"Adani Ports and SEZ Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to Adani Ports and SEZ Conference Call. 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. D Balasubramanyam. Thank you and over to you, Sir!

D Balasubramanyam: Good evening ladies and gentlemen. At the first instance, I would like to thank you for joining this call at such a short notice. As you are aware we have just now made two corporate announcements one is with regarding to acquiring 31.5% stake in Gangavaram Port and the second one is our proposal to acquire Sarguja railway. The presentation of these transactions has been just uploaded and regret the delay because the board meeting just finished a few minutes ago. I will now request Mr. Karan Adani, CEO and Whole Time Director to give his opening remarks post which we will have questions and answers. Over to you Karan!

Karan Adani: Thank you Bala and good evening to all of you on the call. Let me give you a brief of transactions announced today post which we will engage in Q&A.

First I will start with the Gangavaram Port. As you all know Gangavaram Port is the second largest non-major port in Andhra Pradesh with a 64 million metric tonne capacity established under the concession from Government of Andhra Pradesh that extends till 2059. It is an all-weather deep-water multipurpose port located in Vizag capable of handling fully laden super cape size vessels of up to 200,000 DWT with nine berths and free hold land of 1800 acres. The port handles a diverse mix of dry and bulk commodities, which includes coal, coking coal and thermal coal, iron ore, fertilizer, limestone, bauxite, sugar, alumina and steel. The port has an excellent connectivity in terms of both rail and road and is the gateway port for the hinterland spread over eight states across East, West, and Southern and Central India. With a strong customer base the port has been able to register a volume CAGR of 15% in the past four years. With the master plan capacity of 250 million metric tonne per annum with 31 berths Gangavaram Port has sufficient headroom to support future growth.

In terms of performance in FY2020, the port handles cargo volumes of 34.5 million metric tonnes, generated revenue of Rs.1082 Crores and EBITDA of Rs.634 Crores, which resulted in EBITDA margin of 59%. Profit after tax in FY2020 was Rs.516 Crores. Gangavaram Port is a debt free company and has a cash balance of over Rs.500 Crores and has declared a dividend of 97% in FY2020.

Coming to shareholding 58.1% of Gangavaram Port is owned by DVS Raju & family, 31.5% is owned by Warburg Pincus and 10.4% held by Government of Andhra Pradesh. Today APSEZ is acquiring the Warburg Pincus stake of 31.5% that is 16.3 Crores shares at Rs.120 per share for a total consideration of Rs.1954 Crores. The transaction implies APSEZ paying a multiple of 8.9 times of Gangavaram Port FY2020 EBITDA and 12 times FY2020 P/E multiple does imply value accretion to APSEZ shareholders. This asset is a good strategic fit and helps in achieving East Coast and West Coast parity increasing our hinterland reach and market share to 30% in India. I also want to add that we are also in talks with Raju and family for their stake, but nothing concrete as of now.

Coming to Sarguja Rail, as part of our strategy to provide end-to-end logistic solutions, we have been increasing our logistics footprint and moving towards becoming an integrated logistics player. To leverage the adjacencies and synergies, we have created and invested in development of rail tracks, which will provide critical, competitive and strategic advantage to our ports. As of now, we have investment in rail tracks of almost 620 kilometers. Given our focus on building a Pan India multimodal logistics network, the integration of our rail network to our other modes of transportation networks will allow us to become more competitive as well as broaden our service. We have started the process of realignment of assets both within APSEZ and at Adani Group into one platform for the rail track management under Adani Track Management Services Private Limited. The Government of India has plans to develop almost 20,000 kilometers of new track and invest heavily in creating dedicated freight corridor. Such large scale development would need private participation. The new entity namely Adani Track Management Services Private Limited will participate in such partnerships in the future. The acquisition of SRCPL is a step to bring all rail assets under one platform. The deal is going to be overall EPS accretive from the very first year. Sarguja Rail Corridor Private Limited a company housed under the promoters has developed, operates and maintains 70 kilometers of private siding common rail corridor from Parsa East and Kansa Basan. Parsa and Kente extension coal blocks to nearest Indian Railways mainline at Surajpur Station located in the Northern Central part of Hasdeo coal fields in Sarguja District of Chhattisgarh. It has a capacity to operate 16 rakes per day and has land lease till 2065. It has a take or pay contract with RRVUNL that Rajasthan utility for supplying coal to its power plants thus insulating its business. The basin has coal in excess of 4 billion tonnes and annual mining capacity of around 100 million tonnes. In FY2021, SRCPL is expected to handle cargo volumes of 15 million metric tonnes and generate revenue of Rs.456 Crores and an EBITDA of Rs.395 Crores, an EBITDA margin of 87% and profit of Rs.121 Crores. In FY2022 basis the current contract SRCPL will have an EBITDA of Rs.520 Crores. Since SRCPL acquisition is a related party transaction the procedure has laid down in the policy, governing sale or purchase of assets from the related party is being followed. As a first step the executive committee of independent directors of port of APSEZ was formed to evaluate the opportunity and submit the recommendation to the board. This committee was formed in October 2020. Mr. G K Pillai who is the Chairman of the Audit Committee, Mr. P S Jayakumar who is a former banker and Ambassador Nirupama Rao, former Foreign Secretary of India constituted the committee. The executive committee then appointed BDO Valuers and Deutsche Bank to evaluate the opportunity and opine a value. The executive committee also appointed JM Financial and JP Morgan to provide fairness opinion on the deal. For due diligence and confirmation, the compliance of related party transaction policy Ernst & Young was also appointed. The valuation report of BDO Valuers, fairness opinion of JP Morgan and JM Financial along with E&Y compliance report on RPT will be available in the public domain. Based on the terms of reference BDO Valuers and Deutsche Bank issued discounted cash flow methodology and assigned an enterprise value of approximately Rs.6000 Crores to SRCPL. The acquisition will be implemented through a scheme of merger and consideration will be paid by way of issuance of new shares of APSEZ to the promoters. Based on fairness opinion report issued by JP Morgan and JM Financial 7.06 Crores number of APSEZ shares will be issued to the promoters. The price arise for issuing APSEZ shares is based on volume weighted average price of Rs.675.18 per share, which confirms to the preferential issuance allotment of the ordinary share as per issue of Capital and Disclosure Requirements Regulations, 2018. The scheme is subject to approvals including that from SEBI and NCLT. As part of NCLT process, the scheme would also have to be approved by the majority of the minority shareholder. In conclusion, consolidating all rail assets under Adani Track Management Services Private Limited will enable us to participate in the significant growth opportunities in the PPP model, connect all our ports to the hinterland and develop a strong portfolio of annuity income stream. With this we request the operator to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Sir congratulations on continuing this journey of doing very value accretive acquisitions and pretty attractive valuations and especially following the related party guidelines and explaining them in detail in your presentation so that provides quite a bit of comfort. Just one question on the Sarguja Rail given that its main and only customer is state government entity is there any issue of receivable buildup or that entire EBITDA is normally available to the company in cash?

Deepak Maheshwari: Karan can I take that one.

Karan Adani: Please go ahead.

D Balasubramanyam: So we have analyzed it for the past few years and typically we find that we have a 30-day cycle to collect all the receivables, so we are very comfortable with that profile.

Atul Tiwari: So no unusual buildup of receivables, etc.?

Deepak Maheshwari: That is correct.

Atul Tiwari: Ok great Sir. Good. Thanks a lot and congrats.

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. Sir if you can just spend little time in explaining the strategy around Gangavaram because we also have on the East Coast Krishnapatnam also, so whether there is going to be now any kind of cannibalization of the hinterland, any cargo potential gets sort of overlap between Krishnapatnam and Gangavaram and secondly are the promoters of Gangavaram on board with the transaction in terms of Warburg selling to us because we have some visibility that in future they will also sell their stake to us and how are you placed on that?

Karan Adani: If you do not mind I will take both the questions. Ashish our strategy for Gangavaram is it completely opens up a new hinterland for us, second if you see location it is right next to Vizag Port so today we do not have any large presence in Vizag Port and in our view this can become actually a complementary with Krishnapatnam and the ability to give solution to our customers both when it comes to Northern part of AP and then Southern part of AP it actually helps us in accelerating some of the diversion further into these ports. Second from Gangavaram Port point of view we do believe that it can become a strong competition and an alternative to Vizag Port and the ability to take more volume out of Vizag Port will accelerate once we connect it with our remaining 11 ports. The third thing is today Gangavaram Port is only handling bulk, but there is a very good opportunity to develop containers and liquid business. So once we have as I said in my starting that we are in talks with Raju and family who are the main promoters who hold 58% of Gangavaram Port we are in talks with them to see if we can come to an agreement to acquire that stake. In the meantime obviously without their blessings we could not enter this transaction so we have their blessings and they are very happy that we are joining them in this port as partners.

Ashish Shah: One last thing in terms of the profitability of Gangavaram like in Krishnapatnam we could make a very big difference to the overall profitability of the asset Gangavaram probably is at a similar profitability that Krishnapatnam was prior to the acquisition so what do we think of that, will it be able to add the same kind of value to Gangavaram as we did for Krishnapatnam?

Karan Adani: Not immediately Ashish because today we are just as a minority investor, but once we become a majority yes we are very confident that from operational point of view there is quite a lot of headroom to improve profitability, but right now we are as a minority holder and the operational control remains with Raju and family, so we will give our suggestions, but the implementation remains with Raju and family.

Ashish Shah: Got it. Thank you. I will come back if I have more questions. Thank you.

Moderator: Thank you very much. The next question is from the line of Parash Jain from HSBC. Please go ahead.

Parash Jain: Good evening Karan, Deepak and Bala. I have two questions. First on Gangavaram can you help us understand the rationale for Warburg Pincus exit because the kind of numbers that you suggested 12 times P/E on a trailing earnings since you are ridiculously attractive and it makes all sense from Adani Ports end, but what was their rationale to exit this asset at these numbers and did Raju and family had first right of refusal and is there that they need liquidity or is there some other thought process behind it, secondly after this asset injection from the promoter is there any asset in the logistic space that is yet to be in the assets

Karan Adani: I have got your question Parash so let me answer both the questions. Warburg Pincus has been trying to exit this asset for almost last five years mainly because of the end of life of their fund and for the last five years they have tried multiple options, they have talked to other P/E funds, they have tried to do IPO, they have spoken to other strategic partners as well, but nothing materialized. Raju and family they were contented with 58%, they were not looking for full control so that is why Warburg did not sell to Raju and family, but mainly Warburg's reason for exit was that it was the end of life of their fund for them and they needed an exit. Coming to your next question on the logistic space there is not any other tracks business or any other business, which is there in the group. As of now there is not any, but as you know that forever in any future if it does happen we have a very robust RPT policy in place now and we always look to see how we can improve on that and give comfort to all our shareholders on that, but as of now we do not have another asset that we need to restructure into this company.

Parash Jain: That is very helpful and just a follow on when do we expect these transactions and especially the asset injection from the parent to be completed with respect to minority shareholders approval and due diligence?

Deepak Maheshwari: There are approvals, which are required from SEBI as well as there is a NCLT process there are more details, which are provided in the presentation itself we expect anywhere between five odd months for it to take place through the process and during that process the majority or the minority shareholder approval would also be taken this is on slide number 29, so it has got the stock exchange process, it has got the NCLT process and it has got the process of the issuance of the shares and the timelines relating to all of that.

Parash Jain: Perfect. Sorry I did not get a chance to go through that.

Deepak Maheshwari: No issues, but I just wanted to inform you as well as all the other participants that there is a detailed process provided on slide number 29, which all participants could take a look at.

Karan Adani: Perfect. Thank you.

Moderator: Thank you. The next question is from the line of Nishant Chandra from Temasek Holdings Limited. Please go ahead.

Nishant Chandra: Deepak if I understand the numbers correctly against a net worth of Rs.467 Crores the equity value would be sort of Rs.4700 Crores is that the right way to look at the SRCPL number?

Deepak Maheshwari: No, that is not the best way to look at it. I think the way to look at it is because the way the valuation has been carried out is on the DCF basis. Also from a capital structure of SRCPL there is equity plus there are shareholder loans, which have been provided by the sponsor entity, so if you want to correctly compare the sponsor contribution then you would need to add that as well. That is the right way for us to look at it, but with the DCF valuation and we have provided all the details as well as to how we have come up or how the value has come up with that particular number.

Nishant Chandra: The net worth would also have the historical losses on or prior to FY2018?

Deepak Maheshwari: It would have that as well because though the business has started from FY2014 it has been fully operational only from FY2018 and it is only now that for the first couple of years we are seeing the ramp up with an expected ramp up going to come through in FY2022 as well where we expect the EBITDA to get to Rs.520 odd Crores from current year's EBITDA of around Rs.400 Crores, which Karan mentioned and we should have a PAT, which is in excess of around Rs.250 Crores on an expected basis from SRCPL.

Nishant Chandra: Got it. Very good ROCE characteristics for what I would consider to be an annuity asset right, is that the right way to think about it?

Deepak Maheshwari: It is an annuity asset and that is step one. The step two from APSEZ perspective is to put all these annuity assets together in one company, which is what we would do in Adani Track Management services where the overall scheme of merger would not only have SRCPL coming into APSEZ, but our rail businesses such as from Mundra as well as Dhamra in step two will also get integrated or merged into this particular company, which as you know will be 100% sub of APSEZ and through this entity we will hold all the other equity investments that we will have in the rail business and this entity will then be used to participate in any of the forthcoming..

Nishant Chandra: Okay got it. The second question is on the Gangavaram transaction can you talk a bit more about the investor rights, so do you have some sort of a right of first offer or right of first refusal on the promoter stake if they choose to sell and control this?

Deepak Maheshwari: The rights that we inherited completely in line with what the rights were with the private equity investors such as Warburg had and as you would very well realize that in private equity transactions we would typically have tag-along rights and not drag rights because the sponsor would have ROFR and so in that context we have inherited all the rights, which were available with Warburg, which include our rights on board seats as well as our rights on information requirements plus affirmative rights on any specific approvals, which need to be taken around asset merger, demerger, IPO, any fund raiser, and typical formats.

Nishant Chandra: On the business front does it give you some sort of ability to discuss and engage with the promoters to articulate what is your view of the asset could be or it is more like the deviation meaningfully compared to the previous years business plan sort of a thing because that is other way in which you could exercise your not control but sort of issuance on captive base?

Deepak Maheshwari: I think it does provide us that typically I would not have expected Warburg to have used it fully, but they have more equities in this particular space and so we would like to contribute in that fashion to the overall development of Gangavaram Port.

Nishant Chandra: Understood. Great. I do not have anything else. Thanks a lot. Thanks for taking my question and answering it in detail.

Moderator: Thank you very much. The next question is from the line of Mohit Kumar from Dam Capital. Please go ahead.

Mohit Kumar: Congratulations on this acquisition of very value accretive port. So my first question is the dependence on imported coal is quite high on this port do you think the cargo profile can change over time and I believe also the client concentration is slightly higher in this port?

Karan Adani: Mohit over the years predominantly if you see coal there are take or pay contracts, so the biggest is on the coking coal side is the Vizag steel plant, which is again connected with conveyer and direct connectivity from the port, which will not go and there is a strong possibility of Vizag steel plant also going into expansion and with that the coking coal demand will further increase. In terms of as I said yes right now it is predominantly bulk and break bulk, but there is a great opportunity to diversify this port into container and liquid business keeping in mind that Vizag Port is just next door and the kind of diversification that Vizag Port has done I think there is a great opportunity over here to convert this port from only a bulk and break bulk to a full fledged multipurpose port.

Mohit Kumar: Secondly Sir AP has tendered three private ports are we considering it or our plate is full or second related question is that does the concession agreement provide for some kind of protection from the AP government giving out a port up to certain kilometer?

Karan Adani: The exclusivity right is 150 kilometers radius, the next nearest port private port, which comes is Kakinada sea port.

Mohit Kumar: Are you considering to invest?

Karan Adani: No, that Kakinada sea port has just changed hands, it has moved from a promotor to Aurobindo Infrastructure.

Mohit Kumar: Sir my question was AP has tendered three I think Greenfield private ports?

Karan Adani: Those are EPC contracts that AP government is giving and AP government is developing that they are not giving out as a PPP.

Mohit Kumar: Understood Sir and lastly on the Sarguja Rail corridor how do you charge the customers especially the new customers and what is the time horizon when you believe this 40 MTPA or full realization of the capacity is possible?

Deepak Maheshwari: This is the plan that we have seen and I just want to spend a couple of minutes more as to just talk about the location of the asset and the strength that the asset has considering the strong position that the asset has along with the significant basin area that it close to the rail tracks and the total amount of minable coal in that particular region is in excess of 4 billion as well as the fact that there is a potential of up to 100 million tonnes of coal capacity to be transported every year. What we have is in the near term and what we expect that will happen in the near term is that we will get to 29 million tonnes by FY2024 and thereafter we have taken a much longer period to achieve the 40 and that is possible only around FY2028 so we have been looking at the mining plans and the mining development, which takes place and sometimes the processes can be a little slow. We have been quite conservative in our overall business approach and have kept significant amount of lead time in expecting the development and the materialization of some of these mines. Interestingly of course is that because the rail capacity that we have right now is for 40 million tonnes we do not expect any significant capex to take place as we approach increasing capacity. Regarding your question on how do the revenues gets determined. The revenues get determined on the basis of what the market can bear and there is an element of 50% that we have to share with the RRVUNL and that is also baked into the numbers.

Mohit Kumar: So just a clarification. Every incremental revenue, which comes to us 50% will be shared with RRVUNL am I right?

Deepak Maheshwari: Yes. The third party revenue over and above the ~20 million tonne.

Mohit Kumar: Understood Sir. Thank you Sir.

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

Pulkit Patni: Sure. Thanks for taking my question. Actually first question was to understand the revenue model, which you just answered. My second question is you mentioned that other than the net worth of Rs.467 Crores there would also be certain other loans, which would be given because as I look at the debt number in FY2021, which is Rs.1562 Crores versus the debt calculated in the evaluation it is about Rs.1212 Crores so would it be fair to assume that the capital employed in addition to this Rs.467 Crores would be another Rs.300 Crores, which we should look at as net worth or how should we look at it Deepak?

Deepak Maheshwari: The total amount of debt, which has been provided by the sponsor family into this particular asset is Rs.660 Crores plus Rs.278 Crores, so that is around Rs.950 odd Crores has been provided over and above the equity contribution.

Pulkit Patni: Okay so effective capital employed at this stage we should assume should be close to Rs.970 Crores and about Rs.500 Crores, so about Rs.1400 Crores in total Rs.1450 Crores instead of the Rs.470 Crores that looks as the net worth?

Deepak Maheshwari: That is correct.

Pulkit Patni: Sure. That is it from my side. Thank you.

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

Swarnim Maheshwari: Two set of questions. The first one on Sarguja again sorry to ask you that, what is really driving the profit growth from about Rs.420 Crores closer to Rs.525 Crores, is it just the volume part or there is some margin into that also?

Deepak Maheshwari: It is largely due to the volume ramp up, which we expect as part of ACQ to take place in this particular year. The EBITDA margins of this particular asset is very robust it is 87% odd and so they will also keep increasing, but the factor obviously I am sure you will consider is that beyond 87% there will be limited amount that anyone can go, but it will really come from the volume ramp up.

Swarnim Maheshwari: So Sir for the volume ramp up have we already got the agreement done, is there already a tie up in place really for that volume ramp up?

Deepak Maheshwari: Yes. Up to ~20 it is there.

Swarnim Maheshwari: You said that you have the volume ramp up what you are expecting is 22, so do we have some concrete agreement for that?

Deepak Maheshwari: You will see in the details there is ACQ, which has already been provided for 15.9 million tonnes and there are identified mines, which are next to it, which will aggregate to 59 million tonnes, which are also having the same arrangements from an ownership and operator perspective.

Swarnim Maheshwari: Sorry I could not see the presentation. Sir the second question was really on while we have created the new entity, which is the Adani Track Management Services and all our railway logistics business really will be in this entity so can we assume that this is also kind of a precursor for if in the future when we are bidding for Container Corp so will this be actually housed under the same entity can we assume that and is this a precursor to that?

Karan Adani: No, this is nothing to do with Container Corporation. The Container Corporation is a similar business as Adani Logistics. This is more as a precursor to actively bid for more track businesses and strategically connectivity business, which can make some of our ports and some of our logistics path even more attractive. So it is more from a strategic reason and that is how we are building this company.

Swarnim Maheshwari: Okay got it Sir. Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Josh Rubin from Thornburg Investment Management. Please go ahead.

Josh Rubin: This is just a quick clarification thank you. I may have missed that part while you gave the approximately five months of expected closing time for the railway what is the expected closing time for GPCL and does the government have any additional rights of refusal or approvals that are needed or just much more paper work related?

Karan Adani: On Gangavaram Port we have to get CCI approval, Competition Commission of India approval that is the only approval that we need in order to complete the transaction. The approval we expect anything between 30 to 45 days is the expected timeline to get that approved.

Josh Rubin: Okay thank you and if you were to acquire the family stake does that require an elevated level of approval or that would be the same CCI approval?

Karan Adani: That would be the same CCI approval.

Josh Rubin: Thanks and then just two other related questions. I know you explained the process of the time of Warburg trying to exit was this is a competitive bidding process for you or in the end was it just a negotiated bidding?

Karan Adani: It was a bilateral negotiation.

Josh Rubin: Okay. I guess the final angle of it. In the future is there anything that in the same way that you are using shares to pay for the railway assets is there anything that would prevent you from using shares to pay for an unrelated parties assets whether GPL, family ownership or something else and I am just thinking in the context of your balance sheet and a future sizable transaction could you use shares or do you think non related party transactions would be used in cash?

Karan Adani: No, we are open to both the modes of seeing how we can do a transaction as long as we are able to achieve balance between our balance sheet as well as from a valuation perspective we are able to achieve the right value matrix we are open to looking at both options on non related it is not just cash.

Josh Rubin: Thanks very much and thanks for the good news. Take care.

Moderator: Thank you. The next question is from the line of Venugopal Garre from Sanford C Bernstein. Please go ahead.

Venugopal Garre: Thanks a lot for the opportunity. You know I just had one question. This track business that you have acquired during the commentary in the presentation it looks like more of a business that you are going develop given the opportunities that will come up in the future can you give us a perspective on what is the kind of commitments you would want to make let us say over a three year, five year window in terms of how much funding/capex that you would probably willing to allocate for this business, not for the one acquired but for incremental bids?

Karan Adani: I think if you look at even just looking at current APSEZ portfolio we have three railway lines, which we are already under the process of approval under this company. The first one is of Hazira, the second is the Dighi Port railway line, the third is the Kattupalli railway line and then we are also working on one more proposal of connecting Krishnapatnam to Bengaluru, which would make one of the loop lines, which would make Krishnapatnam much closer to Bengaluru than Chennai. So there are some of these strategic projects that we are working on. As you know that generally once we start a project the project generally takes three to four years to commission keeping in mind the land acquisition as well as the **inaudible 42:09** that we need to acquire. I think it would be safe to say that on a yearly basis this company would be looking to spend anything between Rs.200 Crores to Rs.300 Crores to continue the growth in this sector.

Venugopal Garre: Got it. Karan just one last question. So now that you have a minority stake in Gangavaram Port if you do not able to get a majority would you still be fine with the minority here or you have any exit options as part of the contact?

Karan Adani: I think even if we do not get a majority we are okay to be minority because if you see this company is completely debt free, it gives 100% dividend and dividend this year would be approximately Rs.500 Crores and we will keep increasing as the volume increases. As you see that currently the port is running for almost 50% capacity utilization, so there is enough runway even without doing any capex for this expansion that this port can generate free cash flows. So when we look at this deal we looked at it purely from how much dividend this port can give and based on that we have worked out the valuation.

Venugopal Garre: Thanks a lot.

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

Prateek Kumar: Thanks for the opportunity. Good evening everyone. My first question is on Gangavaram Port as we have minority stake in the company so while in this company whatever volume this company would do how would that be consolidated could be total volume of this company or it will not be accounting volumes for this company like in the annual figure, which we say of 245 to 250 let us say for this year?

Deepak Maheshwari: Yes I can answer it from an accounting standpoint I think the way it will get consolidated into our accounts is on the basis of equity pickup and frankly we are a minority investor here so in that context we might just add a separate line to say as to what is the cargo at Gangavaram, but not necessarily put that together with all the cargo of all the ports that we operate and manage.

Prateek Kumar: So this does not add up to our 500 milestone, which we talk about?

Karan Adani: It does not include.

Prateek Kumar: Also like the benefit on network effect of ports across the coastline because we do not have majority stake so would this port benefit from our network effect of our customers approaching them for similar rates or like may be similar way of working, which Adani has?

Karan Adani: As you can see from our rights we just have rights to approve the business plan, but the idea as a minority shareholder we would work very closely with Raju and family and to see how we can see that across the board service standards improve as well as price can stabilize and improve and also move some of the cargo from the competing ports of non Adani.

Prateek Kumar: One last question on Gangavaram. When we acquired KPCL port ahead of that we came up with a very detailed presentation where we had a view on forecast that we can go from 64% to 70% margin so that kind of due diligence would have gone, so seeing this port how is the level of mechanization or like efficiency when we compare it to KPCL port?

Karan Adani: I think it would be safe for us to come out with that kind of analysis once we have an agreement with Raju and family so that we have operational control. Today we do not have any operational control so it will be very premature for us to come and say that these are the possibilities. So may be once we have an agreement with Raju and family that time it would be wise for us to come and present to all of you what is the kind of EBITDA and operational efficiencies we can improve over here.

Prateek Kumar: One question on the other things, we are primarily a logistic company with the customers being more like who want our consolidated service so the other companies, which are emerging seems to be like an asset builders and like has a target to build so when government comes up with its proposal so what is the benefit, which the Adani Port's customers which are like mainly service customers get when they have this as a consolidated entity in a company?

Karan Adani: You are talking about the track management?

Prateek Kumar: Track management yes.

Karan Adani: I think these are all strategic connectivities that we are talking about and the idea is that we reduce the freight cost, by these connectivities we reduce the freight cost of our customers from our ports from the competing ports like connecting to their hinterland. The second is obviously with these connectivities to improve efficiencies in the existing system for our customers and the idea is that with that you will reduce their logistics cost and you can improve on the stickiness of volumes to our ports and to our logistics that is the thesis and that is the thought process behind why we are looking at it.

Prateek Kumar: Thanks Sir and I will get back to the queue.

Moderator: Thank you. The next question is from the line of Nishant Chandra from Temasek Holdings Limited. Please go ahead.

Nishant Chandra: Deepak just a quick followup so on the debt that I see here Rs.1562 Crores for Sarguja and if I compare that with net debt that is there, which is Rs.934 Crores does that Rs.934 Crores include the promoter loans that you have talked about or that is excluding, so I am just trying to reconcile that?

Deepak Maheshwari: Net debt obviously will include the debt, which is there in the promoter entity that is around, we expect around Rs.500 odd Crores of cash to be there at March 31 end.

Nishant Chandra: That is the one that is reflecting as the net current assets in the current asset thing of Rs.586 Crores thereabouts?

Deepak Maheshwari: That is correct.

Nishant Chandra: Okay understood and there is an intermediate way of debt as well right if I understand correctly Rs.278 Crores of debt at the level of BT and SPL?

Deepak Maheshwari: I have included that in the contribution of the promoters.

Nishant Chandra: Got it. Understand. Alright. This is it from my side. Thanks.

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

Ankita Shah: Thank you for the opportunity. I just wanted to understand all these rail assets, your track management and Sarguja Rail will it be accounted as a separate entity or will it be part of Adani Logistics itself in terms of accounting?

Deepak Maheshwari: This will be a 100% subsidiary within APSEZ and hence obviously consolidated within APSEZ so it will be a separate company as compared to Adani Logistics Limited.

Ankita Shah: Right and in terms of these railway projects that you are looking at so you are only looking at port rail connectivity projects going forward because you have mentioned on slide 15 on new lines, gauge conversions, doubling also, so would you look at these opportunities also or only port rail connectivity line?

Karan Adani: We would look at port connectivity as well as logistics connectivity line as well as any line, which has the large amount of freight traffic, which is moving. So we would look at coal mines, we would look at ports and we would look at logistics. These are the logistics path.

Ankita Shah: Okay and does this entity has execution capabilities also internally or we will plan to outsource this work?

Karan Adani: This Company has execution capability, but it will complement with our existing project team that APSEZ has so it will work in a complementary manner.

Ankita Shah: Sure. Thank you.

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

B Vijayakumar: I had just one question on the Adani track subsidiary, which we would be creating, so since in the future it is going to house all the rail business now existing in Dhamra, etc., so the revenues, which are part of it right now the Dhamra subsidiary will go down because the subsidiary would take out the rail revenues and the Dhamra's entity revenues will come down consequently right?

Deepak Maheshwari: Yes.

B Vijayakumar: Sure and so this would be the case across all the existing port entities like if you are carving out rail business of Kattupalli, Hazira, etc., it is all going to have the same impact on all the existing asset revenues of these ports correct?

Deepak Maheshwari: Correct.

B Vijayakumar: Got it Sir. That is it from my side and all the best. Thanks.

Moderator: Thank you very much. Ladies and gentlemen, due to time constraint that will be the last question for today. I will now hand the conference over to Mr. Balasubramanyam for closing comments.

D Balasubramanyam: Thank you once again ladies and gentlemen for attending this call and for any further information that you require IR team of Satya and myself are always available please do not hesitate to reach out to us. Thank you and good night.

Moderator: Thank you very much. On behalf of Adani Ports and SEZ that concludes this conference. Thank you for joining us and you may now disconnect your lines.