

“Adani Ports & SEZ Limited
Nine Months & Q3 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the nine months and Q3 FY2022 earnings conference call of Adani Ports & SEZ Limited hosted by Spark Capital Advisors India Private 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. Bharanidhar Vijayakumar from Spark Capital Advisors. Thank you and over to you Sir!

Bharanidhar V: Good morning. Thank you everyone for logging in for the 3Q FY2022 and nine months FY2022 earnings conference call of Adani Ports & SEZ. From the management, we have Mr. Karan Adani, CEO and Whole Time Director, Mr. Subrata Tripathy, CEO of the Ports Vertical, Mr. Vikram Jaisinghani, CEO Logistics Vertical, Mr. Sanjay Chauhan, VP, Finance, and Mr. Satya Prakash Mishra from the Investor Relations team. We would have initial remarks by the management team post which we will open it for Q&A. Over to you Sir.

Karan Adani: Welcome to the conference call to discuss the operational and financial performance of Adani Ports & SEZ Limited for the quarter and nine months ending December 31, 2021. Let me start by wishing you all a very happy New Year and a great year ahead. At APSEZ, we have laid strong foundation during the past two years for leapfrogging into a new growth trajectory, which is a key character of our growth story. Our strategy of expanding in the East Coast of India with a focus on higher growth regions, balancing cargo mix, expansion in the logistics business, rail transportation and venture into warehousing echoes our transformation towards a transport utility business model. In 2021, recovering from the impact of the pandemic, global growth was higher than most people’s expectation at 5.5% as per the latest World Bank report. Global inflation during the period expectedly was high due to higher liquidity and due to disruption in the supply chain. During this period, India has managed a resilient growth turnaround in spite of a serious second wave early this fiscal. We are in the midst of a third wave, but the government has shown tremendous courage to ensure balance between life and livelihood with minimum impact to economy.

Now coming to APSEZ, last year I have shared with you my vision of making APSEZ the largest port company globally by 2030 and the largest transport utility in India. In the past year, we have taken concrete actions to achieve this strategy. With one port on the East Coast namely Gangavaram and one port on the West Coast namely Dighi added during 2021 which will provide a much needed impetus on diversification and growth. The under construction port of Vizhinjam along with the new terminal at Colombo will work in tandem as the new transshipment hub in South East Asia providing multiple options to the shipping lines for their transshipment trade while adding volumes to APSEZ cargo basket. Coming to the logistics business, to strengthen our network of logistics and infrastructure for providing integrated end to end solution to our customers, we increased our rail rolling stock by 18% to 71 rakes, commissioned multimodal logistics park at Nagpur and ventured into grade A warehousing and increased warehousing capacity by 108%.

Let me brief you on the status of Sarguja Rail Corridor and Gangavaram Port acquisition, which was announced in the calendar year 2021. I am happy to inform you that the merger of SRCPL is now completed and consolidated into APSEZ Financial in the nine months FY2022 result. With this, APSEZ will now consolidate all its rail assets under a single business entity Adani Track Management Service Private Limited creating a center of excellence under one entity and help create a strategic platform and considerable value for all stake holders from day one as it aligns with APSEZ vision of being a leader in the transport utility space. APSEZ holds a rail portfolio of 620 kilometers with acquisition of Sarguja Rail which has 70 kilometers of rail line will enable us to create a platform of owning and operating such assets. This will enable us to bid for expanding the network to reach its target of 2000 kilometers of rail track network by 2025 by participating in PPP projects of Indian Railways and improving our hinterland reach.

Coming to Gangavaram Port acquisition, the process for acquisition of 100% stake of Gangavaram Port is underway. APSEZ currently holds a 41.9% stake in GPL. The balance 58.1% stake in Gangavaram Port is being acquired. The scheme of merger is now filed with NCLT and we expect the approval in the next few months. In nine months FY2022, Gangavaram Port handled cargo volume of 22.35 million metric tonnes resulting in the revenue of Rs.899 Crores and an EBITDA of Rs.598 Crores, which is not consolidated. In our view, GPL will add revenue of approximately Rs.1200 Crores and EBITDA of Rs.800 Crores in FY2022, which will consolidate retrospectively from April 1, 2021 after approvals from NCLT.

APSEZ continues to work on ESG framework adopted by it with a focus on sustainable growth. We are working towards achieving carbon neutrality by 2025. Some actions already undertaken and are in progress including electrification of rubber tire gantry, electrification of mobile harbor cranes, purchase of electric internal transfer vehicle and the ongoing mangrove plantation. APSEZ has significantly enhanced its ambition for mangrove plantation beyond its earlier announced target of additional 1000 hectares. The company is now formulating its net zero plan which will be announced in the second half of this year. This is in line with the commitment made for the science-based target initiative. Let me now invite Subrata and Vikram who will brief you about the operational performance of ports and logistics vertical. Thereafter I will run you through the key financials.

Subrata Tripathy:

Thank you Karan. Hello everyone on the call. Greetings on behalf of the ports division of APSEZ for a wonderful 2022 and ahead. Let me give you an overview of the performance of the port vertical and I will start with the cargo volumes. APSEZ continues to outperform All India cargo volume growth and in the first nine months of FY2022 handled a cargo volume of 212 million metric tonnes, a growth of 22% as against 7% growth registered by all Indian ports. Our overall cargo market share stands at 28.1% thereby a climb in market share growth of 350 basis points whereas our container market share has grown by 189 basis points to reach 42.2%. Mundra Port grew by 8% during the period while the APSEZ portfolio in Mundra grew by 42%. Non Mundra Ports in the portfolio especially on the East Coast are growing faster and have contributed 47% to the cargo basket, which is higher by 7% points including Gangavaram Port on a pro forma basis the number further improves to 52%. This growth is primarily due to our strategic focus on

achieving East Coast and West Coast parity and diversifying cargo mix. With this, we are swiftly and steadily moving towards the balance between the West and East Coast which improved to 69%:31% from 76%:24% earlier. Our cargo basket continues to see All India growth and constitutes 43% container, 44% dry and 13% liquid cargo. Other products like LNG and LPG that we have added to our cargo basket continue to add and spur growth.

Let me share segment wise cargo data. First of all on the container cargo, during the nine months APSEZ handled a total container volume of 6.2 million TEUs a growth of 25% compared to All India container growth of 19% on a year on year basis while Mundra Port grew by 26%, Krishnapatnam Port grew by 58% with a volume of nearly 134,000 TEUs. Mundra continues to be largest container handling port truly the gateway of India with 4.9 million TEUs, which is 17% higher than JNPT. Our strategy of providing multiple entry and exit points by diversifying our geographic footprint, single window service to the shipping lines, integrated supply chain solutions to end customers along with partnering huge and large shipping lines through our JVs enables and fosters continuous gain in market share. Our efforts to strengthen the position in container segment at newer locations and offer unique solutions to shipping lines resulted in the addition of eight new container services of which five services were added at Mundra Port, one each at Hazira, Kattupalli and Ennore Ports. These will contribute 230,000 TEUs of container volume per annum.

Talking about dry cargo, during the nine months of the year the total dry cargo handled was 94 million metric tonnes, which is a jump of 21%. Within this segment, the minerals grew by 46%, coking coal by 34% and total coal volume registered a growth of 18%. To enrich and diversify our cargo basket, we have added four new cargo types namely Sulfur at Dahej Port, dolomite at Kattupalli Port, gypsum at Krishnapatnam Port and LD slag for the steel plants at Dhamra Port. We have added new customers at Dhamra Port including names in the hinterland such as Bhushan Power and Steel Limited. Krishnapatnam Port, which was acquired in FY2021, continues to see the adoption of the best practices of APSEZ. We are enhancing capacity by debottlenecking and mechanizing operations at a brisk pace. For the first time, limestone was handled through a mechanized conveyor improving port productivity and efficiency at the same time help increase margin portfolio for the products. This is a first amongst all India ports. During the period, we have added 12,000 square meters of covered godown to handle agri products and continue to add new customers at Krishnapatnam Port and this will go a long way towards achieving the full potential of the port.

Moving to liquid cargo, APSEZ has handled liquid cargo including crude of 26 million metric tonnes implying a growth of 22%. All liquid cargo handling ports registered double digit growth led by Hazira. This was led by higher volumes handled especially at Hazira as well as at Mundra Port. As part of the cargo diversification, we have added LPG and LNG into our portfolio. In the nine months, APSEZ handled 1.2 million tonnes of LPG and LNG. with rise in demand for gas products as a greener source of energy, we expect to see volume growth in this segment also.

Coming to the performance in Q3 of FY2022, cargo volume during the quarter saw a decline of 8 million metric tonnes around 11% compared to Q3 of FY2021 and handled 68 million metric tonnes. Cargo volume was particularly subdued on account of lower import of coal by key IPPs and a lower trading coal volume which was impacted due to higher commodity prices, disruptions in the supply chain and insistent unpredictable rain in the southern and eastern ports of India. Of 8 million metric tons decline in the cargo baskets, coal volume at the following ports declined by 9 million metric tons on a year-on-year basis. At Mundra 6.4 million metric tons, Dahej 0.5 million metric tons, at Dhamra 0.5 million metric tons and the Krishnapatnam 0.9 million metric tons. If we look at key customers on account of whom the cargo volume decline the key names are Adani Power at 4.5 million metric tons, Tata power at 1.5 million metric tons, Sencrop at 0.8 million metric tons at Mundra and Krishnapatnam respectively. However on a sequential quarter-on-quarter the volume were flat, we believe that the revival of the demand from coastal power plants due to the increased power demand and softening of prices globally, coal volume in Q4 of FY2022 will certainly improve and is already showing good signs.

Now coming to the ESG during the period as emphasized by Mr. Karan Adani we march firmly and steadily towards carbon neutrality by 2025. APSEZ has scaled up its ambition for renewable electricity beyond the earlier announced 100 megawatt generation capacity. The company is now discussing the tie up of electricity supply from a renewable developer. We have now completed the Climate Risk Vulnerability Assessment of 13 ports to ascertain their exposure and sensitivity to changing climate so as to guide the development of an adaptation plan for individual ports, particularly the ones with high sensitivity.

To give you a brief about the ESG performance as on the end of December 2021 APSEZ has managed to improve its energy intensity by 31% and reduce its carbon intensity by 29% from the 2016 base levels. I am sure and confidence that this performance will further improve to lead to carbon neutrality vision by 2025.

Thank you, with this I will now hand over to Vikram to update you on the logistics vertical. Over to you Vikram. Thank you.

Vikram Jaisinghani:

Thank you, Subrata. Greetings for the New Year to everyone on the call. I am delighted to share that Adani Logistics Park at Nagpur was successfully commissioned in quarter three FY2022. With this we now have a strong central India presence and have six multimodal logistics parks. Furthermore the logistics park Virochannagar, Taloja, and Panipat are under development. We are working in line with our vision to become an end-to-end integrated logistic service provider in India by creating logistics infrastructure including multimodal logistics parks, warehouses, grain silos, and complete rail solutions for container, liquid, grain, bulk, and auto cargo.

Speaking about logistics operation in the past nine months, Adani Logistics witnessed a 25% increase in rail volume as compared to last year, that is 284477 TEUs versus 227047. This has been achieved despite blockade of Kila Raipur logistic park, our operations at Kila Raipur which resumed end December 2021 and we are working to regain our volume at Ludhiana.

GPWIS vertical continued its growth trajectory and with new circuits added from mines to power plants. The bulk cargo transportation is gaining momentum and helped us achieve 86% growth in the nine month FY2022.

During the period Adani Logistics handled 5.7 million metric ton against 3.08 million metric ton in nine month of FY2021. We have also commissioned 11 new rakes during that period with that we have 21 GPWIS rakes in our stable. We have a firm induction plan to take the total GPWIS rakes up to 25 by end of this financial year.

Coming to Adani Agri Logistics five projects of 250000 metric tons capacity at Panipat, Kannauj, Dhamora, Darbhanga and Samastipur are under construction, each having 50000 metric ton storage capacity which will increase the capacity by 30%. Two of this projects will be commission in quarter one FY2023 one in quarter three FY2023 and the rest in FY2024.

In warehousing, our new grade A warehousing facilities at Mumbai, Indore, Panvel, Ranoli, Kochi and Virochannagar are under construction. Totally 4 million square feet which will be commissioned by Q4 FY2023. We are also in final stages of signing LOI with clients for 0.5 million square feet built to suit warehouses. Adani Logistics is on its trajectory to emerge as a leading company in grade A warehousing with the commencement of new projects, while also focusing on strategic acquisition of warehousing assets.

Alongside port business, logistic business is also successfully implementing low carbon solution in its business segments to reduce the emission profile of its customers. All ceramic goods transferred from Morbi in Gujarat are now transported through rail versus road earlier. The green house gas emission direction from this transition is estimated at over 50000 tons in 2025 implying again 20000 cars off the road.

Back to you Karan.

Karan Adani:

Thank you Subrat and Vikram. Now taking about the financials.

Consolidated revenue grew by 35% year-on-year to Rs.12089 Crores in nine months FY2022 this is backed by 27% growth in port revenue, logistics revenue growth of 22% as well as the higher SEZ and port development income.

During the corresponding period total EBITDA grew by 29% to Rs.7428 Crores. Taking about port operations, in nine months FY2022 revenue increased by 27% year-on-year to Rs.9706 Crores. EBITDA for the same period grew by 27% year-on-year to Rs.6876 Crores in line with the revenue increase. The Krishnapatnam port contributing to Rs.987 Crores to this number. Overall port EBITDA margin stood at 71%.

Talking about the logistics business in nine months FY2022 revenue from the logistics business stood at Rs.845 Crores a growth of 22% on account of improving container and bulk rate, and terminal traffic along with improvement in rolling stocks of both container and bulk cargo.

Our efforts to diversify by adding bulk cargo, termination of loss making goods and operational efficiency resulted in a significant increase in EBITDA and margins. Our logistics business EBITDA grew by 32% to Rs.214 Crores, the EBITDA margins expanded by 179 basis points to 25% on a year-on-year basis.

During these nine months, profit before tax stood at Rs.4776 Crores and PAT stood at Rs.3762 Crores.

In conclusion, as said earlier India's story of the becoming a second manufacturing hub and resumption of a virtuous cycle of investment in infrastructure, capital goods and booming consumption will lead to expected GDP growth of more than 9% in the next couple of years. Giving a spring board flip to India's Exim Trade. We are ready to capture such growth by having a footprint in all key geographies of India's Exim Hub. Creating a strong network of multimodal logistics park and owning and expanding container and bulk rolling stock to reach customer's gate will help us provide end to end integrated service as part of our customer centric business model. As the supply side disruption continued, we are integrating technology into our platform to provide tailor made single window solution to our customers and capture a higher wallet share of their supply chain.

I am sure with all of this we are on right track to achieve our FY2025 business growth target of reaching cargo volume of half a billion mark, growing rakes count by over 3x to 200+, own railway tracks of 2000 kilometers implying a growth of over 200% and 15 MMLP which is three times the current count. Also we have a target for warehousing capacity of 60 million square feet by 2026.

With this the tapestry of our Indian story will be complete. I will complete by saying that our effort to create the largest port company globally by 2030 and the largest transport utility in India combined with a green and sustainable future are key pathways to value creation for all our stakeholders.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Atul Tiwari from Citi. Please go ahead.

Atul Tiwari: Sir thanks a lot. Sir my first question is on Surguja Rail. So it is being consolidated now from FY2022 onwards so in which are the segments where the numbers are there of SMPL throughout SEZ logistic or other.

Karan Adani: We have consolidated SRCPL numbers in ports.

Atul Tiwari: Okay so SRCPL is the part of the port so just trying to understand that why because it is like a rail link and it is also not connected to any particular port of yours right.

- Karan Adani:** Yes, so because it is that just SRCPL because after once this asset comes in under Adani track you will have assets of Dhamra, Mundra, Krishnapatnam and Dahej which will be coming in. So you will have predominantly port assets which are linked to port which will be driving. So that is why we are consolidating Adani Track Management in the ports.
- Atul Tiwari:** And sir you have revised on your revenue and EBITDA guidance down for this year what is the new volume guidance for this year.
- Karan Adani:** We are not giving volume guidance because we are more focused on making sure that financially we are reaching the numbers that what we have guided and to put it this way it is very difficult for us to give the guidance right now just keeping in mind the coal scenario what is happening.
- Atul Tiwari:** Thanks a lot and best of luck.
- Moderator:** Thank you. Next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.
- Sumit Kishore:** Good morning and thanks for the opportunity. My first question is on the container volume growth dynamic. Could you elaborate on this almost flattish growth that we saw in container volume for Adani Port in Q3 all India growth is about 2% and typically I mean it does better in the nine months period but what is the dynamics there.
- Karan Adani:** Subrat you want to answer this one.
- Subrat Tripathy:** Yes I will take this. Thank you so much. See the container growth as we have clarified it is not about the flattish it is about the emergence of Mundra as the preferred Exim gateway and if you really look Mundra at 4.9 million TEUs consolidate itself as the most preferred gateway serving the entire north western region of India and therefore volumes have been growing significantly. If you look at Mundra itself the growth at 4.9 versus about 3.8 last year is pushing a growth of about 26%. Now in line with the pandemic and the automobile sector being a little depressed on the southern part of India, which is the automotive hub on and off Chennai so there have been a little depressed volumes but if you were to pick it out from the western India and which is truly where the Exim trade of India is conducted we see a very strong rally in Mundra and that is confirming also with the growth in volumes at the port, the discharges through the rail method, the growth in CFSs and the connect that we are establishing to each of the ICTs and the CTOs in Mundra and in north western India so we would like to believe that the container story is very robust and is very sound. Let me also further clarify, if you look at the nearest competitor in this region both at JNPT as well as at Pipavav, JNPT does register growth but yields now clearly behind which means Mundra emerges ahead in the race and consolidates its position which clarifies that container growth on an India basis may look to be flat but our position consolidates truly ahead that is the clarification we would like to give.
- Sumit Kishore:** Thanks Sir. Just another question on volumes when we look at major ports coal volume for the December quarter they were almost flat on a year-on-year basis versus the decline seeing in Adani Port I know a lot of it is absolutely with the Mundra Thermal Power Plant that still leaving

that there was a decline in coal volumes versus a flat outcome at major ports what is the difference.

Subrat Tripathy: See you have yourself said the genesis of the answer lies in the way as Karan bhai guided so I think India story of coal now is a replacement of domestic coal from the Indian mines to within the coastal movement whereas the Exim thermal coal in which the depended of the IPPs which have been established especially Adani and CGPL at Mundra where we have seen decline because of these two significant reasons, one is the disruption in the cycle the high price arbitrage in the international market and of course the restrictions emerging out of Indonesia specifically in Q3. Now this coupled with the fact that the government of India guidance is to shrink our dependence on imports and migrate to a little bit of coastal coal especially on the eastern part puts us in a little sequent position. On one side we have seen a bouncing trade of India on the Exim volume so Indian trade volumes are at all time high if you look at the guidance of government and the Aatm Nirbhar and replacement coupled with the price arbitrage and the disruptions in South East Asia, especially in Indonesia has told the situation where cargos in Eastern India especially at Paradip and at Ennore have grown and all along the dependence on thermal coal for the IPPs has reduced so the story is the same throughout in India we have been particularly hit as I have already clarified at Mundra in terms of Adani Power and coastal power on behalf of Tata that is how it stands out to be.

Sumit Kishore: Sure, finally on logistics one question in terms of the Q3 revenue growth of 15% now the commentary on rail volume growth a bulk volume growth have been pretty standard warehousing capacity addition growth I mean how should we read the absolute revenue growth number for the quarter.

Vikram Jaisinghani: Can you repeat this question.

Sumit Kishore: Yes, so I mean there is a 15% revenue growth in Q3 for logistics while rail volume growth for the quarter is up 30% bulk volume growth up 63% there has been warehousing capacity addition this Nagpur Logistics Park has come into the picture. So versus the volume growth numbers the revenue growth for the logistics.

Vikram Jaisinghani: So I think a number of actions have taken place over here we have redid our rail network we have gotten new routes, stopped our loss making routes increased operational efficiencies, focused on train turnaround times and all these levers have been effectively used to get the results that we have got. That is how we have achieved this results and the growth that you have seen over here.

Sumit Kishore: Thank you so much for answering my questions.

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

Swarnim Maheshwari: Hello Karan and team and thanks for the opportunity. My first question is when I look at Gangavaram projections this implies that there is a 21% growth in realizations on a Y-o-Y basis if you can just explain what is leading to such a sharp jump in the realization.

Karan Adani: Subrat you want to answer this one on the cost improvement that we have done in the bulk.

Subrat Tripathy: Yes, you see Gangavaram typically we are doing a repetition of the story that has been done with each acquisition first at Dhamra I would like to put a little bit of perspective so Swarnim you get it appropriately. We acquired Dhamra we turned it around from EBITDA levels and take it to 70% EBITDA levels bring in efficiencies become a magnet for attracting cargo in the hinterland, we go into Krishnapatnam do the same repetition of what is the best skill sets of APSEZ that is focusing on efficiency, extremely good control on our financial disciplines, we turn the port around and achieve EBITDA's of beyond 75%, 76% the moment we step in. In line with the same kind of philosophy that APSEZ ports believe in we have come into Gangavaram we turnaround the efficiencies we improve the EBITDA's, we take out the otherwise inefficiencies which were ingrained in the system we connect with the customers appropriately, we make an outreach to rail, we get in some amount of outreach to the GPWIS rakes we understand that Chhattisgarh, Western Odisha are deeply connected to the development of Gangavaram port and we provide the proper solutions to customers namely steel plants in these two sectors as well as the steel plant, which is right in our backyard and this is the only steel plant and port which live in conjunction all this means that a virtuous cycle of which APSEZ is known to normally practice brings around the Gangavaram story. We would have otherwise I would impact my I would say that if the thermal coal story would have been a little more stronger you would have seen that Gangavaram portfolio would be exceeding even better notwithstanding that efficiency of operations better control on financial discipline and eradicating otherwise inefficiencies which we have seen in the Indian port which APSEZ is distinctly different brings the story of Gangavaram please. Thank you Swarnim for giving me an opportunity to tell you the APSEZ story.

Swarnim Maheshwari: Got it thank you. Subrat my other question is on Kattupalli so now I think it is a third consecutive quarter of a significant volume decline and in this quarter also there is a 30% kind of a decline on the volumes so if you can just explain what is actually leading to such a sharp decline and when it is expected to stabilize.

Subrat Tripathy: Well thank you. The first question on stability we will be introducing a new service very, very soon you have seen that the international supply chains especially in the container trade in South East Asia and particularly focusing on the eastern seaboard of China has gone for massive disruption and the fact that the pandemic has not led to a thrift in the automobile sector. Besides that we will be adding a service in Kattupalli and it will be my pleasure and privilege to when we do an year ending and come back in the Q1 of the next year that you will be seeing an added service. But let me also clarify I would as well we have always guided not like to look at Kattupalli in isolation rather we look at Kattupalli as in its own hinterland competitive as it were along with Ennore terminal and Kattupalli which actually reside beside each other and also

Krishnapatnam where you would have seen we would have grown significantly at about 134000 TEUs in this particular quarter. So if you were to look at Kattupalli and Ennore and if you were to look at Chennai which again a two terminals we continue to sustain our market penetration and share of about 39%, 40% so it is not that Kattupalli in isolation gets down rather the APSEZ portfolio for containers remain steady is that adequate no we want to do build on and as we clarify a new service will be introduce in this quarter it will be consolidated a new service will also come into Ennore as you have seen coming back to the first question with Atul when we had said that the growth of containers have been flattish but you see at Mundra which is the driving port where we added five services likewise we have added a new service it will start bearing fruit in the Q1 of the next year and along with Ennore, Kattupalli, Krishnapatnam I urge you to see this as a composite market we retain our share, we retain our cutting edge over there yes we wish to take Kattupalli portfolio even higher. Thank you.

Swarnim Maheshwari: Got it thank you so much I will get back in queue.

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

Mohit Kumar: Good morning Sir. My first question is how the containers in bulk behaving especially in the month of January 2022 are we seeing the bulk coming the coal coming back especially in Mundra and do you see any improvement in container vis-à-vis other ports.

Subrat Tripathy: Well coal continues to disappoint because the issues around Indonesia have not been sorted out in conclusion. The disruptions and the regulatory interventions on behalf of Indonesia government has led to shipping line disruption so we are not seeing a rally that we were expecting to see though the electricity demand as such is growing and we were trying to kind of build ourselves in to the larger growth story of electricity demand which we are experiencing in other places. So container continues to drive in fact every second or third day we have these minor record coming out of Mundra in terms of you would have seen we handle the biggest vessel to ever visit India in the month of January and that was quite an event not necessarily about the big vessel per se but the fact that you are a chosen terminal for such a preferred gateway and that you are able to attract as a magnet. So container volumes continue to be extremely bullish, Mundra is the magnet without a doubt it has remain flat as such for various seasons because of the disruptions but coal continues to disappoint we are however expecting in line and in the lap of the budget announcements yesterday and focus on infrastructure and the fact that the Exim trade is also booming high we are expecting some rally in the month of mid February onwards that is the kind of focus we are getting. If we were to look at the coal otherwise that is the portfolio of Exim thermal coal and if you have to look at otherwise into the coking coal story that is extremely robust and that also contributes in the shift we are having and the parity between west and east is driven by the fact our ability to have better coking coal the fact that India's steel production in 2021 at 118 million tons a jump of 18% means the driving process of our ports in the east continues to do well and along with the GPWIS it is a virtual cycle which will grow, but otherwise thermal coal in the west is disappointing but we are

expecting a rally from mid February onwards. Containers booming every record, every day, big vessels, better discharges, highest number of trains, and my friend Vikram has been smiling with all the efficiencies we are bringing in all to the ICDs and the fantastic turnaround we are having record dispatches from Mundra at the moment. Over to you.

Mohit Kumar: Secondly are you participating in the bids for the terminals in major ports and have we won any concession agreement at Kolkata port.

Subrat Tripathy: Yes, without doubt thank you for that I thought I would save it as a crowning piece at the end of the call and I would have left Karan bhai to do the talking we have already won a bid to develop a bulk terminal at Haldia and that is in line with the way that the eastern seaboard operate and by all accounts we should be receiving the formal LOIs in the first week of February as I speak to you in about next week we should be able to have the formal LOI with us it has already been indicated so one terminal in the Kolkata port complex at Haldia dock complex itself is already a part of the APSEZ which means APSEZ is truly, truly PAN Indian there is no state on which we are not present we are looking to also participate in other kind of terminal developments which are coming through as JNPCT which we are very eagerly looking forward to so in all the other major ports including at Paradip for bulk cargos, including at Kandla for the DPT for bulk and fertilizer cargos so as a part of the basket diversification of commodities identification of the best commodity with a best hinterland we are going to participate and we are very confident just the way we have seen our confidence materializing into actual fructifying a tender in the Haldia Dock Complex yes we wish to clarify and we will be participating.

Mohit Kumar: Lastly sir are we hearing more inquiry for a land given the PLI's picking up can you expect some sharp jump in revenues from SEZ in FY2023.

Karan Adani: Yes, so we are seeing lot of traction on the land side. We are expecting land sale to happen in Q1 of next year for one of the refineries to set up their crude oil terminals. We are also in discussions for petrochemical plant to be setup in Mundra and apart from that we are seeing as you have seen we have signed an MOU with Posco for a steel plant 5 million ton steel plant in Mundra and which if everything goes through we should be expecting that investment to come through in next 18 months. So there are a lot of inquiries which are coming and we are very hopeful that we should be able to fast track some of our land sales not just in Mundra, but even in Dhamra as well.

Mohit Kumar: Understood thank you sir best of luck.

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

Ashish Shah: Yes, thank you for the opportunity. Sir, first question is on our volume numbers I know initial it is difficult to give the FY2022 volume number, but broadly if I extrapolate the current number it looks like we might be somewhere around 310, 315 including Gangavaram and we said by

FY2025 we want to get to 500 so with this kind of a uncertainty on coal how do you think this journey from 310, 315 odd will happen to 500 in about three odd years.

Karan Adani: Predominantly the growth is going to come from three big commodities one is container, second is gas business, so that is LNG and LPG and the third which we expect growth to come out of based on metal space so whether it is bauxite, aluminium, steel product so basically metal is another big focus area where we do believe that a large part of volume driver will happen as we have always said that the coal we are not very bullish on coal we do not expect more than 1% or 2% growth on a CAGR basis, it includes coking coal as well so coking coal and thermal coal together we do not expect more than 1% CAGR growth over the course of next five years. So predominantly growth is going to come from these commodities.

Ashish Shah: And the 500 number is organic right it does not include any acquisition that we might do.

Karan Adani: No this is organic based on whatever assets that we have.

Ashish Shah: Sure. On the Capex side while this quarter we have not given any explicit number but given that coal is a little bit of a problem are you looking at slowing down the Capex, Capex numbers for this year we revised downwards as well as for 2023 something like that.

Karan Adani: No, so most of our Capex right now which is going on is predominantly not coal related it is predominantly container related whether you take Vizhinjam port, whether it is Colombo port terminal or whether it is expansion in Dhamra or even the liquid transform expansion in Hazira. So none of this is coal related so we do not expect Capex to slowdown because of coal we expect price to be in the range of 3000 to 3500 Crores even for next year.

Ashish Shah: And just a last bookkeeping question the Tax position for this quarter seems significantly lower than what we have seen otherwise in trailing quarters. So is there anything particular we should make here.

Sanjay Chauhan: Yes so on overall basis our tax position in the current quarter has been lower on account of the contribution that we see coming out from non-Mundra port because we have got API jurisdictions which are lower tax jurisdictions and on an annual basis we expect assuming no Forex adjustment and annual operational tax effect of around 19% to 20%.

Ashish Shah: So FY2022 after considering Gangavaram we should have 19%, 20% sort of effective tax rate.

Sanjay Chauhan: Yes, excluding Fx adjustments.

Ashish Shah: Excluding Fx adjustments.

Sanjay Chauhan: Yes Fx adjustments gives if there is a loss on Fx we have a better tax rate improvement because everything comes with 35% tax jurisdiction which is Mundra and if there is a gain again it is tax

of higher if there is exchange gain it will increase that effective tax rate if there is an exchange loss it just reduces the tax rates.

Ashish Shah: Got it that is helpful thank you so much. I am done thank you.

Moderator: Thank you. The next question is from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir thank you for taking my questions. Sir my first question is more near-term I mean I understand a longer-term growth for containers etc., but given that we are seeing some bit of pent up demand now go away with where logistics costs, shipping costs are is there a risk that for the next six months even the general import volumes in India, particularly related to containers might see some weakness relative to what we have seen in the last say 18 to 24 months that would be my question number one.

Karan Adani: Now on a near-term basis when I look at Exim volume for containers we are not seeing any slowdown, as the global demand increases and keeps increasing we do not see any change in that actually we are seeing a stronger demand coming in for the next year as well. I think one thing that to keep in mind is that we do expect shipping freight to normalize. I would not say it come down to the original level but at least to come down from the peak and to normalize by October of 2022 so we will continue to see I do not see any indicators where we can see that the demand is going to slowdown and as the production in the country keeps increasing, I think the import side is going to increase in my view.

Pulkit Patni: Sure. So basically next three to six months we do not really need to worry about container volumes is what you are saying.

Karan Adani: No we do not need to.

Pulkit Patni: Sure my second question is on classification of Sarguja rail so you just said that some of the other rail assets are also classified in port is there a plan that at some stage as this become sizable this would be carve down and move to the logistics business or the way we should look at it is that it would continue to be modeled within our ports business only at least for the foreseeable future.

Karan Adani: So Pulkit today even without the assets let us say for example Mundra rail asset even it is part of Mundra Port and even today that revenue from that asset is considered in the port revenue that is the reason why we want to bring all rail assets under port itself, there is no plan to bring it under logistics. Because most of our even in the future infrastructure that we are looking to bid out and to build will be linked to the port. So it is very heavily dependent on how the port performance is going to be and we would be looking at building the strategic lines, which will help make our ports more competitive.

Pulkit Patni: Sure this is clear Karan thank you so much.

- Moderator:** Thank you. The next question is from the line of Parash Jain from HSBC. Please go ahead.
- Parash Jain:** Thank you. Hi Karan Happy New Year. I have three questions. One is housekeeping but let me get off all three together. First of all when we talk about becoming the largest port operator by 2030 it by default means that you have very aggressively grow overseas is there any change in the strategy or is there a strategy or it will still be hovering around South Asia going for this Sri Lanka on one hand then only Bangladesh and the other secondly on the logistics front are we still very keen to remain a B2B player or given the opportunities B2C potentially could be one of them are the areas that where the investments will drive or the growth will come from and finally the house keeping question is when I look at share of profit from associates and joint venture and your overall profit seems to be lower than your share in Gangavaram is it that rest of the businesses has come sort of drawdown or I am just getting it wrong. Thank you.
- Karan Adani:** Thanks Parash. I will answer the first two and I will ask Sanjay to answer the last one. So I think when we are talking about being the largest port operator by 2030 our strategy internationally our strategy does not change I think we are very bullish on India and we will be looking at increasing our footprint in India and diversifying our footprint in India and try to connect our dots with the neighboring countries and the eventual goal is to make India a logistics hub for our neighboring countries so I do not think so that aspect changes and our firm belief is that if India is to grow significantly and with the growth rates that we are talking about the trade in the country you cannot find a better geography in this part than India. So our international strategy does not change keeping this in mind. To answer your second question on the logistics front, no we are still focused on B2B, B2C yes you are right it is a potential area, but it is today as of right now in India it is still a operational loss making business so I think we will keep our eyes open for that opportunity and as and when we do see that there is return to be made in that side of the business and we would be looking at B2C as well and but right now it is predominantly B2B business model that we are looking to build out on logistic side.
- Parash Jain:** And maybe Karan before you go to the third question just on the logistic front given Vizhinjam and Colombo is the feeder service is there the opportunity or you think that is it is a broken business model and far to competitive and you have enough supply and therefore there are little merit to control that part of the value chain while offering service to your clients.
- Karan Adani:** You are right feeding for us to do by ourselves as between Vizhinjam and Colombo really does not make sense I think there are enough players in the market and there is enough assets in the market the way we would look at is if nobody is willing to take a position we do not mind taking up position in terms of guaranteeing the loan but owning the asset and running the asset is not our core competent so we would be staying away from it, but as I said if a client needs it and if nobody is willing to take a position we do not mind taking a position by underwriting the capacity.
- Parash Jain:** Okay perfect that make sense thank you.

- Karan Adani:** Sanjay you want to answer the last one.
- Sanjay Chauhan:** Yes, hi so on the profit pickup from associates I would like to clarify that there are no loses that are getting consolidated a pickup from APSEZ point of view the two profit that we pickup is investments in Adani Total JV and other profit we pickup is from Gangavaram if you look at the Gangavaram numbers and if you arrive at the associates there will be a difference essentially we have done a purchase price allocation the numbers which are looking here is a standalone profitability so we have a 181 Crores equity pickup for Gangavaram for nine months, which is adjusted by 58 Crores on account of amortization of intangibles that we identified as part of the purchase price allocation process. So there is no loss but just an accounting adjustment.
- Parash Jain:** Okay got it perfect thank you so much.
- Moderator:** Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** Hi! Good morning Sir, and thanks for the opportunity. My first question is regarding we would have seen that the divestment target in budget seems to have come down so while it is not clear nothing happened to Concor what is the timeline etc. But so that in essence would you think that adding debt and cash in your balance sheet in second quarter would be to preemptive.
- Karan Adani:** So, we have not heard anything in terms of that Concor is not going to happen or the plans are shelves so I think till the time we get a firm signal that it is not happening we are assuming that it will happen in next year and we keep our plans now and we work towards that plan of the acquisition if whatever reason it does not or if we do feel or if we do get a signal from the stakeholders that it is not happening then we will start the unwinding process.
- Prateek Kumar:** Secondly when we say that the container segment is doing very well Mundra is doing records all sorts. So but last year Q4 had record in itself in terms of absolute volumes I think on a total basis as well as Mundra so when we now look at 4Q growth so are we looking forward grow a very strong 35% growth rate...
- Subrata Tripathy:** We will see growth in containers without a doubt we have already said because of this little subdued kind of demand that we are seeing at the thermal coal sector for the various clarifications that we have issued it is little premature to take a stand at the moment but then yes to come back clearly the container growth is certainly without a doubt very, very bouncing and we should be certainly outperforming Q4 of last year that is why the all indications. We would look to be as I clarified early in the call that rally from the thermal coal especially at the two major IPPs at Mundra is what is going to tilt the balance otherwise we will be seeing as I have already clarified that there will be a very strong rally in the other segments container throughout even in the south we will see a revival yes coal will be a little keeping fingers crossed on the thermal part of it on the coking part of it we are very steady in fact there will be growth without a doubt by all accounts we should be outperforming Q4 of last year if any indications as it comes.

Moderator: Thank you. We move to the next question from the line of Jimit Zaveri from Ventura Securities. Please go ahead.

Jimit Zaveri: Thank you for giving me opportunity. I want to know the reason for underperformance in this Q3 in terms of the volumes where the all India cargo volume has fallen by 8% whereas our APSEZ volume has fallen by 11%.

Subrata Tripathy: Well thank you again to clarify as we said segment wise we have having this mix story there is huge growth on the container side there is growth on the liquid side as we have seen it is only on the dry and especially on the dry if you distinguish one particular commodity that is EXIM thermal coal into India and particularly narrowing down as we have given in the earlier clarified it is at Mundra where we are seeing a little bit of downward trend especially in coal and if I take up for example if you see that APL Power which at Q3 last year did about close to 5 million metric tons 5.20, this time it was only 0.71 so plus significant decrease arising out of these disruptions of the Indonesia and that is what it has been. In Q4 as I clarified we are hoping for a rally around the mid of February and then we should be recovering but to answer specifically your question Indian cargo has dropped everywhere except the coastal for coal likewise at Mundra despite our growth which is outperforming in Mundra on a portfolio to portfolio basis if you look at the thermal coal segment it is APL and it is CGPL both has registered close to about against 5.2 last year for APL we have done 0.71 this year, against 2.27 for CGPL we have done about 0.7 for both logging close to about 86%, 68% drop that explains why there has been a drop but if you look at again let me get you back to a nine month basis there we see that we have been outperforming and we continue to beat the all India growth significantly certainly. These aberrations do happen but on a year-to-year basis when you look at it the nine month story is certainly far more robust and gives a lot of hope that the rally will be quite successful.

Jimit Zaveri: Second question is on the Hazira port, while we can see the Hazira port has posted a good revenue growth as well as the good jump in the realization also so what are the reason for this growth in the realization and will it be sustainable for the coming two to three years point of view.

Subrata Tripathy: See Hazira like Mundra emerges as the gateway for container EXIM trend of India. Hazira if you look at the geography of south Gujarat into the northern Maharashtra and part of it into the Saurashtra region across the Gulf of Cambay it is the most prosperous part of India in terms of the pharmaceutical sector and therefore if you look at Hazira its entire portfolio of liquid cargo particularly chemical is truly, truly the Indian port. So therefore Hazira recording a very strong robust liquid cargo growth in fact it spurs us for better capital expenditure over there which we are going ahead which shortly we will be also telling you subsequently sustains cargo growth sustains revenue because this is a high EBITDA margin cargo for us. Also the fact that in and around Hazira because of the industrialization we are seeing record utilization of our assets over there in terms of work utilizations as well as work productivity it is my pleasure to tell you that as our utilization has improved so and so the team at Hazira has opt itself in productivity or all account especially on liquid as on dry cargo particularly the cargos like Gypsum etc. we did

recovering that explains the growth that also explains the accompanying EBITDA growth that we are experiencing and to also finish by telling you we see this to sustain in the next three or four years we have a very strong reason to believe and we are working towards that, that as with geographies as with particular hinterland we will consolidate Hazira as the leading liquid cargo port of India answering the entire needs of India in line with the manufacturing story that we want to do.

Jimit Zaveri: And then the last question is on the impact of omicron on our volume in January and when we are seeing the revival for the volume.

Subrata Tripathy: Omicron has absolutely no effect on our port operations or on volumes. If anything it is the regulatory and the dislocation in the Indonesian shipping cycle and the position the Indonesian government took regarding availability of thermal coal that is which has caused a disruption. Omicron per se has caused no disruption whatsoever in any of our ports or the logistics business for that matter.

Jimit Zaveri: Thank you that is it from my side.

Moderator: Thank you. The next question is from the line of Aditya from Kotak. Please go ahead.

Aditya: Thanks everyone and thanks for the opportunity. Sir I have few questions. I will go with the first one. So Karan the question I wanted to ask you was that while you are saying imported coal will not grow from here on and that will be a drag there is also positive side of it which relates to the transportation of domestic coal as well as the handling of domestic coal at ports. I wanted to hear your thoughts whether that by itself can be a meaningful boost to your port portfolio.

Karan Adani: Subrat you want to take it.

Subrat Tripathy: Yes, thank you Karan bhai. What I will clarify you see we are already in this particular quarter as in Q4 also one of our key customers NTECL a JV between NTPC and Tamil Nadu Government which is the power plant present at Chennai at Ennore hitherto was not taking as much coal through the Dharma port so we are seeing sufficient volumes coming through and in line with the governments that we do domestic coal product and you are aware the domestic coal production is well established on the eastern part especially MCL and all we were hitherto not a part of it but now we believe that we have to become a part and we are seeing that emerging very strongly. Secondly at Krishnapatnam port where we have two major power plants nestled along the port boundary Hemp Corp as well as AP GENCO we are looking at record volumes in Q3 and we are also seeing volumes coming in Q4. Interestingly these volumes are also happening both by what is called the rail route as well as and all rail route into Krishnapatnam port itself so the growth of the domestic coastal coal will happen and the ports that will participate quite strongly and we see that emerging would be Dhamra would be Gangavaram when we link it to the mines would also be AP GENCO at Krishnapatnam, Hemp Corp at Krishnapatnam and very recently the south power house of Andhra which is Muddanur has asked for a tender and it will be routed through

Krishnapatnam. So we see opportunities and we will be participating in this opportunities and to further clarify it to make the puzzle more clearly which you ask look with Surguja we are linking a mine deep inside into a power utility in Rajasthan we were also looking wishing to do this across India and that is the story that which Karan bhai was clarifying about SRCPL and our opportunities that we sense and clearly see in the domestic coal scenario of India per se. We will also for example we will be linking all these coal mines to our port and also from the landed coal mines to the power utilities inside the country, that is how the overall story of APSEZ will emerge and that is how we will also get in SRPPL in to that.

Aditya: Got that thanks for the answer the second question that had was related to just a quantum of opportunity that is coming up from the perspective of adding terminals besides India. How much can we expect to be bid out and let us say coming for capacity or an investment opportunity within ports over the next two years or so.

Subrat Tripathy: See in line with the landlord model that the government of India through the major ports desires to do and first of the block will actually be JNPCT which will now you will see the JNPT will truly be a landlord with all terminals which will be run by a PPP mode and we are looking to participate and we are very, very kind of buoyant on that opportunity. Similarly in all the ports the government of India would give a guidance on giving a longer concession period there has a slight of change in the stand regarding the concession agreements that will be hitherto looked into so that it gives longer period of concession and an automatic renewal which is hitherto not a part therefore the government of India understands that a) it ought not do its own investments within the port that b) it should evolve the major ports as landlord and therefore they have come out from trust into major port authorities and c) that they will give a longer period of concession so that it is attractive to private capital and to build modern terminals. How does APSEZ see this opportunity I told you about the Haldia which we want to kind of add to the value chain and you want to play the game in eastern India you want to be in Gangavaram as we have done you want to be in Dhamra which we are looking at a very good opportunity Paradip and we have taken the opportunity at Haldia we bring all this into one story likewise Mundra, Kandla, which is Deendayal port we look at these opportunities to look let us say fertilizer if I want to pick a cargo here is Mundra the fertilizer stability that Indian farmers deserve and need is answered by Mundra then that opportunity comes up in Kandla we will participate as we are going to do so each of these are good opportunities. So to sum up Kandla, Mundra will play the fertilizer story very well JNPT and Mundra will play the story of containers, Vizhinjam you saw the state governments are very keen to bring about opportunities and we are going to build what will be called as state of the art terminal for the shipment, Kattupalli in line with that we were seen that opportunity coming then you come to, and if you come out to Dhamra and Paradip so we will be present in each of the geographies in each of the ports we will look at opportunities and in line with the government vision landlordism and private capital getting in together that is the story.

Aditya: That clarifies the third question that I had was related to your comment made related to India that is becoming logistics hub for neighboring countries I wanted to get a sense of how far are these from kind of seeing that effect being said a lot more meaningfully in our numbers and just to kind

of get sense whether FY2025 is a good timeline or is it more long drawn on the perspective we are benefiting from it.

Subrat Tripathy:

No, let me clarify before Karan bhai clarifies let me clarify the fact that the Indian peninsula with its geographical structure and the subcontinent with its arms into Bangladesh just to give you two things which have already emerge and has consolidated itself very strongly. Look Bangladesh for various reasons cannot afford a deep port but it is a consuming economy it is an aspiring economy with a very good growth of GDP and steady since it cannot have a deep port we play out what Karan bhai has already told you in the call that when we become a logistics hub we play out a story of what is called an anchor and a tenant. So at Dhamra we are seeing that the security of the gas cargos for Chittagong for Mongia and other consuming ports in Bangladesh is being provided from Dhamra so today we are doing what is called a shift to shift operation at Dhamra and we are servicing the Bangladesh market which otherwise cannot. So we achieve economies of scale with a call of a mother vessel at Dhamra and we run out a feeder vessel into Bangladesh it reverses the story. When we do this for container we will be taking in feeder vessels from Bangladesh getting an amalgamation to our ports and we are already building the container terminal in Dhamra and at Gangavaram it will work. The other story let me tell you is what is coming in Nepal. A landlord country riparian India's obligation to serve that today we have already had that Vizag port is recognized through policy advocacy government of India is recognized and have already permit see hitherto only Concor was permitted in the rail services agreement to service Nepal that has been relaxed so we will be looking for ALL to make inroads into the Nepal market and with the permission to handle Nepal cargos through all Indian ports with the Honorable Commerce Minister has already declared should happen we will be seeing cargos for Nepal and so these are two concrete stories that I can give you further to that I will see that I think our belief that India with its peninsula, its geographical structure, consuming market manufacturing hub makes it tentacles not just to south Asia also to the larger part of the Middle East where we will be becoming a very important call in running out these services and that is how the Vizhinjam story runs out very well. So each of them becomes a fulcrum. I hope I have clarified that.

Aditya:

I think again if Karan you want to answer anything but the way I summarize is what you are saying this Dhamra and Vizhinjam can play their part in attracting cargo from both nearby geographies as well as in Middle East over a period of time and the fact that geographically where we are placed and in terms of a volume generating country by itself consumption what not it can be a meaningful gain.

Subrat Tripathy:

Yes, indeed and let clarify if you look India's position today in the BIMSTEC it has been very well thought out that the new political alignment through the BIMSTEC which comes in with the larger foray for India to play in what is the BIMSTEC market which is also servicing landlord countries like Bhutan, Nepal. Bhutan is coming into the portfolio very soon and the fact that it has a very good economy around agriculture fruit and all which consuming markets in the world and the BIMSTEC also goes into the Southeast Asian country so we have these multiple structures and the BIMSTEC particularly is a logistics hub that is going to emerge certainly.

- Aditya:** Got that thanks a lot for your response those were my questions thank you.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint we take that as the last question. I now hand the conference over to the management for their closing comments, over to you Sir.
- Satya Prakash Mishra:** Thank you participants and investors for participating in the call and patiently listening to management's commentary on APSEZ nine months and quarter three results. We at IR team are available for all of your further queries so do not hesitate to write a mail or call us back. Thank you for participating once again, have a good day.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of Spark Capital Advisors, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.