPEX would be in the range of Rs. 500 crores to Rs. 600 crores and then the balance would be on the port side.

Ankur Periwal: And I presume that international expansion here will be is also included right in the number that you have mentioned?

Karan Adani: Yes, that is also included.

Ankur Periwal: So a related question to this so from a cash flow perspective while 9 months performance has been decent. Should we expect a similar run rate to continue going ahead as well which means a much faster sort of repayment of debt as well going ahead or we will prefer to keep it for some inorganic acquisitions?

Deepak Maheshwari: Yes, you have answered your question. So as we have guided that in this particular year we are likely to have free cash flow in the range of around Rs. 5,600 crores. The next year numbers we do expect them to be more robust and higher than this year's number. But it is also fair to say that we have a net debt to EBITDA guidance to be in the range of 3% to 3.5% and are likely to continue to be in that particular range. Most of our debt is pretty long term in nature where the average life is over 6 years so it is unlikely that we will be able to pay it down.

However, we are a growth company and we will continue to look for opportunities both organic as well as inorganic to deploy the capital and we are pretty strong capital return requirements which will continue to be in the range of around 16% IRR as we have mentioned before. So as long as we keep getting those opportunities I think we will continue to invest and while still maintaining the overall net debt to EBITDA in the guided range.

Ankur Periwal: Just one clarification there. Now given the size and scale of the business is also growing at a much healthier phase and given our debt to EBITDA guidance of 3x, 3.5x does that also mean that while we remain in that 3x, 3.5x range but the absolute debt number can also increase further given the opportunities that we will eventually explore?

Deepak Maheshwari: Absolutely. That is a function of the overall investment opportunity landscape.

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

Pratik Kumar: My first question is on container segment's growth. So is there I understand like large growth has come at Mundra Port specifically and that too at CT3-CT4. So is there any specific large component of transshipment volumes which are also contributing to growth or is it like completely domestic segment growing, domestic business the imports growing in a very robust manner that has always been contributing to growth?

Karan Adani: So you are right that there is a certain amount of CT cargo as well but overall from a portfolio perspective when we look at it we find that the exim cargo as well as the CT cargo are broadly similar in numbers and percentages.

Pratik Kumar: Okay so percentage in 3Q versus like let us say last year normal year it would have been same?

Karan Adani: Very similar.

Pratik Kumar: And with the sharp increase I mean in general in the utilizations at Mundra Port are we looking for expansion at any of these terminals like in near term like we know that CT2 second terminal commissioned but that is not doing seems much volumes?

Karan Adani: Yes, so we will be looking at the volume growth that we have. Next year we do plan to as you know T2 is already commissioned so next year the utilization of T2 you will see a sharp increase but right now for CT3, CT4 there is no plan to expand those terminals.

Pratik Kumar: And any update on I mean regarding this land license issue which has been like discussed about for container corporation's like financial earnings which has been delaying its stake sale. So do we have any view on that as of now I mean there has been some discussions about new policy which has been established?

Karan Adani: We do not have any view. Our information is as much as yours. So we do not have any view as of now.

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

Ashish Shah: Sir, in Dhamra we have said that we have signed five year contract so from when do these kick in? Does they kick in immediately from the next quarter current quarter or they will go in a staggered manner?

Karan Adani: No, all of them have been kicked in, starting from Q4 itself and the numbers that we have given is an annualized number.

Ashish Shah: And sir, with whom are these contracts signed I mean who are the customers?

Karan Adani: It is mainly JSPL, JSW, Rungta these are the players basically which are in the hinterland.

Ashish Shah: And what is the duration of these contracts I mean for how many years can we expect this 9 million tons to continue?

Karan Adani: These are five year agreement.

Ashish Shah: Also in terms of the whole Vizhinjam dispute that we are having with the authority so there if you can just highlight what is the incremental development there and how much CAPEX has been invested there and are we continuing to invest there or you will probably watch out for any happens of the issue?

Karan Adani: No, so we continue our construction is in full force. Our jetty and the terminal is ready. Break water is still under construction. We expect the break water to be completed by FY22 early 23 and our construction we are fully committed towards this project and to get it commissioned and to get it running. In terms of the CAPEX spent, Rs. 1,400 crores has been invested in the project and we expect the full Rs. 4,000 crores of CAPEX to be completed by FY23.

Ashish Shah: And just last one. Any impact of this recent turmoil in Myanmar on our project is that progressing or there are any challenges in construction of that project?

Karan Adani: So far we have not faced any issues on the ground. Work is still continuing. There has not been any disruption at site or at on the construction. We are waiting and watching how the situation arises to then take an informed call but as of now work is going in full swing and we expect the terminal to be commissioned by April of 2021.

Ashish Shah: And our construction framework in contract is that rock solid irrespective of what happens at the political level there?

Karan Adani: Yes, that is there.

Moderator: Thank you. The next question is from the line of Barani Vijaykumar from Spark Capital. Please go ahead.

Barani Vijaykumar: I just want to delve a little bit deeper into the container volume growth. So if I understand right the container credit rates from the Asia to North America route this is high because of shortage in equipment and possible blanking of services but despite this the economic growth and the export requirement from these emerging markets to the Northern American region is what is driving the volumes. Is this understanding right?

Karan Adani: Yes, so what we are seeing is growth not just in US and Europe sector but we are seeing an all round growth. So we are seeing trade increasing with China, we are seeing the trade with US also increasing and Europe also. It is an all round growth that we are seeing. We are not seeing growth only in one sector.

Barani Vijaykumar: Correct so that is despite the increase in the container freight rates despite that?

Karan Adani: That is right because as I said earlier the container freight rates are not just increased for India, this phenomena is worldwide and so this has been faced by all countries. So all importers and exporters globally are factoring this freight rate when quoting.

Barani Vijaykumar: So any specific cargo type that you can highlight which is driving this overall say growth across the globe I mean I read somewhere it is PP equipment probably even electronics because people are working from home a lot but how sustainable is this? What are the cargo type that is driving this growth?

Karan Adani: It is hard for us to tell right now what cargo type but I can only tell you that the growth which has been driven is just shows the sort of recovery which is happening in the country and it just shows the kind of consumption as well as manufacturing growth which is happening in the hinterland and in the country. So it is hard to tell you what cargo type right now because we do not have that information immediately.

Barani Vijaykumar: Sir, one question on the overall western hinterland cargo growth in containers. So earlier if it grows at say 8% of course Adani probably would grow at 2x of it. Right now of course we are at the western hinterland itself is growing at double digit that is for the month of say December and January but on a sustainable basis say for FY22 how much of growth is possible from the western hinterland point of view?

Karan Adani: I think our guidance continues that 2x growth of what the India trade growth is. So whatever is the western region growth 2x of it we will continue to grow. So that guidance has not changed even going forward.

Barani Vijaykumar: And final question on the difference between the growth in the cargo volumes and the revenue number at say Mundra. This is to do with the revenues flowing to CT2 or CT3 which are JVs. That is the understanding right?

Karan Adani: Yes, it is because of revenue is flowing to CT3 and CT4, the JVs that is it.

Barani Vijaykumar: And realization impact we have seen within Mundra's cargo between last year and this?

Karan Adani: No, there is tariff has been steady and increasing steadily so there is no de-growth that we are seeing.

Barani Vijaykumar: And one final question on liquid number. Though the coal numbers year-on-year for the third quarter is up 51% because of Krishnapatnam but liquid number is also grown. So any specific reason and how is it likely to pan out?

Karan Adani: The liquid has grown predominantly it is because of KPCL as well because in KPCL also there is liquid. Also we have started commission our liquid facility in Kattupalli. So that is the second reason and in Hazira also our capacity has expanded. So these are the three reasons why liquid volume has increased.

Barani Vijaykumar: Final question if I may since you touched upon Kattupalli so what are the efforts there to increase capacity or expand to other cargo types how are the efforts and the CAPEX panning out there?

Karan Adani: Right now in Kattupalli we have started our liquid facility. We are in the process of getting our environment clearance for other commodities. Right now we have environment clearance only for containers and liquids. Once that environment clearance is in place then we will start construction for bulk commodities. We expect that the environment clearance to come in place by September or October of 2021.

Barani Vijaykumar: Any guidance on CAPEX on Kattupalli alone in the next few years?

Karan Adani: No, we are still in we are working it out. We will give guidance in next board meeting. We will give you the whole year guidance for next year including CAPEX and volume everything for next year in next quarter.

Barani Vijaykumar: Finally the overall US Dollar debt I presume after the recent bond issue it should be around $3.8 billion if I am not wrong?

Deepak Maheshwari: No, our US Dollar debt the number does not change because the recent bond has been used or has been used to refinance the debt which was due to be repaid at the end oif January 2022. So this US Dollar bond does not change our net dollar liability at all.

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

Vibhor Singhal: Sir, my question was just on the cargo volumes that we are looking at. So of course the cargo volume and all have been quite I mean beating the industry norms. Just wanted to get your vein on we declared this monthly cargo volumes and the cargo volumes in January were slightly lower than what they were in December and November.

I know I am trying to mix with here but just wanted to check some kind of seasonality and as you know because of some pent up demand that we saw in Q3 which might just vanish away in Q4 and we see some kind of a drop in that. So do you see anything like that or do you believe the cargo volumes that we saw in Q3 and the growth that we saw is sustainable?

Karan Adani: No, I think what we saw in Q3 is sustainable where that same number you will see in Q4 or similar number you will see in Q4 and based on that we are given the guidance.

Vibhor Singhal: So the small drop in January was one of more of seasonality kind of thing?

Karan Adani: Yes.

Vibhor Singhal: Also sir, just share how exactly what is our US Dollar debt stand at at this point of time and how much would it be as a percentage of the overall debt profile?

Karan Adani: Could you say that again please?

Vibhor Singhal: What would be the total US Dollar debt in our books stands at at this point of time and that as a percentage of the total debt that we have on the numbers?

Deepak Maheshwari: So the total US Dollar debt that we have on our books is $3.4 billion and as against that and you know typically our debt between FX and Rupee has been in the ratio of around 65:35 in the range of 65 to 35 to 70 to 30 and so that is the range in which we still continue to have all our long term debt.

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

Ankit Panchmatia: Sir, any clarity regarding extension at Mundra how are we kind of pitching into the GMB and any ideas around the same?

Karan Adani: As all of you keep asking every call and I keep replying in every calls we are working with GMB and a policy should be out soon on extension not just for Mundra but for all the private ports in the country. There are some discussions which are going on. There are few proposals which are in place. I think once the government has some clarity on it we will definitely communicate to all of you.

We expect the extension to be closed I mean this issue to be closed in next 12 to 18 months.

Ankit Panchmatia: Sir, a bit clarity would be much helpful here. So are we also pitching in for a 15 year to a 20 year extension from here on any thoughts or how are we kind of formulating our plans going ahead for Mundra?

Karan Adani: As you have also looking for clarity also we are also looking for clarity from government and right now we have pitching in for as long as concession that they can get. We have not specified the number of years. We have just asked them to give as long as that they think is viable. I think based on what government decides then the investment plans for Mundra as well as for other ports can be decided. But it is too premature for me to give you any guidance or to give you any clarity on it.

Ankit Panchmatia: Sir, now as we see that in the western coast ports there is enough capacity and going ahead incrementally there would be additional capacities added by ports in the vicinity. Do we assert in any over capacity leading to pricing power dilution how are we seeing this market say one year down the line and how prominent would be the western coast according to you going ahead be?

Karan Adani: So if I may ask where are you seeing capacity addition because it will be good for us also to know because in our this thing we are not seeing anybody adding capacity so it would be good to know where you are seeing capacity addition on west coast?

Ankit Panchmatia: Yes, it depends on the extension received so our competitor has already announced the additional, the CAPEX is already pegged around for the expansion and also?

Karan Adani: This is to Pipavav port or who you are talking about?

Ankit Panchmatia: Pipavav and also PSA or the phase 2 of the expansion would steadily kick in so may be?

Karan Adani: Phase 2 of expansion they have asked for an extension. I hope you know that. PSA has asked for an extension due to Covid. They have asked for five year extension on that. Anyway I think let me cut to chase so I think what we are seeing to be honest we do see in looking at the growth which is happening in the next 5 years we will see shortage in capacity for containers actually and we would look at expanding container capacity in Mundra obviously and we would look at expanding the capacity in Hazira linked with the railway line.

Once the railway line comes in we would see an expansion of container capacity in Hazira as well. We do not foresee personally I do not foresee that having any impact on pricing or anything because end of the day it is all a factor of utilization and the growth that we are seeing. And if the trade continues to grow at 15%, 16% on container trade if it continues to grow at 15%, 16% we would actually end up falling short of capacity in next 5 years to 6 years.

Ankit Panchmatia: And sir, any update on the feeder route which would connect to the Palanpur how are the CAPEX or how are the approvals in place?

Karan Adani: By the way that CAPEX is that feeder line is already commissioned. Our feeder line from Palanpur to Mundra is already been commissioned. So we are waiting for DFC to commission their line.

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

Girish Achhipalia: Just a couple of them. I may have missed this but if you can just update on Dighi Port, what is the status there and any CAPEX outlay or if you could share any details on the acquisition? And the second thing is just the other terminals whilst it is not a very large focus area but we are seeing some decent growth and also margin expanded. Obviously it is not a focus area but I just wanted to understand from a three to five year perspective what kind of steady margins profile can be reached in the other port terminals as a cluster?

Karan Adani: So Dighi Port we are still awaiting Maharashtra Maritime Board approval. Once that is through the acquisition will be completed we expect the acquisition to be completed by end of this month. Once the acquisition is done we will come out with a detailed presentation in terms of how we are seeing the volumes for next five years, how we are seeing the CAPEX, revenue all of those things the whole strategy document we will come out with once the acquisition is done.

On the terminal side we would see a similar steady going forward we will see a similar margins because these terminals are running I mean especially Goa and Tuna running at almost full capacity. So we would see a similar steady state volume and steady state EBITDA over there.

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

Ajinkya Bhat: Sir, I have a question on the port EBITDA margin. So again port EBITDA margin has improved very well in this quarter and you have guided for reaching 78% margin in Krishnapatnam by FY25. So my question is can other ports as well target this 78% sort of port EBITDA margin or do you think Krishnapatnam is going to be an out layer on that front compared to the existing or the pre-acquisition port for you?

Karan Adani: So I think not all ports you can benchmark at that level. I think to be on a safe side I think most of the ports we will do especially the big ones which is Mundra, Hazira, Dhamra and Krishnapatnam and Kattupalli on a five year basis we will continue to cross 70% and obviously the ports which have already crossed 70% there the margins will continue to you know every year there will be a steady state increase may be 50 basis points or 100 basis points but overall we expect port EBITDA margins to be in the range on a consolidated basis to be in the range of 72% to 73%.

Ajinkya Bhat: So any specific reason why Krishnapatnam will do much better than others?

Karan Adani: Mainly because of pricing and the mechanization that they already have mainly because their tariffs are higher than others.

Ajinkya Bhat: And you would not be able to match that in other ports because I think one of the strategic reasons for acquiring KPCL was also that with KPCL you get control of three large ports on the eastern coast. Your Dhamra Port is also actually bulk heavy quite similar in cargo profile to Krishnapatnam as it is today. So is it then not possible to raise pricing across our other ports considering that we hold so much of capacity on the eastern coast now?

Karan Adani: So Dhamra has a very different hinterland than Krishnapatnam so it would not. If Krishnapatnam shares some hinterland with Ennore Port and Chennai Port and Kattupalli and on the west coast Goa Port whereas Dhamra shares hinterland with Paradeep and Haldia so it is a two very distinct hinterland that we are talking about. So it is very hard to increase pricing just because we are controlling these two ports on a combination basis.

Ajinkya Bhat: Sir, and just one final question. On the warehousing part that you are planning to construct grade A warehouses etcetera is there any plan in the sense how much million square feet that you are targeting in next how many years or something of that sort?

Karan Adani: Not right now. We do not have we are still computizing our plan but it is definitely a big focus area going forward in the logistics business.

Moderator: Thank you. We will take the last question from the line of Swarnim Maheshwari. Please go ahead.

Swarnim Maheshwari: Sir, first question is on the SEZ business. So we do understand that greater part of the income comes from the development and which during the cold times was an issue but then there is also the rental income that also comes on a quarterly basis. Have we not seeing that income in this quarter because that actually tends to be almost about Rs. 21 odd crores on a quarterly basis?

Deepak Maheshwari: Swarnim, that typically comes as the other income so that is the lease rentals is typically we have categorized them as the other income flow and so it is plugged in within that other income numbers that you see.

Swarnim Maheshwari: So sir, any guidance really for FY22 because see we were really looking at about say Rs. 800 crores to Rs. 1,000 crores of SEZ revenues now this number in FY21 is almost negligible. So will there be some bunching up that could happen in FY22?

Deepak Maheshwari: FY21 in that context has been quite a unique year so not a lot of new capacity has been created and lot a new investments have been made. Lot of bunching up will surely take place and we are in discussions with a number of counter parties who would have initiated their business this year and some of them may start in the next year with the strong economic recovery that we have seen.

We have on purpose not provided specific guidance at this point in time and we will be in a position to provide that guidance once we have better assessment of it. We are quite positive and bullish about it but we do not want to put a number out here just for the SEZ income. We will be providing a comprehensive guidance for the full year FY22 as we move into the next year.

Swarnim Maheshwari: Sir, just one last question. So in one of the questions you did mentioned that the container shortage is unlikely to impact us but I think that was really more focused on the freight side really or on the realization side. But can there be a physical shortage of container that could actually impact us from the volume side that is what my specific question is?

Deepak Maheshwari: See we do not think it will have an impact. As you have already seen the strength of our assets always has and it gets clearly demonstrated by the number of times that we outperform the market. And we have not seen that impacting the overall container business in India as Karan mentioned earlier that a lot of that if it is a pricing impact it is already factored in by the various manufacturers, importers or exporters and we continue to outperform the market and we believe that the strength of our assets both at Mundra as well as Hazira their ideal locations are there the strong road and rail network connectivity that they have provide us with a very strong modes by which we should continue to be in a position to outperform the market consistently.

Moderator: Thank you very much. Swarnim, would you like to make any closing comments?

Swarnim Maheshwari: Yes, I would just want to thank the management of Adani Ports for giving us the opportunity to host the call. Sir, at this point in time would you have any closing remarks?

Karan Adani: We look forward. The team is always available for any questions that anybody might still have.

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