"Adani Ports and Special Economic Zone Limited Q3 FY2023 Earnings Conference Call"

February 07, 2023

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Moderator: Ladies and gentlemen, good day and welcome to the Adani Ports & SEZ Limited Q3 FY2023 Earnings Conference Call hosted by DAM Capital. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Kumar from DAM Capital. Thank you, and over to you, sir.

Mohit Kumar: Thank you, Faizan. On behalf of DAM capital, we welcome you all to the Q3 FY2023 Earnings Call of Adani Port & SEZ. We have with us from the management Mr. Karan Adani, CEO and Whole-Time Director, APSEZ; Mr. Subrata Tripathy, CEO, Ports Business; Mr. Vikram Jaisinghani, MD and CEO, Adani Logistics; Mr. D Muthukumaran, CFO, APSEZ; Mr. Charanjit Singh, Head of Investor Relations and ESG, APSEZ. Before we start the call, request you to please restrict your questions to quarterly results or only strategic and business related questions, and request participants to reserve their group related questions to a separate interaction with the group team. Now I will invite Mr. Karan Adani for opening remarks on the quarterly results followed by Q&A. Over to you, sir.

Karan Adani: Thank you. Good evening, everybody. Welcome to the Nine Months FY2023 Conference Call to discuss the operational and financial performance of Adani Port & SEZ Limited. I will keep my remarks brief, so we can have enough time for Q&A. You will be pleased to note that APSEZ has reported a robust set of numbers for the concluded quarter and strongest ever nine months performance in its history.

I can now state with confidence that we are on track to achieve our full year revenue and EBITDA guidance provided at the start of the year. We are likely to close the year at the upper end of the guided revenue and EBITDA range.

Talking about Q3 numbers, total revenue from operations increased by 18% year-on-year to Rs.4786 Crores while EBITDA increased by 15% year-on-year to Rs.3011 Crores. Of the total revenue from operations of Rs.4786 Crores, port business contributed Rs.3936 Crores, logistics business contributed Rs.490 Crores, and the balance 360 Crores is from SEZ and O&M business.

Of the total EBITDA of Rs.3011 Crores, port business contributed Rs.2737 Crores, logistics business contributed Rs.142 Crores, and the remaining Rs.132 Crores is from SEZ and O&M business.

The port revenue per ton has increased by Rs.58 year-on-year, which is a growth of 13%. Of this Rs.15 per ton is due to depreciation of rupee against dollar and the remaining Rs.43 per ton is due to increase in share of high paying customers and a higher volume growth outside the JV terminals.

Just to give you an example, in Mundra the volume of JV partners has declined 9% year-on-year while the non-JV container volume has increased by 11%. As you can see overall Mundra port volume, container volume has remained flat, but because of this our average realization at Mundra has increased by 25% year-on-year.

Our port EBITDA margin continues to be at 70%, logistics revenue has increased by Rs.190 Crores year-on-year, which is a good 64% jump. This is in line with the business growth trajectory that we have been targeting. Logistics EBITDA has grown by 80% year-on-year, and the margins expanded by 400 basis points to 29.3%. We expect to see a similar growth in the logistics business in the coming quarter too.

As of March 2023, we are expecting a net debt at Rs.44000 Crores, which takes into account payment for Haifa Port, Tumb ICD Indian Oil tanking, and the ongoing Capex in line with the guidance at the beginning of the year.

Finally on FY2024 guidance, we are expecting FY2024 EBITDA to be in the range of 14000 to 15000 Crores. While the Capex is likely to be in the range of 4000 to 4500 Crores. The cash surplus generated during the year would be used to repay and prepay loans of Rs.5000 Crores. This will result in our net debt to EBITDA ratios of around 2.5x.

Let me conclude by saying that our business fundamentals remain strong, and we are well positioned to continue our growth trajectory while being able to also deleverage APSEZ's balance sheet.

With this I will just open the lines for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: Good evening. My compliments on a strong P&L performance. My first question is on your Capex guidance for FY2024 of Rs.40 to 45 billion which appears lower than our expectation based on interactions. What is the breakup of this Capex across key ports and logistics and has this number seen a reduction than the earlier guidance.

Karan Adani: So roughly the port Capex would be in the range of 3500 Crores to 3800 Crores and the balance would be from the logistics business. This is not a reduction due to growth, I think it is just that a lot of our projects, which we had started this year, they are maturing and that is where we are in the tail end of completion of these projects. So that is where the Capex is coming lower.

Sumit Kishore: Since so that in logistics there would continue to be momentum in Capex. So will that pick up in at FY2025 then given your sizable growth aspirations in logistics.

Karan Adani: Logistics it will depend purely on the kind of growth that we are seeing. If we do see our utilizations increasing in FY2024 then we would look at expanding on that front in FY2025.

Sumit Kishore: My second question is around your EBITDA guidance for FY2024 which implies around mid-teen growth on a year-on-year basis. Based on the reported numbers the port volume growth in FY2023 likely to be end around...

Moderator: Sir, the line for the current participant had got disconnected. Shall we move on to the next question.

Karan Adani: Yes, sure.

Moderator: The next question is from the line of Love Sharma from Lombard Odier. Please go ahead.

Love Sharma: Hi! Karan and the management for the call. Just one follow up I think on the targets you mentioned about the net debt, and the leverage going forward FY2024. Could you just indicate what kind of debt reduction are you targeting any specific loans or bonds we have earmarked etc., and the second would be how should we think about as you are getting more comfortable with leverage where it is currently sitting at two and half, three years do we expect some difference to be taken out at some point in sizable manner from the business.

Karan Adani: On your first question, as we have mentioned that we are looking to pay and prepay 5000 Crores, at this point of time we cannot tell you exactly which bonds or which liability we will be paying down, but on a gross basis you will see a reduction of 5000 Crores on our debt. On your second question on the dividend, we have a stated policy on dividend payback and payback to shareholders. I think we would look at following that policy and if there is any modification on the dividends that we would look at, we would obviously look at the amendment in the policy, but right now we would look to follow the policy what we have laid out in the capital allocation.

Love Sharma: So can you just remind what could be the current policy as the percentage of net income or something.

Karan Adani: Yes. It is 20% to 25% of our PAT is the current policy.

Love Sharma: Just one last question from me. The Haifa port you mentioned that, that will be accounted, the payment would be accounted in this quarter in the Q4. Is it the entire payment which will be paid right now or there will be some other staggered payments.

Karan Adani: No. Our entire payment has been done, we have already taken over the Haifa Port.

Love Sharma: Understood. Thank you very much, sir.

Moderator: Thank you. The next question is from the line of Eric Liu from Nomura. Please go ahead.

Eric Liu: Thanks gentlemen. Two questions. First question is about any progress update and the timeline about the Myanmar divestment, because this is also another ESG concern for the investor.

Karan Adani: So, Myanmar divestment, we are just waiting for certain CP's which are government approvals. Once those approvals are through, we should be able complete the transaction.

Eric Liu: Do we have an indicated timeline regarding this approval and transaction.

Karan Adani: It would be either this quarter or next quarter max by next quarter, ideally we are pushing for this quarter, but max it would go to next quarter, if for whatever reasons we are not able to get approvals in agreed timelines.

Eric Liu: Second question, I think, I just want to verify some number. I think between slide #29 and the slide #30 when you are talking about the reported cost and thanks for your time must really go forward. Your reported cost there is talking about around Rs.455 billion and then your demand really go by I think all the days for 432 or 431 billion. So what drives the difference, are they coming from a letter of credit or other stuff that are kind of difference.

Karan Adani: If I understand your question correctly. I could pick up that the total outstanding debt is 45 billion. What was your next question, what was the questions rather.

Eric Liu: Next question I think on the slide #30 you provide a detailed debt maturity profile, but the total that adding up together is 431 or 432 billion something. So this 20 billion are this…

Karan Adani: That is the short-term loan.

Eric Liu: Is the working capital loan.

Karan Adani: That is correct working capital.

Eric Liu: Thank you. My questions are done.

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

Ashish Shah: Thank you for the opportunity. So my question is again continuation to the first question on Capex. So you did indicate that for the port business we are looking at 3500 to 3800 Crore of Capex. Any detail you could share in terms of which assets we are looking to expand and what about our plans in Sri Lanka or any of the newer asset are we looking to slow down those Capex.

Karan Adani: No, we are not looking to slow down, basically whatever projects we have started this year we are just looking at completion of those projects and we firmly believe that we have enough capacity with all the projects that we have started this year and with their completion. We are very confident that capacity would be enough to take us for the next two years growth. So none of our projects are stopping it is just the projects which are coming up towards the end tail of completion at least in some of the projects in India. But the details we can provide at a later stage.

Ashish Shah: Sure. The second question is on the logistics side. So we have a broader medium-term target of tripling our presence in terms of rails, rakes and 60 million square feet of warehousing. So how are we looking at those targets, are we looking at those targets in the same time frame or probably extended time frame.

Karan Adani: On the container side we are looking to first whatever we have expanded and whatever we have constructed this year we are looking to get them up and running and that is where the focus is. On the rail side as and when the orders come we would look at expanding. So those guidance do not change. Just to give you an idea in terms of rail next year we have almost 100 trains, which have already placed the order, which would be coming online over the course of next year. So none of our growth targets change, it is just a matter of right now what we are looking at is whatever we have started we want to get them up and running and spread those assets.

Ashish Shah: Sure. I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Abhiram Iyer from Deutsche Bank. Please go ahead.

Abhiram Iyer: Congratulations on a good set of results. I had two questions. The first question was on, have there been any intercompany loans made post the quarter after December 2022 to outside the Adani Ports group, and the second question is broadly in case you are reducing Capex as you mentioned with logistics business going down what do you see margins for the same in FY2024 is the growth in EBITDA tied to the expansion in the logistics business that you carried out this year or is that primarily from the port side.

Karan Adani: First, let me answer your first question. Let me categorically say there is no ICD, there is no loans, no advances given to any group companies even after the quarter. So I just want to categorically say that and we have a very strong governance around any of the loans and advances for a group company, and these are governance which have been tied up which we have given in our bond documents. So let me just categorically say that there is no ICD which has been given, forget this quarter, last quarter, any point of time in the last two to three years nothing has been done. On the second question our margins and our growth is not tied up to the Capex, I think whatever we have done this year, the capacities which are coming up this year, they will take the logistics business forward at least for the next two years, and with the mix changing obviously between the container and the bulk volume in the logistics business, that will also help in improving their margins. We do believe that there is possibilities of increasing the margin in the logistics business than what we have done this year.

Abhiram Iyer: Perfect, sir. Thank you very much for your answers.

Moderator: Thank you. The next question is from the line of Priyankar Biswas from Nomura Financial Advisory. Please go ahead.

Priyankar Biswas: Thank you for the opportunity. So, my first question is regarding your Capex guidance. So at the upper end it is 45 billion. So is it just only organic Capex or does it include some potential for acquisition as well within this.

Karan Adani: It is only organic Capex.

Priyankar Biswas: So the reason why I asked this question is like for instance if there is some good asset like Container Corporation let us say for a strategic divestment it comes up. So do we have a plan in place to essentially raise funds, because you had earlier expressed interest to probably go for this asset whenever it comes up.

Karan Adani: Yes. Let me just say that when we look at from an overall perspective I think priority is to deleverage and as guided we would target to bring our leverage down to 2.5x our net debt to EBITDA. That said ConCor is a strategic asset. If we are able to find a way to do the acquisition without increasing our leverage of 2.5x we would look at it, but otherwise as I said that is how we would look at it, but our priority and our first order of preference is to deleverage to 2.5x net debt to EBITDA.

Priyankar Biswas: Thank you sir, that is a very clear answer, and just one bookkeeping question. So I needed clarity on that. If I see the waterfall that is in slide #29. So, it seems that there is a debt repayment that you have done of around close to 6000 odd Crores, but when I see the gross debt between March 2022 and December 2022, it is broadly the same. So can you explain this difference because this is something I am not able to reconcile.

D Muthukumaran: Actually this is Muthukumar. About 2500 Crores of gross addition has come from M2M in December 2022, and the balance is actually the net cash that we were carrying in March that we have now paid out.

Priyankar Biswas: But still that net cash difference so they needs to reflected in the net debt. So ideally this figure the net debt figure has gone up by close to 7500 odd Crores I am not able to reconcile that even with a 6000 Crore return.

D Muthukumaran: Can we revert to you with a little more details in a granular form, but basically the point is on the one side we have paid the loan that we had as of March, but we have borrowed more on account of acquisitions on OSL and the buyers credit of 1200 an impact of M2M is 2500. But I get your point, we will come back to you.

Priyankar Biswas: Sir, just, if I can squeeze in just one last. So earlier you had given an FY2023 volume guidance of roughly 350 to 360 billion tons. Can you give us the similar volume guidance for FY2024 and what would be the FY2025 target like we had a 500 million ton earlier.

Karan Adani: Yes. So the FY2024 guidance we will give it to you at end of March, let February and March go by, but we are very confident on the EBITDA guidance that we have given you.

Priyankar Biswas: And this 500 million ton target remains for FY2025 or do we see the slippage of one or two years.

Karan Adani: No, I think we will achieve that 500 million tons.

Priyankar Biswas: Okay, that is all from my side. Thank you so much.

Moderator: Thank you. The next question is from the line of Asmeeta Sidhu from MetLife Investment Management. Please go ahead.

Asmeeta Sidhu: Hi! Good evening, everyone. Thank you so much for taking my question. I just have a couple of questions. So, the first one would essentially be could we just sort of get an idea of the 315 Crores Forex impact to PAT because it is quite significantly larger from the last year so could you just clarify with us what this impact actually is.

D Muthukumaran: This is basically we have a $4 billion debt book, and in that $4 billion debt book the movement of rate between September 30th and 31st December is actually recorded in two places $2.7 billion is actually our designated bonds, all FX movement on that is in the OCI and on the balance 1.3 billion we have actually recorded it in above the line so which is in the M2M that you see and just to remind we do not hedge any of our FX exposure basically because we have dollar revenues or dollar denominated revenues that come from our container business and that is even year-by-year more than any maturing amount and even as the total book revenues is more than the liability. So we do not hedge, there is a natural hedge.

Asmeeta Sidhu: That is great. Thank you very much, and my second question I think just comes a little bit more on sort of acquisition. So you mentioned earlier that you do not have sort of any target for acquisitions built into guidance this year, but could we assume any sort of acquisitions that are in your view besides CONCOR are there any that you are looking at I do remember seeing in the news about the port Karaikal is that still sort of within your scope of acquisition or is that maybe being put aside at this point.

Karan Adani: No, Karaikal port we are already H1 bidder and our guidance bakes into that because that is an already an acquisition which has been approved by the COC and we do expect that port to come in, but our guidance takes that into account.

Asmeeta Sidhu: So just to confirm the Capex guidance does includes the potential transaction for this port.

Karan Adani: Yes that is right.

Asmeeta Sidhu: Just last comment from me for the earlier question mentioning about that management will revert on a detailed granular information. Could I also be given that sort of information.

Karan Adani: Yes, we will send across.

Asmeeta Sidhu: Thank you very much and thank you all for answering my questions.

Moderator: Thank you. The next question is from the line of Sherry Chen from GaoTeng Global Asset Management. Please go ahead.

Sherry Chen: Good evening. Thanks for taking my question. My first question is that for the maturities in this coming year, wondering what is the company's plan as we noted that, I think majority of them are onshore debentures.

D Muthukumaran: As the majority of them are, can you please repeat that part.

Sherry Chen: There is a majority of them are onshore debentures.

D Muthukumaran: Yes. So, actually we have totally I am telling you in rupees now in Crores, 8500 Crores approximately in rupee debenture and in next year we have 1600 Crores out of that coming as maturity and in the next year there is another 400 Crores of other short-term loans and loans that come up from maturity. So totally 2200 Crores. There is no other maturity whether onshore or offshore in the next year. It is only in the following year we have the first dollar bond coming up for sort of payment in FY2025.

Sherry Chen: Yes, that is clear. So wondering what company's plan for this maturity.

D Muthukumaran: As far as the coming year's maturity is concerned we will pay that, we have shown the cash flows that will be generated by the company from operations starting from EBITDA, Capex we are generating net cash of 5000 Crores. So we will use that to prepay the maturing debt as well as we will target to prepay some of the other debts. So totally we will pay 5000 Crores of debt in the next year and the following year we have same amount of money coming from operations. So even if we do not do anything else we will be able to prepay that year's maturity from the cash flows as well.

Sherry Chen: My next question is that does the company at this moment has any plan to doing some tender offer considering the current bond price under pressure.

Karan Adani: No we do not have any plans right now.

Sherry Chen: The last one is about the acquisition on the Haifa port. So noted that in the announcement you said that this transaction has been concluded. So could you elaborate a bit that whether all the related debt financing has been done and whether you have consolidated already the financials coming from this new port. Thank you.

Karan Adani: Yes. So, as you know we have already concluded in January 10th we have taken over officially the Haifa port, the amount has been paid to the government. Quarter four will be the first quarter where Haifa port balance sheet will get consolidated into APSEZ, I will request Muthu to talk about the debt for the financing of the Haifa.

D Muthukumaran: Yes. So far in Haifa there are actually multiple components helping. The total acquisition cost was $1.2 billion, we have actually taken a $300 odd million of local debt which is non-recur and we have $475 million of debt which is actually mezzanine financing that APSEZ has guaranteed and the balance two components 70% from us and 30% from our partners which is $230 million and $110 million of equity. So these four actually added up to the total purchase consideration that we have to pay.

Sherry Chen: Thanks for sharing, that is very clear. Thank you.

Moderator: Thank you. The next question is from the line of Himanshu Porwal from Seaport Global. Please go ahead.

Himanshu Porwal: Thank you for taking time out for the presentation and congratulations on the strong results. I have a couple of questions. So first on the liquidity side, can you provide like what is your total liquidity including your cash balances as well as any revolving facilities, and on the revolving facilities what is the unutilized portion if at all.

D Muthukumaran: So we have 3000 Crores approximately of cash balance as of today as we speak which is actually sitting in the FD and we have about net of 2200 Crores of commercial paper limits that we can actually borrow which are not utilized.

Himanshu Porwal: That is not utilized alright. Thank you very much and my second question I am a bit naive but just for clarification do you have any portion of your offshore assets and how much of that will be contributing to your overall EBITDA levels from the offshore portfolio.

Karan Adani: Can you just repeat your question, it is not very clear.

Himanshu Porwal: What is the portion of your offshore assets if at all and how much does it contribute to the consolidated EBITDA.

Karan Adani: Right now none of the offshore assets are operational. So as I said Haifa port will get consolidated in Q4 which is the operational assets. Otherwise none of the assets are operational. So they do not contribute into EBITDA.

Himanshu Porwal: How much will this Haifa port likely contribute as a percentage if you can say so.

D Muthukumaran: I am trying to recollect from memory we actually made a detailed presentation in last October I think. So next year if I remember right was 40 odd million is expected contribution. We give a year-by-year in that presentation for next year not for the Q4 for next full year.

Himanshu Porwal: The whole $48 million of EBITDA you have. Okay thank you very much.

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

Imtiaz: Thank you very much for the opportunity to ask you some questions. Before I ask my questions can I just clarify something that you had earlier said, I might have misunderstood you but I recall you are saying that your first US dollar bond maturity in 2025, but I thought you meant that 2024 maturity is that right.

D Muthukumaran: I meant FY2025 which is actually July 2024 first quarter of financial year 2025.

Imtiaz: Okay, that is what I thought. Thank you very much for clarifying them. If I can just ask you two questions on my own. The first one of your reported debt as of September I think was around 420 odd billion. How much of that is secured debt.

Karan Adani: 22% of it is secured debt.

Imtiaz: Has that changed materially now in terms of percentage if you can give us some guidance.

Karan Adani: No they does not changed materially I mean it has not changed at all in percentage terms.

Imtiaz: My second question is could you just tell us how much of your assets, how much of those assets that we pledge or incumbent.

Karan Adani: From the 22% that has been secured which are basically the 8000 Crores of LCD there the asset has been pledged which is roughly 1.25 times of that.

D Muthukumaran: We needed an FACR of 1.25 times and like I mentioned in the first quarter we will pay off 1600 out of which, I mean, the total assets that we need to give for cover will come down.

Imtiaz: Sorry can you just repeat that I did not understand it. So you have your total debt 22% is secure and what is the 80 billion number that you mentioned.

D Muthukumaran: See we have total LCDs of 8500 Crores that is the only secured loan that we have in the books and on the 3500 Crores we needed to give an FACR of 1.25 times, and we will pay off 1600 Crores out of that in the next financial year.

Shreyans Daga: That explains it. Thank you very much. That is all from me.

Moderator: Thank you. The next question is from the line of Luke Chua from Pictet. Please go ahead.

Luke Chua: Good afternoon, good evening. Thank you very much for the good performance and presentation. I can get the updated numbers on slide #29 and #30 because the debt numbers in #29 and #30 are not lining up.

Karan Adani: Yes sure.

Luke Chua: Can I just clarify something before I ask one more question. You said to one of your investors that you are not intending for bonds, are you allowed to buy back your own dollar bonds in the open market and to what extent can you do that because as the interest part there is nothing due imminently and you have got Rs.5000 Crores budget or estimated in the coming FY, but the total debt due it is mainly in rupees in FY2023 to 2024 so why would not you buy back debt at a lower dollar cost and the final question is do you have new or anything that is recent in terms of related party debt.

D Muthukumaran: So let me go in the reverse order. Related party Mr. Adani clarified that there have been no related party transaction in terms of debt. All related party transaction is APSEZ subsidiary wholly owned subsidiary or JV there is no financial or loan transaction above APSEZ that number one. Number two to your question on how do we actually buy back, our bond document does not provide for buyback except towards the maturity however if at all we do any buyback we will actually do it under the loan management scheme that you actually see in the marketplace like any other bond issuer if at all we wanted to actually do some tender or market buyback we could do that, but as we said there is no current plan and we have not guided exactly, which particular bonds or rupee that we will repay out of that 5000 Crores that we will deal with specifics as we go forward, but right now our guidance is that we want to reduce the total debt in the balance sheet of the company and we will actually work with the market to come up with the best possible outcome which is sort of good for both us and them, but our main objective is that we are generating cash, we want to use that money to repay the debt after meeting all the growth Capex.

Luke Chua: Understood. Thank you. So you wait for your friendly brokers to come up with the proposals on that one.

D Muthukumaran: Yes, sure and to your first question actually I would like to answer in two parts. The first one is what you asked just now. You wanted us to reclarify the difference between page #29 and page #30 in the debt. If I can use rupees, Crores if you do not mind. In page #29 December 2022 we are showing a total gross debt of 45534 Crores whereas the table that we have put in page #30 adds up to 43164 Crores. So this 43164 is the long-term dated debt, the rest is short-term undated debt that is how actually it stacks up, that is the first part, is that clear.

Luke Chua: Yes, thank you.

D Muthukumaran: The second part I think there was a question earlier on how come we have same 45000 odd Crores as of March as well as December and still we are showing a 6000 Crores of repayment. So let me actually explain that to you we had a total debt of 45453 Crore in March 2022 and we have actually repaid 6000 Crores. So therefore our gross debt would have come down to 39000 and this 6000 was actually repaid from the cash flows of the company, we had cash balance in March 2022. So we used that 13000 Crores that we had both for Capex as well as for debt repayment. So our number came down to 39000 Crores, and in the last quarter and the previous quarter we borrowed 2300 Crores short-term loan, which is again the difference that we spoke about between page #29 and #30 and we also added buyers credit of 1200 Crores, and there is a non-cash mark-to-market addition in the gross debt of 2500 Crores. So, if you add these three numbers up it will tally to the rupee so we are back to actually 45000 Crores of gross debt.

Luke Chua: Just to sum up on behalf of all the other fellow investors you repay when you say a low repayment is long-term and so you had a short-term plus buyers credit and the other one. So these brought the number on the left hand side of slide #29 to what it is, correct. So is it to simplify your explanation, I mean, I am sure I can contact you for the numbers essentially your gross debt increase.

D Muthukumaran: That is correct our gross increased correct.

Luke Chua: So you repaid long-term of roughly 6000 Crores and you increased by close to 9000 Crores.

D Muthukumaran: No increase but the same 6000 Crores incidentally.

Luke Chua: I am sorry, my line was a bit low, sorry again. What was it.

D Muthukumaran: So we started 1st April which is 31st March 2022 with 45000 odd Crores of debt and we repaid 6000 Crores. So our gross debt came to 39, but for 2500 Crores we borrowed everything and 2500 Crores is the M2M accounting impact so we are back to same 45000 Crores of gross debt.

Luke Chua: Understood. Thank you very much.

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

Aditya Mongia: Thank you for the opportunity and congratulations on very strong set of numbers and to Karan congratulations for becoming member part of the Maharashtra ESG. The first question that I had was linked with the leverage guidance for FY2024 and the spending that it reflects. I wanted to get a sense of what is the thinking behind the change over here, is it more a medium-term target from here on that 2.5x would be or is it a one year phenomenon as things stand at this point of time.

D Muthukumaran: No so our philosophy remains the same, which is actually the two points that we wanted to emphasize by making that number out as a guidance is number one we have very strong operation that generates cash and we guided that EBITDA for the next year will be 15000 Crores and it will generate enough cash and the second point that we want to say is that we will have cash balance to the extent we foresee Capex requirement and if we see in the medium-term there is no need for that cash we will use that to repay the debt with the same cash that we generated from the business. So our idea is to generate cash and use it for growth and whatever is left we will repay the debt. So that is the message we wanted to communicate and the maths add up to 2.5 leverage.

Aditya Mongia: Again this is clarifying from what I heard on the call all potential spendings would be seen in context of whether one can conform to 2.5x leverage for FY2024 my simple question is, is this one year statement that you are making or is this a medium-term statement that from there on for the next two or three years all spending decisions will be done in context of maintaining a certain 2.5x leverage.

D Muthukumaran: We are not actually committing to 2.5 for the medium-term what we are telling you is what we can see as we sit in the dashboard right now as you can imagine we will be dynamic if there are growth opportunities in the following years we will pursue them otherwise we will continue to deleverage and it can even go down even below 2.5. So we will have to be sort of doing what the market offers at that point in time.

Aditya Mongia: The second question that I had was that your guidance for FY2024 on EBITDA versus FY2023, if I take the midpoints is almost high teens kind of growth that you are envisaging. I am just trying to get a sense of on an organic basis can volume growth for you and on a comparable organic port wise basis can 10% come in from that kind of quantum and the remaining coming in from other parts of logistics and organic or just trying to get a sense of what kind of organic port growth can actually happen and any downside this that you may see it happening.

D Muthukumaran: See basically I would like to mention and reiterate that we will give specifics of the budget at a later point in time we are giving now in aggregate however I wanted to put this in context if you see our nine month number our actual EBITDA growth is 22% from April to December. The EBITDA that the company has achieved. Like you said the guidance of 15000 is actually mid-teens or rather high-teens mean like 17%, 17.5% growth. So it is well within what we have already achieved and this is right now all organic growth that we could stack up and do a bottoms up and come to this range of our expectation of EBITDA and this also reflects an anticipated marginal slowdown in the economy or a lower growth let us put it this way FY2023 did see a very good growth. So in our base case we are assuming that growth will be slightly lower in FY2024.

Aditya Mongia: Understood, those were the questions from my side. Thanks a lot for your response.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial Institutional Equities. Please go ahead.

Achal Lohade: Good evening. Thank you for the opportunity. Just had couple of questions pertaining to the quarter. Now if you look at Q-o-Q the volume drop seems to be fairly large 13% drop in terms of volume and in terms of revenue also there is a drop. If you could elaborate a bit in terms of key ports like Dhamra, Krishnapatnam, Gangavaram has seen a sharp decline in revenue and the volumes if you could elaborate a bit as to what else played out and how you looking at for the fourth quarter.

Charanjit Singh: Some of this is due to externalities, such as the high duties which the government introduced in-between the year. There were duties introduced on iron ore, steel exports, and also imports, wheat was completely banned, rice again was banned, sugar also faced certain controls. So as a result of this volumes of certain commodity svolumes in specific ports was impacted. Otherwise if you look into our realizations, our realizations largely have either remained in the positive territory or mostly stable. Karan Bhai when he started did mention about the improvement in realization at some of the ports. You can have a look at the Gangavaram port, Krishnapatnam, Tuna, at Mundra specifically. This phenomenon is not very specific to us. It is more of a macro driven by the government action.

Achal Lohade: Just a clarification Karan had talked about Mundra port their non JV volumes have seen a substantial improvement while the JV volumes had declined. Can you elaborate a bit what has driven that and how do you see it evolving.

Charanjit Singh: For us, if you look from our business perspective the realizations for non JV volumes is much higher significantly higher in comparison to the JV partners. So, if there is anything which is very specific phenomenon related to them we have managed, particularly in terms of growing the non JV volumes and in return we have managed to improve our realizations. So there could be very specific events related to the partner but these are short-term slippages but these have enabled us or you can say triggered us to look for volumes outside.

Achal Lohade: Just a clarification if you could help us with the transhipment volume at a company level and Mundra port for the quarter or nine months.

Charanjit Singh: See on a Y-o-Y basis it is relatively lower, on nine month basis 20% roughly the TP it is little less.

Achal Lohade: That is the transshipment right.

Charanjit Singh: Yes, correct transhipment is less than 20%.

Achal Lohade: Is it at Mundra port you are talking about, right.

Charanjit Singh: Yes, for APSEZ level.

Achal Lohade: Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Parag Jain from HSBC Hong Kong. Please go ahead.

Parag Jain: Thank you and hi, Karan, and a lot of questions have been answered partially but the line was low. So if I can just very quickly clarify some of them. In your FY2024 EBITDA guidance does it include maiden contribution from Haifa, that is my first question.

Karan Adani: Yes it does include the contribution from Haifa.

Parag Jain: With respect to net debt to EBITDA guidance that we have offered like ending up at about 2.5 times by end of FY2024 does it give us the impression that following that year your Capex run rate would double organically or you would scout to grow inorganically because we will be comfortable with that levels or we think that medium-term probably two time is the new three time or you think that 2.5 time is the new three if at all.

Karan Adani: I think organically we would be comfortable at 2.5 actually it might come a little lower also because as our EBITDAs keep growing our capacity addition would not be in line with the growth of the EBITDA because a lot of capacity has been added which will take us on a medium-term basis which will take care of the growth for the medium-term basis. So we feel comfortable that on the port side what Capex we are going through and as a company 2.4x to 2.5x should be good enough to take care of the organic growth.

Parag Jain: One thing that we in the past used to comment on and we have seen that the pledging has come down at the promoter level but is there any tangible or a timeline where you think that will unwind or this is something that we are not able to comment at this stage.

Charanjit Singh: This pledge has gone down and there was a payment made yesterday and it has come down below the levels which you have seen observed in December and it will further go down from these levels.

Parag Jain: Yes, why I was more keen on that is there any timeline that you are looking at that over the next 12 months we probably would see it.

Charanjit Singh: Yes, that is right in the current year it will go down towards zero, I mean in the next financial year.

Parag Jain: FY2024 yes I understood that and one final question which I think Karan addresses repeatedly that just for my clarification purpose because we were running a higher amount of cash at the end of last fiscal year and in the annual report there was a sentence underneath I think balance sheet where subsequent amount of loan was given to the intercorporate but which was guaranteed by a related party which is perhaps legally is not related party but how should we think about those kind of transactions from here on do you think that any of such intercorporate loans guaranteed by related party also will disappear.

Charanjit Singh: No as mentioned earlier also and as clarified by Karan Bhai on the call that there are no related party loans which were given in the past two to three years. Now coming to that, it is a treasury operation. we do seek security from the company which is borrowing and as a result of which if they have come up with the security mechanism which gives the comfort that was executed. This is one of phenomenon with respect to the security. You could see the volume of loans that have been given and how these are rotated. So, it is very clear that it is one of a case, which is because of certain payable by a particular company nothing beyond that.

Parag Jain: So, we shall not expect those transactions going forward is that you are saying.

Charanjit Singh: They have not been there in the past if you see the last two or three years also that one of transaction is not a reflection of the treasury operations which they have been carrying.

Parag Jain: Fair enough. Thank you so much for clarification and have a good day.

Moderator: Thank you. The next question is from the line of Matthew Zheng from PIMCO. Please go ahead.

Matthew Zheng: Thanks for the opportunity. I just have two questions. First of all can you remind us after the acquisition of Haifa port is closed is there any other acquisitions that you have committed to but they are not fully settled and what would be the amount of it.

Karan Adani: We have a port through bankruptcy court we have taken Karaikal port which the committee of creditors has approved our bid, we have come out H1 and the amount is 1500 Crores over there for acquisition of that port and that has been baked into our guidance for the next year as well.

Matthew Zheng: So that is included already in the Capex guidance.

Karan Adani: Yes that is right.

Matthew Zheng: The second question is are you restricted by any covenant to raise secured debt in other words what is the maximum amount of assets that you can pledge to raise secure debt in case of needs.

Karan Adani: Sorry can you repeat the question, please.

Matthew Zheng: Yes. I just wanted to understand a bit better of the flexibility in terms of raising secure pledge and I understand that you just mentioned that currently around 22% of the debts are secured, but just in case you need additional secured debts what is the maximum amount of assets that you can pledge to raise secured debt without breaching any governance.

D Muthukumaran: We actually we have assets sitting in multiple subsidiaries our entire gross capital employed is technically available for security if we want to give which is as per the last balance sheet 46000 Crores. 46000 Crores which is Rs.460 billion.

Matthew Zheng: The line was breaking up a little bit can you repeat the number again.

D Muthukumaran: Yes, the gross PPE which is in the balance sheet, the written down value is close to 46000 Crores plus any Capex that we will do in the near-term but currently it is 46000 Crores which is Rs.460 billion.

Matthew Zheng: Got it, understood. That is great. Thank you very much.

Moderator: Thank you. The next question is from the line of Justin Ong from Thread Needle AMC. Please go ahead.

Justin Ong: My first question about intercorporate deposits and our loans have been answered. My second one is just on Myanmar again I did not catch it you were mentioning about certain approvals at Q4 coming can you explain a bit more about where this approval coming from.

D Muthukumaran: We need statutory approval as you can imagine from any transaction perspective from the authorities. So we are working on them from the perspective of the buyer.

Justin Ong: So the statutory body is in Myanmar or in India.

D Muthukumaran: Myanmar. We do not need any approval from India for this.

Justin Ong: Alright.

Moderator: Thank you. The next question is from the line of Nikhil Abhyankar from DAM Capital. Please go ahead.

Nikhil Abhyankar: Thanks for the opportunity. Sir I have got just one. So can you just give us an idea as to an update on the concession renewal policy that GMB is working on will the policy be finalized in the near-term.

Charanjit Singh: GMB is engaged with these stakeholders primarily with Pipavav port and with other stakeholders as well and we are expecting them to come out with the guidance very shortly now preferably about three to six months' time now.

Nikhil Abhyankar: Okay sir, that is all from my side.

Moderator: Thank you. The next question is from the line of Christina Yang from GIC. Please go ahead.

Christina Yang: Thank you for the presentation. Just a follow up on the leverage numbers and also the treatment of Haifa because you mentioned that it will be consolidated from Q4 right. So on the debt part because I think you mentioned there is two-parts one is nonrecourse and then the second portion that is guaranteed by APSEZ. So for the debt number then which number are you consolidating?

Karan Adani: We consolidate the whole thing the whole number.

Christina Yang: The one including nonrecourse as well and what is the number again can you remind me.

D Muthukumaran: See $1.2 billion is the total transaction value out of which $230 and $110 which is together $340 million is the total equity that has gone in, the balance will be consolidated as a debt from accounting perspective the whole thing is a debt, but I must also point out that in the same breath actually the company is carrying a cash of close to $600 million and today generated more so close to $700 million so while $840 million will be consolidated as a debt there will also be a cash balance in the company.

Christina Yang: So net off that cash right which is $700 million.

D Muthukumaran: Yes the net debt will go up only by this amount.

Christina Yang: So I have one question on I guess just your conversations with rating agencies so far given that I think S&P changed their outlook to negative yesterday I guess discussions with the company and so far is there any action required any kind of documents that you need to provide to them and any kind of metrics that you need to maintain your investment grade rating.

D Muthukumaran: So we have been in very detailed engagement and we have shared a lot of information with the credit rating agency and basically there is no particular condition that has been put or a metric that has been communicated to us for us to maintain fundamentally because of all the cash flow and the leverage points that we keep emphasizing on this call as well so our balance sheet is strong and getting stronger. So therefore there is not anything outstanding in terms of action points with credit rating agencies, but I am sure the engagement will continue with them.

Christina Yang: Okay, thank you.

Moderator: Thank you. The next question is from the line of Christopher Cutajar from Calamatta Cuschieri Investment Management. Please go ahead.

Christopher Cutajar: Thank you for taking my question and just clarification I know they have also asked this question and you replied by line on that and can you reply what is the difference between the figure on slide #29 and that on slide #30 in terms of total debt, please.

D Muthukumaran: Actually there are repeated questions what we will do is we will supplement with a separate sheet just following this call sometime later today or tomorrow India time so that all of you have the same level of information and we will try to actually give a little more detail and color on this. That said let me actually tell you the gross debt as on 31st December is 45000 odd Crores and which is in page #29 and page #30 details only the long-term debts page #30 excludes short-term debt because there is no debt for repayment of those so because there are no debts we have excluded them and that is why there is a net 2000 odd Crores which is actually short-term debt.

Christopher Cutajar: Thank you.

Moderator: Thank you. The next question is from the line of Ajay Sharma from Maybank. Please go ahead.

Ajay Sharma: I wanted to check on your plan for 500 million tons basically by FY2025. If you could provide some granularity on that basically because right now you are only around 350-340 right so where is the additional cargo going to come from.

Karan Adani: So we have a lot of assets which will come online by FY2025 so we have our Vizhinjam port which is under construction which will come online we would have our Sri Lankan Colombo port terminal which will come online by that time and an additional container terminal in Mundra. So all of these new assets will add to the existing volumes and I think we are very confident that we would be able to reach 500 million metric ton by FY2025.

Ajay Sharma: Then quickly on your Capex. If I see in terms of the breakup you had given earlier on the logistics Capex and ports Capex. I see in terms of the revenue to Capex ratio for logistics seems to be rather low so I am just wondering how do you kind of justify that and is that going to pick up in future or what.

Karan Adani: Right now we do not expect major Capex on the logistics side on the container ICDs because we have done a lot of development this year. We do expect Capex on the agri logistics and the rail front to continue as per our earlier guidance and once our utilization on container ICDs improve, we will look at expanding those capacities.

Ajay Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Varun from JP Morgan. Please go ahead.

Varun: Good afternoon, good evening. Thanks a lot for taking the question. Most of them have been answered. So just a couple of them, more of a housekeeping ones. One, can you just guide me the JV level debt that would be not reflected in the debt right now but which is guaranteed at the JV level that is the first question and then second question is just principally if you can give some guidance to better understand if I look at your cash flow statement which typically happens in the semiannual in the investing cash flows is always a very large inflow, outflow that happens for loans and intercorporate deposits typically it is in multiples of the cash that you have on the balance sheet I know it is a grossed out number but whom exactly does it go to and how does it come back if you can give some guidance on that as well.

D Muthukumaran: So I think this question came earlier also and what we explained is that these are treasury operations given the cash with the company treasury works to drive a return on that cash. So these are more intercorporate deposits and other investments was the treasury mix, very short-term, well secured and that has been an ongoing operation giving very good returns to us. I hope that answered your question.

Varun: What kind of it, does that go to your customers or suppliers who require short-term financing.

D Muthukumaran: It is not only limited to anybody in the market who has sufficient, who can give us sufficient security once a short-term and we are confident in terms of the security of the principal plus the terms of the return or the interest remains is completely or negotiated with borrower.

Varun: Can I ask like what percentage of your cash portion is typically utilized at any given point in time for these corporate deposits.

D Muthukumaran: Actually if you look as of 31st December or actually going forward we are not going to have any of these because we have used up all our cash either to pay down our debt or in our Capex the buildup of cash happened in anticipation and lack of clarity on some of the large acquisitions as well as the Capex plan at that point in time. So now there is no need for us to do the cash buildup and therefore in fact we are specifically guiding that next year we will pay down the debt with the cash.

Varun: And JV level I think it was 900 Crores is that largely unchanged.

Karan Adani: Yes, so JV levels so we have three JVs we have the AICTPL which is a JV with MSC there we have a $300 million bond 20 year bond, we have Dhamra LNG which is JV with Total there we have a $600 million ECB and we have Adani CMA which is container terminal in Mundra again a 50/50 JV with CMA CGM there we have 1500 Crores of debt. Just want to clarify none of these debts have been guaranteed by APSEZ.

Varun: Could they appear more as contingent is that right.

Charanjit Singh: In this bond issuance of AICTPL is completely 20 years nonrecourse bond subscribed by various bondholders. Adani CMA loan is nonrecourse loan on the books of the JV and Dhamra 600 million ECB is co-guaranteed so 300 million by Total and 300 by Adani.

D Muthukumaran: Which when we do the take out at some point in time in future this guarantee will follow. Right now it is under construction so it is there.

Varun: Thank you so much.

Moderator: Thank you. The next question is from the line of Rishabh Sisodia from Sameeksha Capital. Please go ahead.

Rishabh Sisodia: Thank you for the opportunity. Sir just on a longer-term guidance question given logistic exposure. So where can our blended revenue mix look at let us say three years or five years down the line for ports and logistics per se and even warehousing if you could include.

Karan Adani: I think it would be around 70-30, 70% ports and 30% logistics.

Rishabh Sisodia: And you expect the margins to sustain at these levels of both the businesses right.

Charanjit Singh: Yes, for ports 70% and above and for logistics it will increase from the current level as you have seen increasing in the last two, three years from 17%-18% these are currently at 29% and basically the types of assets which is commissioned this will continue to increase over the coming years.

Rishabh Sisodia: And just one last question. So given our slightly lower Capex guidance for the coming years. So given we are hedged at least for the next two years for growth guidance so post that would that again be a scenario where again a Capex would come in only then growth would drive that, would that something be like.

Karan Adani: No I think what we are saying is that I think for the next few years I think the Capex this would be a sort of a consistent Capex of 3500 to 3800 for ports to sustain the growth and to reach our guidance of 500 million tons for FY2025.

Rishabh Sisodia: And the highest stable asset terms for both the businesses on net fixed assets per se.

Karan Adani: Sorry, you are not audible.

Rishabh Sisodia: What I am asking is the asset turns the maximum achievable asset turns for ports and logistics individually if you can.

Subrat Tripathy: See today we have a total capacity in the ports of 550 million and we are adding more capacity, we are adding range and we are adding Vizhinjam, we are adding Sri Lanka. So we have room, but actually there will be sustenance Capex as well as actually mechanizations as well as asset specific like container, like liquid, so product specific Capex could be there. We have enough room it will depend on the sort of mix of growth in the market.

Rishabh Sisodia: Okay, sir. Thank you, that is all from my side.

Moderator: Thank you. The next question is from the line of Amit Jain from Samsung Asset Management. Please go ahead.

Amit Jain: Thanks for taking my question. Just a clarification again on the debt side. On the waterfall itself I am just trying to understand you said about 35 billion is short-term loans and buyers credit so in terms of the capital sort of more or less doubling in the nine month and can you sort of even sort of explain what is happening on the waterfall in the presentation that we able to prepare for them the right one.

D Muthukumaran: We will give you little more specifics and sharper sort of waterfall, but fundamentally we use short-term debt for both working capital as well as for all the sort of Capex requirement if you see all our current debt in the balance sheet is long-term which is $4 million of bond and 8500 Crores of NCDs that I spoke about and our objective is to tenure out this debt through two things, number one as and when asset start commissioning we will actually do the takeout and number two as and when there is an opportunity we will actually do long tenure bonds so these were two ways and which we will actually tenure out over a long period of time and the current use of short-term to long-term as you can see short-term is very, very small in 5% to 7% and the long-term is still the dominant part of our total borrowings.

Amit Jain: So just in clear waterfall would be helpful because I understand the 35 billion of inflows that you are getting from the three sources you spoke about I am just not clear on where the utilization has been. So that will be very helpful, if you can sort of update that. Thanks.

D Muthukumaran: We will do.

Amit Jain: Thank you, that is all from my side.

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

Aditya Mongia: Thanks for the follow up opportunity. I just had one clarification to get from you. In the 9M bridge that you talk of cash flows there is another component that is supported to the extent of 1175 Crores. Could you give us a sense of what are the key components inside this line item.

D Muthukumaran: For which page you are talking about.

Aditya Mongia: I think it is slide #29 where you build a bridge of 9M cash flows.

Charanjit Singh: This is multiple small, small items, which we have clubbed them as others. So no specific major item, but multiple items with the buyer credit or some other loan being added so this is what we have added to get one number, any sort of deposits so all those things get charged into this mobilization advance or something of that nature.

Aditya Mongia: Just a clarification at Mundra or Dhamra are we seeing any amount of market share losses that are happening in Dhamra to Paradip port or is it just the macro that is impacting the near-term.

Charanjit Singh: I think it is mainly the macro overall we are not seeing any major shift in the market share at both of the places.

Aditya Mongia: Just again the final question from my side is Haldia anywhere figuring in your FY2024 estimates of Capex or is it only the Haifa which is the inorganic part that gets added on.

Karan Adani: So for the Haldia we have almost two and a half years to commission so we have a Capex in the coming year, but it is very minimal because we have sufficient time to commission this.

Aditya Mongia: On logistics this EBITDA that has happened on a Y-o-Y basis is this all the organic one can take it or is there any consolidation happening of ICDs and NCD one and that is kind of posting numbers.

Charanjit Singh: It is a mix of both having Tumb is also being added during the year, but there is a good share of organic growth which has been ongoing phenomenon you could have seen that in the past quarters and the journey continues. Here bulk of this contribution has come from organic Tumb has happened only for last quarter that is this quarter if you see the trend the trend has been continuing Q1, Q2, Q3, with the same increase that you are seeing now.

Aditya Mongia: Understood and again sorry but just again kind of reconfirming the Karaikal port Capex of 1500 Crores is part of the 4000 to 4500 Crores guidance is that correct.

Karan Adani: Yes that is right it is included.

Aditya Mongia: Got that thanks a lot for those clarifications and those are my questions.

Moderator: Thank you. The next question is from the line of Eric Liu from Nomura. Please go ahead.

Eric Liu: Thanks management. Actually I just have one follow up question is regarding the Adani International Container Terminal the joint venture of the MSC. So there is a news talking about the mutual termination between the MSC and Maersk alliance will come in January

2025 and this joint venture brought I think 70% of the volumes coming from MSC. So do we have a breakdown at least 70% of the volume of which how much coming from MSC and how much coming from the Maersk and going forward how do you see the volume risk after this termination of the alliance.

Karan Adani: In AICTPL majority of the volume comes, it is an MSC volume is the Maersk volume goes to another terminal is just the spillover which comes into this volume. So we do not see any disruption in the volumes of AICTPL as well as in the disruption of Mundra port volumes because of this alliance breaking up.

Eric Liu: How is the utilization really at a moment is it something compared to previous year that we were talking about 70%.

Karan Adani: In AICTPL.

Eric Liu: Yes.

Karan Adani: Utilization is roughly 70% at AICTPL.

Eric Liu: 70% okay got it. Thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Bharani Vijay Kumar from Spark Capital. Please go ahead.

Bharani Vijay Kumar: Good evening gentlemen, I have one question on the gross debt which is at around 45000 Crores at present after the Haifa acquisition by the end of FY2023 how much is this going to go up to.

D Muthukumaran: The gross debt will go up in the consolidated accounts by $840 million.

Bharani Vijay Kumar: $840 million.

D Muthukumaran: That is correct 840 but like you said it is also cash yes there is also cash in the company. So net debt will be much smaller but gross debt will be $840 million.

Bharani Vijay Kumar: So gross debt will go up by roughly about 6500 odd Crores.

D Muthukumaran: That is right.

Bharani Vijay Kumar: So that would be about 52000 odd Crores by the end of the year in the consolidated books gross debt and you are telling from that 52000 Crores it will come down by 5000 by end of April 2024.

D Muthukumaran: Yes, you will also see the numbers for 31st March what you are not doing is 31st December. So like Karan Bhai said in the beginning we expect net debt by 31st March of 43000 to 44000 Crores.

Bharani Vijay Kumar: 31st March 2023 you mean.

D Muthukumaran: Correct so from there you have to start to calculate the 5000 Crores that we will pay for the next year.

Bharani Vijay Kumar: So that will bring down the net debt to about 37000 Crores by end of FY2024.

D Muthukumaran: That is right.

Bharani Vijay Kumar: Thank you gentlemen that was my question.

Moderator: Thank you. The next question is from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

Pallavi Deshpande: I just wanted to know on the Haifa port again. Would the margins for that be lower or higher than our APSEZ?

Charanjit Singh: Yes, the margins are lower than APSEZ so roughly the margins are 25% to 30% over there.

Pallavi Deshpande: Just on the land sales would that be still on track what you guided for 2Q.

Karan Adani: In our guidance we do not account for any land sales in our guidance. So all our guidance are without land sales.

Pallavi Deshpande: That is all from my side. Thanks.

Moderator: Thank you. The next question is from the line of Matthew Zheng from PIMCO. Please go ahead.

Matthew Zheng: I just wanted to clarify on the point that you just mentioned before. You just said that that the entire cash on your balance sheets up to 4000 odd Crores can be pledged for secured loan if necessary, but I also notice there is a negative pledge in your US dollar bond terms can you perhaps explain a little bit more on how you can touch this yields without fixing to the negative pledge, please.

D Muthukumaran: See our US bond covenant is that if we give security to any other bonds then we have to give up a security to the current bondholders as well. But if it is a non-bond then we actually have the security to be offered to anybody else and of course we will have to be disciplined about our total leverage. I just answered the question on the basis of theoretically what is the room available from the security side. We also have to calculate what is the room available from the leverage side.

Matthew Zheng: So you are saying if it is not the bonds then you can provide security. So let us say it is a bank loan or private placement kind of debts you can provide security without fixing the negative trends.

D Muthukumaran: That is correct.

Matthew Zheng: You just mentioned there is a regulatory restriction as well and can you give little more color on that as well.

D Muthukumaran: We mentioned what regulatory what.

Matthew Zheng: Regulatory check on the amount of asset that you can pledge did I hear that correctly.

D Muthukumaran: No I did not mentioned any regulatory I was only saying that the entire asset technically is available for us to offer as a security from offering security perspective on the asset side perspective but we also have to sort of calculate from liability perspective how much liability can we totally borrow within our leverage.

Matthew Zheng: Got it. Understood. Thank you.

Moderator: Thank you. The next question is from the line of Asmeeta Sidhu from MetLife Investment Management. Please go ahead.

Asmeeta Sidhu: Thank you again for allowing me to follow up. I just wanted to be clarified on the question regarding AICTPL. So my line was a bit choppy but you mentioned that there will be no volume disruption from the termination of MSC contract. Could you please repeat why.

Karan Adani: AICTPL is a joint venture between APSEZ and MSC and 70% of the volume of AICTPL is MSC volume, Maersk volume does not come in this terminal, predominantly the volume goes to another terminal in Mundra port only some of these spillover cargo of Maersk as and when there is congestion comes into this terminal and that is why we do not expect and we do not foresee any disruption due to the 2M for both AICTPL as well as for Mundra port.

Asmeeta Sidhu: So if I got that correctly so you are saying that only the spillover will be coming into this terminal.

Karan Adani: Only spillover is coming right now which is less than 2%, 3% of the total volume of that terminal.

Asmeeta Sidhu: So basically once the contract is terminated then the other volumes would be sufficient to meet the volume requirement.

Karan Adani: Yes.

Asmeeta Sidhu: Alright okay perfect thank you very much.

Moderator: Thank you. The next question is from the line of Yixi Yang from Macquarie Asset Management. Please go ahead.

Yixi Yang: I just want to kind of go back to something we talked about a long time ago. So last year I think the guidance for Capex overall was about 90 billion much higher and I understand that there is enough projects to drive growth for the next two years, but so I guess is it purely that these projects are not as expensive as we saw that is why we are able to cut Capex or there are some things that are being pushed back.

Karan Adani: No, so these are all this, I mean, next year all the projects that we have started this year would be coming to a closure in next year that is where we are at the tail end of the cash flows from a Capex point of view and then the capacities that we are adding which will get added next year with those Capex will be sufficient to take not just next year's growth but the following year growth as well.

Yixi Yang: So could I assume basically that you are completing the projects faster or cheaper and that is why you are able to reduce Capex.

Karan Adani: Yes, that is right.

Yixi Yang: Okay, thank you.

Moderator: Thank you. The next question is from the line of Douglas from JP Morgan Asset Management. Please go ahead.

Douglas: Thank you management. What is the maximum amount of cash on balance sheet used for ICD in any different point of time. Thank you.

D Muthukumaran: Did I hear you correct what is the maximum cash that we have carried in this year.

Douglas: No, so I guess this question was previously asked but I do not catch the answer quite clearly what is the maximum amount of cash on balance sheet that is used for ICD in any given point of time. Thank you.

Karan Adani: See as Muthu explained it earlier there is no specific number here, it is dependent upon in the last two years we have been building the cash as well for certain acquisitions which enabled the treasury team to do those deposits or corporate deposits. This is not an ongoing phenomenon given the Capex what we have taken in this year and the acquisitions we do not have any cash or we do not have that much of a cash to do this ICD. So this is not an ongoing phenomenon this was more of what a short period of time given the cash built up and there is no specific RPT in that just to be very clear on that and Mr. Adani also mentioned it that sort of intercorporate deposits which we are talking of these are not to the related parties by any nature.

Douglas: Yes, and it is quite clear that it is not a related party I just want to understand what is the maximum amount of cash that is used for ICD in any given point of time in past three years.

Karan Adani: So I think trying on the risk of repeating what I said a few minutes back there is no specific number it is primarily what the treasury operations looking forward and in the current situation whatever the cash what we were having we have put into the business in terms of the Capex and the acquisitions what we have carried out. So you will not see that level of transactions or ICDs going forward does that answers you and whatever the cash which we have in the books you can see the value and where it is currently deployed in the balance sheet which was issued as of 30th September and the earlier one as of 31st March also.

Douglas: Thank you management, that is very clear. Thank you.

Moderator: Thank you. The next question is from the line of Justin Ong from Thread Needle AMC. Please go ahead.

Justin Ong: Hi, management I just have a follow up again about Myanmar. I know that you mentioned that there is an additional approval coming from a statutory board in Myanmar. So one concern is that last week the US, UK, Australia which I think previously they held out on sanctions, they announced a new restrictions targeting some of the SOEs in Myanmar and also as I understand there is also a top expansion of the state of emergency. So in this context is there any scope for much longer delay in approval than expected I know you are mentioning potentially next quarter to get the approval, but the problem is these are actually is real sticking point in MSCS assessment of your ESG profile.

Karan Adani: No 100% agree with you and we are cognizant of the fact that it is a sticky point in our ratings, ESG ratings. I think we took a call looking at the overall situation we had taken a call one year back that we have to exit and we have been working aggressively in terms of to find a buyer and to get all the approvals. So that whenever we do an exit, we do an exit properly as well because the worst thing we can do is we leave an asset behind which is again used for some other which could be used for human right violation purpose. So that is where we are cognizant of the fact that it is taking little time than expected but we just want to do it in a correct way so that it goes to the right buyer and it is not used for any other purpose.

Justin Ong: Thank you.

Moderator: Thank you. The next question is from the line of Matthew Zheng from PIMCO. Please go ahead.

Matthew Zheng: I just want a few follow up on the previous question somebody asked. So regarding this ICDs that we have over the past few years have we experienced any strengths or difficulties in terms of getting money back.

D Muthukumaran: We got the question Matthew let me answer and if it is incomplete please do follow it up with the question or complete it. There is no write-off, the entire money has come back along with the full interest and treasury money is completely intact, and it did come back in full number one, and number two because there were repeated sort of questions on this I do want to actually go back to the principles of why it was there in the first place. There was a cash buildup in the company, our operations threw up a lot of cash and it was built for both acquisition as well as the Capex, you saw last year Capex spanning out it was just uncertain at that point in time, but it is now being used up for Capex in addition at this point in time there is no clear visibility on the CONCOR which was also actually a point of sort of potential use at that point in time. So there was a cash buildup. Today there is no cash buildup and actually to demonstrate that point we are now talking about paying down debt with the cash that is generated. So you would not see the ICD going forward.

Matthew Zheng: Just a follow up on this. So what would be the minimum amount of cash that you would be comfortable with on the balance sheet.

D Muthukumaran: For the size of our operation in addition to loan cash that is required we normally carry sufficient cash for next, I mean, this is the group's policy, we try to carry cash that is required for one year's upcoming maturity plus all known Capex that we want to use for the next six months and lastly for a kind of operation that we have we will have $100 to $200 million of cash that we want to carry in the balance sheet to meet the operating requirements of the company because it is a pretty large balance sheet as you can see it is close to 80000 Crores balance sheets so we will carry some cash to meet the operating requirements.

Matthew Zheng: Got it. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question, I now have the conference over to the management for closing comments.

Charanjit Singh: Thank you very much for taking out the time to attend this call. We will connect with you for the Q4 results. I hope most of your questions have been answered for now.

Moderator: Thank you. Ladies and gentlemen, on behalf of DAM Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.