"Adani Ports and SEZ Limited Q2 FY'24 Conference Call"

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MODERATOR: **MR. RAJARSHI MAITRA -- INCRED EQUITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Adani Ports Q2 FY '24 Earnings Conference Call hosted by InCred Equities. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajarshi Maitra from InCred Equities. Thank you, and over to you, sir.

Rajarshi Maitra: Thank you, Yusuf. I welcome you all to the Q2 and first half of FY '24 Earnings Conference Call of Adani Ports and SEZ Limited. Today, we have with us Mr. Karan Adani, CEO and Whole Time Director; Mr. Subrata Tripathy, CEO of the Ports business; Mr. Sushant Kumar Mishra, CEO, Adani Logistics; and Mr. D. Muthukumaran, CFO of Adani Ports; and Mr. Charanjit Singh, Head of Investor Relations and ESG.

Without any delay, I would hand over the call to Mr. Charanjit Singh. Over to you, sir.

Charanjit Singh: So thank you, Rajarshi. Good evening, everyone, and thanks for taking out the time for this call. Without any delay, I'll request Mr. Karan Adani to share his opening remarks. And thereafter, we will open the line for Q&A.

So over to you, Karan bhai.

Karan Adani: Thank you, CJ. Good evening, everyone, and welcome to half year FY '24 conference call to discuss the operational and financial performance of APSEZ. APSEZ delivered its strongest ever half yearly result with record cargo volumes, revenue and EBITDA. The momentum has continued in October month as well with APSEZ recording its lifetime high monthly volume of 37 million metric tonnes.

Starting with financials. Operating revenue for half year ended September '23 was at INR12,894 crores, which is a good 26% year-on-year growth. EBITDA after factoring the forex impact is INR7,429 crores, which is a good 49% year-on-year growth. Given our focus on improving operational efficiency, port EBITDA margins in H1 expanded by 220 basis points year-on-year to reach 72%, while EBITDA margins of our logistics business stood at 29% best amongst the domestic peer group.

As you may recall that at the beginning of FY '24, APSEZ announced its intention to repay INR5,000 crores of loans. Thereafter, we launched our bond buyback program, The first tranche of $130 million bond buyback was completed in month of May. And the second tranche of $195 million buyback was concluded in the month of October. As a result, our net debt as of 30th September declined to INR38,696 crores versus net debt of INR39,989 crores on March 31, '23. Consequently, our net debt-to-EBITDA ratio has improved to 2.8x from 3.1x as on March '23.

I would also like to share an update on our port in Sri Lanka. The port has now received a funding commitment of $553 million from U.S. International Development Finance Corporation.

Moving to operational highlights, starting with ports business. APSEZ recorded a healthy 14% year-on-year increase in cargo handling volume at 203 million metric tonnes. The growth was reported across all 3 major cargo categories, with dry bulk registering a 10% year-on-year growth; liquids, 21% year-on-year; and container, 18% year-on-year. Eight of our ports recorded their highest ever half yearly volume during H1.

Mundra, our flagship port, recorded 3.6 million TEUs, which is 15% higher than its closest competition. In October, Mundra achieved another milestone by recording 16 million metric tonnes of cargo volume, which is the highest ever monthly cargo volume handled by any port in India. Our Haifa Port in Israel did around 6.3 million metric tonne of cargo in H1 and has handled around 1.1 million metric tonne of cargo in the month of October.

Moving to operational performance of Logistics business. During the period under review, we commissioned the Loni ICD, taking the total count of MMLPs to 10. We have added warehouses at Indore and Mumbai, thereby taking the total warehousing capacity to 2.4 million square feet. We have also added 11 rakes to our existing fleet, thereby taking the total count of rakes to 104 as of September end.

While we added assets to our logistics portfolio, we also improved the utilization of existing assets. As a result, our rail volumes increased by 25% year-on-year to 2,79,177 TEUs, while our GPWIS volumes that is the bulk volumes increased by 42% year-on-year to 8.92 million metric tonnes.

Finally, on FY '24 guidance. With a record cargo volume of 240 million metric tonne during the initial 7 months of FY '24, APSEZ is well positioned to achieve its full year revenue, EBITDA guidance on the higher end. We can now open the forum for Q&A.

Moderator: The first question is from the line of Abhiram Iyer from Deutsche Bank.

Abhiram Iyer: Congrats on a good set of numbers. So my first question was to do with the Colombo port as well as the West Bengal greenfield project. What's the time line for these? How are you sort of putting in capex for these going forward in FY '24 -- sorry, FY '25 and FY '26?

And the second question was primarily on the guidance. Again, I believe you may have addressed this last time around, but any particular reason why the guidance still remains the same despite sort of outperformance at the half yearly mark? Are we expecting a slowdown into the second half? Or this is more of the company being prudent and cautious in their outlook?

Karan Adani: So on the Colombo port, we expect commissioning and operationalizing of Phase 1 by December of 2024. Now we have already given our -- the capex is already included in our capex guidance. So it does not -- there's no top-up on that. As you know, in Colombo port, we have a JV partner as well, where we have 51%, 49% are other 2 partners, SLPA and John Keells. So they bring in their respective equity into that project as well.

On West Bengal Tajpur port, we are still waiting for a letter of award, LOA. We have received the letter of intent. We are waiting for LOA to come. Once we get, it will be 18 to 24 months before we start any construction over there since we have to go through the EC, environment clearance, as well as groundwork over there. On guidance, as I said, we have given the guidance at the start of the year. We maintained that we would be looking at the higher end of our guidance in terms of what we will achieve.

Abhiram Iyer: And just a follow-up on the first part. You mentioned that -- again, this is a JV with your equity partner who will be putting in equity as well. So broadly from the company's perspective, given the funding of around $550 million available, and I believe the total cost you mentioned would have -- was $750 million. So roughly $100 million outflow from the company's perspective, right, which is already included in the capex?

Karan Adani: That's right.

Moderator: Next question is from the line of Imtiaz Shefuddin from Barclays.

Imtiaz Shefuddin: Congrats on the excellent performance in the first half. I have a couple of questions. The first one, would you be able to provide an update on your Haifa operations post the closure of your second quarter numbers? And any impact from the ongoing tensions in the Middle East? Or any changes to your guidance?

Karan Adani: Sure. So as you know that the conflict is on the southern part of Israel, and Haifa Port is on the northern part of the country. Right now, we have not seen any slowdown in traffic. Incidentally we have done -- as I said, in month of October, we have done 1.1 million metric tonne, which is what we have been doing in the last 6 months as well, so roughly 1 million tonne per month.

We are seeing actually an increase in traffic in Haifa because the second largest port, Ashdod port, has been closed for commercial operations since the conflict. So we are seeing a lot of diversion of traffic happening into Haifa Port. And we will continue to see similar strong volumes in the coming months as well. We have prepared our -- our teams are prepared well on the ground in order to handle the extra volume. So whether it's a backup area as well as the extra storage, whatever is needed. So on that front, we are on target.

Imtiaz Shefuddin: Great. Secondly, my second question is on the Myanmar project. You revised down the sales price from $260 million to $30 million in May and took a $155 million impairment loss. Can you just provide some color on this transaction and why the big revision?

D. Muthukumaran: This is Muthukumaran. The reason why actually we sold the asset at that point in time is because we have been pursuing an opportunity to either commission the project or actually sell it as soon as possible. So we haven't been able to complete the project. So we had to sell the project on an as is where is basis. And as we have mentioned in the press release at the time of transaction, we have to identify a party who will buy it with all that inventory to complete the transaction and construction and as well as actually wait for the business environment to turn normal in Myanmar.

So considering these two, wherein there we had to actually do a transaction at a price that we have done. And we had actually signed term sheet under transaction with the party prior to we actually selling at this time. And we actually couldn't complete the earlier transaction because we couldn't complete the CPs, which is around construction of the project as well as approval from the concerned government to sell.

Imtiaz Shefuddin: Understood. Okay. If I can just throw in a quick third question on your capex. In the first half, I believe the total was something like INR38 billion. That's more than half of your INR45 billion guidance for full year FY '24. Any revision in your full year guidance then?

D. Muthukumaran: See, it relates to the very first question that came up on the call, this INR3,800 crores is the gross, which includes the capital expenditure for Sri Lanka. Our INR4,500 crores was only the equity contribution. That is one part. And as far as the second part is concerned, our capex is configured such that we will end the year with what we promised as a primary target of leverage at around 2.5x, and we will also have a cash balance of INR8,000 crores. So those numbers have been changed, so we continue to shoot for that.

Moderator: Next question is from the line of Asmeeta Sidhu from MetLife Investment Management.

Asmeeta Sidhu: I just have a follow-up question on the earlier mentioned funding price to DFC. So could I just have any clarification how this funding will be provided to the Colombo JV? Will it be sort of a direct cash infusion? Or will there be sort of other funding sources that will be given to the JV that the company may know of at this time?

Karan Adani: So this is a project funding, direct cash into the JV and it's a 20-year loan that we are getting.

Asmeeta Sidhu: All right. And then just a final question for me. Just with regards to the new tax regime that I believe was mentioned taken up for one of the subsidiaries. Could you share with us a little bit more on what this tax regime is and why the subsidiary has decided to change the regime to this one?

D. Muthukumaran: Actually, this is basically the choice that we have of continuing with 35% tax in that company versus moving to 25%, which is a lower tax. Now in case if we move to 25%, the cost for that move would be the existing MAT credit that we have already paid in the past, it is no longer be available in future.

So we have to continuously do the math and find out the breakeven point. And considering that the company is doing far more than what we have estimated in the past, we have reached a point where it is better to move to a lower regime of 25% in future, although we will lose the INR455 crores net MAT credit that we have paid in the past.

So it's just a pure math based on forecast of the company and the company is actually doing far better. And therefore, it's making commercial sense for us to move to a lower tax. And the other point of note is actually this INR455 crores is going to have 0 impact on cash and it's a noncash item. It's an accounting write-off of past MAT that has been paid. So this INR455 crores is an accounting net impact. And we will continue to enjoy 25% for lifetime lower tax going forward. So actually, the cash will be more.

Moderator: Next question is from the line of Priyankar Biswas from BNP Paribas.

Priyankar Biswas: So my first question is regarding Adani Ports' international strategy. So what I see is like based on media articles as well that probably a port in Vietnam is also being considered. And then earlier, I think there was some agreement signed with Abu Dhabi ports as well, and then we already have Haifa. So what exactly is the international strategy that APSEZ is following? That's the first question.

And second, given that post the G20, IMEC has also been announced. So would that change Haifa's potential than what you had said probably during the acquisition of Haifa itself. So any upside potential from that? So those are my questions.

Karan Adani: Yes, sure. Thank you. So on international strategy, as we've always been telling that we are looking for high-growth countries, where we would be looking at brownfield expansion or taking over an existing asset through government privatization. And also, second is we are looking at -- all these international forays will be through partnerships -- and through local partnerships. So I think those -- that stand continues.

As you can see, based on these criterias -- and also keeping this in mind, we are always looking for countries where we can make India as a centerpiece of sort of a hub and create better trade lanes -- overall trade lanes, so that strategy continues. We keep evaluating opportunities as and when it comes. As of right now, we don't have anything further to add. As I said that we keep looking at countries, high-growth countries like Vietnam, Bangladesh, Eastern Africa as well as certain parts of Middle East. So we keep looking at that and to see if we can create -- if there is an opportunity over there.

In terms of your second question IMEC, it's definitely a very strategic move. It will not only help Haifa, but I think it will also help Indian ports because, in essence, it sort of cuts across Suez Canal. And if done correctly, it will help reduce the transit time as well as the cost of cargo from moving through this thing. I think it's a long drawn project, which is multi-country, where there are a lot of multi-country coordination that needs to happen. But yes, as and when it does get happen it will be a game changer.

Priyankar Biswas: Sir, just harping on that, so when you had done the Haifa acquisition sometime back. So I don't think your numbers were building anything of this sort, right, like a potential...

Karan Adani: No, we were not building any of this in Haifa, no.

Priyankar Biswas: Okay. And, Karan, just one more question. So nowadays in India, we're seeing a lot of coastal movement on coal. And especially, it seems that one of your recently listed peers is also focusing on that. So given that the competition is increasing on those aspects, especially on the Eastern ports, can you just throw some light on the competitive dynamics that is at play right now, especially East on the coal.

Karan Adani: Yes. So I'll request Subrata to answer that.

Subrata Tripathy: So as you correctly said, so what is popularly called the RSR route, the rail cum sea cum rail route, in which you would be aware that we have made inroads into procuring tangent coal volumes from the MCL, which is Mahanadi Coalfields present at IB Valley coalfield as well as Talcher coalfield, And as I see the uptick of volumes that we have had in the 7 months, we've had an additional volume at Gangavaram of about close to 2.5 million metric tonnes.

At Krishnapatnam, which is a receiving port for the powerhouses, which are situated alongside the port, we've seen an upside of about 1.5 million metric tonnes. And at Dhamra to the extent of about 0.5 million metric tonnes. So we are -- and also, we are seeing that in coal, on the RSR route, as a part of the government's intent of the interministerial group to see that coal from Eastern India goes by the all-sea and rail route to Western powerhouses and Southern powerhouses, we've also been able to provide coal to Kudgi power plant of NTPC through our port, our terminal in Mormugao.

So as we speak, all these ports on the Eastern side, namely Gangavaram and Dhamra and at the receiving in Krishnapatnam and at Mormugao terminal are coming into this play as well. As far as the competitive edge is concerned, so there are ports on which we compete, it's namely Paradip port. While Paradip port volumes are steady, they are also into the play as far as Talcher to Dhamra is concerned and IB Valley to Gangavaram where the larger volumes come to Gangavaram port. Thank you.

Priyankar Biswas: And just one more question. Can you just give me what is the -- currently on a broad-based portfolio basis, what would be your broad import to export mix?

Subrata Tripathy: Of the ports at large?

Priyankar Biswas: Yes. So of the ports at large, specifically containers, let's say.

Karan Adani: You're asking what is the import/export of container?

Priyankar Biswas: Yes, yes, yes.

Karan Adani: Just one second. So it is 60-40, 60% export, 40% -- sorry, 60% import, 40% export.

Moderator: Next question is from the line of Nikhil from Alliance Bernstein.

Nikhil: My first question is on the Haifa Port. I wanted to understand, what is the primary currency of the revenue of the tariffs at the Haifa Port? Is it in the local currency, which has been volatile? Or is it in U.S. dollars largely?

Karan Adani: It is local currency. NIS.

Nikhil: Understood. So no hedging would -- have been done on that front. Am I correct to assume that?

D. Muthukumaran: We have hedged all exposures that we have at APSEZ level in the near term, which is up to 3 years. So those are hedged. But the long-term revenue is actually, as we said, is in NIS, which is a local currency.

Karan Adani: Also the reason for it is because NIS versus dollar is very stable. If you look to the last 10 years of exchange rate, you will find that has been closer to 3.5% consistently. So there is no specific depreciation or appreciation, what we have seen.

Nikhil: Understood. Got it. And the second question I had was then on the Vizhinjam port. Good to see progress on the port, but it would be helpful if we could get clarity on when does scalable commercial operations start at that port?

Karan Adani: So we expect all the equipments to be at port by March of 2024. As you know, it's a semi-automated terminal. It will take us 3 to 4 months to get all the cranes and equipment commissioned. So we would look at basically second half of FY '25 to commission -- to start full-fledged operation.

Nikhil: Got it. Understood. The third question I had were a bit on the quarter. So the quarter volumes, I could see the port revenue was up lower than the volume growth in the port business. Despite that currency being -- dollar being the same this quarter, nearly the same to last quarter, so was it a cargo mix difference? Or what was the reason for that?

Karan Adani: Mainly it is a cargo mix difference.

Nikhil: Understood. Got it. Then my last question was one balance sheet item, which is other financial assets which were up almost INR2,000 crores, if I'm not wrong, from March to September. If -- what exactly is that -- if that could be clarified that would be helpful?

D. Muthukumaran: So it's a combination of short-term investments that we make as well as actually advances that we have paid against future capex and acquisitions.

Moderator: Next question is from the line of Mohit Kumar from ICICI Securities.

Mohit Kumar: My first question is on the Slide #41 where you're talking about the joint ventures' profitability. My question is if I look at Q2 FY '24 PAT contribution of JV, which has improved materially. It has account for AICTPL INR151 crores, ACMTPL is INR59 crores and IAVL JV is INR59 crores. But when I look at your P&L, the joint venture associate income is nearly INR45 crores in this quarter. Am I missing something?

D. Muthukumaran: I'll answer. I think page number, I'm not sure whether you're talking about 41 page. Are you talking about 36, but...

Mohit Kumar: 35, yes.

D. Muthukumaran: The answer is simple. Yes, the answer is simple. Actually, there is another company which is Dhamra LNG that has not been consolidated in this quarter. And being sort of in a ramp-up stage, there is a loss coming from Dhamra. And when it catches up, when the ramp-up is sort of complete, you will see that consolidated number going up.

Mohit Kumar: Because of Dhamra LNG, understood, sir. My second question is how much rakes -- on the logistics side how much rakes you are looking to add in FY '24 and FY '25?

Karan Adani: Just one second. End of this financial year, we would be at 128 from 100...

D. Muthukumaran: So addition is 40.

Karan Adani: Addition is 40 -- no.

Mohit Kumar: 110 as of now -- 104 now.

D. Muthukumaran: He is talking about full year.

Karan Adani: Okay. Yes. So 40 for the full year as well.

Mohit Kumar: Okay, 40 additional, right?

Karan Adani: No, no. Not 40 additional. Sorry, just give me one second. So right now, we are 104 as of half year. By end of this financial year, we would be at 128.

Mohit Kumar: 128. And so for FY '25 can you share the number?

Karan Adani: Sorry?

Mohit Kumar: For the FY '25, if you have any number you can share?

Karan Adani: Right now, it's only another 3 to 4 rakes, which will be coming in.

Mohit Kumar: Understood, sir. My last question is have you heard anything from the government on the renewal or cancellation? Do we think this policy will get decided in the fiscal year, this fiscal year? Or do you think it is postponed for FY '25?

Karan Adani: We are hopeful that we would be able to finish it by end of this financial year.

Moderator: Next question is from the line of Aditya Mongia from Kotak Securities.

Aditya Mongia: The first question that I had was on the recent addition of the Loni ICD. I wanted to check whether this falls under the hinterland of CONCOR's Dadri ICD, which have recently gotten double-stack on the DFC. Wanted to check if -- what's the strategy of kind of aggregating volumes given the supremacy of Dadri [inaudible]?

Sushant Mishra: This is Sushant Mishra. Partly the Dadri CONCOR, a part of the catchment also will come to this ICD Loni. And part of Haryana, the Sonipat region also will come in to this. So we -- there is a natural hinterland to Loni, which was being served earlier. So now that we are recommencing the operations, we'll have a natural advantage in that. And we have a marketing strategy to buy a first and last mile connectivity to enhance that.

Aditya Mongia: Are there any minimum volumes that you have to do in the first year of operations?

Sushant Mishra: Yes. We have agreed with CWC to do some minimum volumes. So where -- as you know, to restart an operation, there are issues like BL point with the shipping lines, we are all working with that. But we will catch up on the volumes.

Aditya Mongia: Understood. The second question that I had was more of a confusion. In the cash flow statement, I do see some inflows coming in because of probably reduction in security deposits. And I was assuming that whatever has been the support given for future capex is actually coming down. However, an explanation to the increase in other financial assets, it was said that the advances have been given for future capex. So could you clarify, on a 6-monthly basis, has money come in or more money gone out? And what's the current outstanding?

Karan Adani: Yes. So let me just clarify. The addition of advance is on the acquisition front, it is not on capex. It is not an increase. On the advances of capex, that has come down drastically.

D. Muthukumaran: Actually, these acquisitions are already completed as we speak. So we will actually include it in the -- when you see the next year -- next quarter's number, all these would have actually gone off from advances.

Aditya Mongia: Understood. Could you give us probably an update, maybe you would have said this earlier, what is the guidance for the full year capex for this year at -- on a consolidated basis?

D. Muthukumaran: So like you said, instead of the specific number, what we are targeting is to end the year with a leverage of around 2.5x that we guided as well as the cash balance of INR8,000 crores. So these 2 remains unchanged as a target.

Aditya Mongia: Understood. And again, just an observation and probably simplify for all of us, there have not been any meaningful inflows or outflows in the cash flow statement in form of ICDs. Should one assume this to be the trend going forward as well?

D. Muthukumaran: Sorry, in the form of ICDs, should we assume, therefore?

Aditya Mongia: That there will be no meaningful money in the form of ICDs going in and out as part of the cash flow statement, the way this has happened in the first half this year.

D. Muthukumaran: That's correct. The answer is yes. There are no ICD either deployment or realization because, actually, there is a 0 balance as of today. So there is going to be no realization in the future, and we don't plan to deploy anything in ICD. And there was no deployment in the last 6 months either.

Moderator: Next question is from the line of Bharani Vijayakumar from Spark Capital.

Bharanidhar V.: My question is on your outlook for, say, calendar year '24 on key cargo categories. How do you expect them to perform, especially in the light of general perception that container volumes are likely to be subdued given challenges in the global trade and probably even slowdown in India? And also the fact that sequentially this quarter, compared to last quarter, the volumes have been almost flat. So that's my first question.

Karan Adani: So I think if you see our October volumes, we are having even month-on-month growth. Right now, we are not seeing a slowdown. Right now we are not seeing much of a slowdown into our cargo and we expect to continue to do a similar run rate of -- the average run rate that we have been doing so far in the last 7 months.

Subrata Tripathy: We did 6.7 in October last year in terms of TEUs. And this year, we are doing about 8 lakh TEUs. So you can see there's an uptick at the container business. And you'll see that our market share in containers has significantly grown up. While there is a general the perception that you're having, but we aren't seeing any kind of downstream over there. All the -- both at Mundra and the Southern ports, we are seeing an uptick and as well as new services added at Hazira, which is also doing an all-time high.

Bharanidhar V.: Okay. But wouldn't the growth from last year to this year mostly be due to low base? Because last year, we saw a degrowth in -- I don't know, October, but second quarter, at least, there was a degrowth, if I'm not wrong.

Subrata Tripathy: No such signs are visible at the moment. Even this month, we've seen the volumes and the nominations are quite healthy. So we are seeing that it will continue to rally. And we've also guided in the past that new services are being added at Kattupalli and new services at Hazira as well. So we continue to be quite robust on the growth itself.

Charanjit Singh: So Bharanidhar, last year, because of the economic situation, right, it's April, May time when the slowdown started. And the slowdown almost peaked up around July, August sort of time frame. So as a result, H2 was relatively lower from an overall volume and cargo perspective and container perspective primarily.

But this year, if you look at our record, consistently month-on-month, our performance versus India average and also on a Y-o-Y basis, you see a significant jump, talking of October, what -- as we mentioned, the numbers reflect a 20% jump. And a similar sort of trend, what we have observed also in the last 6 months sort of time frame.

Bharanidhar V.: Okay. Fair enough, sir. My second question is on the recent news article regarding the U.S. government funding port in Sri Lanka, where they will be giving capital. So anything that you could highlight regarding this? Will it be part of capex going forward?

D. Muthukumaran: Yes. Basically, it's project funding by DFC, okay? And we have gone through the full study by them. And we have made ourselves eligible. So I guess that demonstrates that we are ready to absorb all kinds of funding, which comes with the highest level of scrutiny and KYC. And basically, it is a $550 million total facility out of the total $750 million project financing. And that $550 million will come into the company as project finance and it will be repayable over 20 years.

Sushant Mishra: So the cash outlook from our side is primarily the 50% of the equity share.

Bharanidhar V.: Okay. So is this the same Colombo project? Or is it a new terminal?

D. Muthukumaran: No the same.

Moderator: Next question is from the line of Alok Deora from Motilal Oswal.

Alok Deora: Congratulations on good numbers. Sir, I just had a couple of questions. One is what's the outlook on volume growth for FY '25? Because like this year, we are still maintaining the guidance of around 390 million to 400 million tonnes. So what number we could be expecting for next year based on the current ports which we are having?

Karan Adani: So I think I will not do justice by giving you guidance for next year. But I can only assure you that our guidance of 500 million tonnes by 2025, we are on track of achieving that part of the guidance.

Charanjit Singh: You need to look at our financial performance, right? So there were 3 numbers which were given: the volume, the revenue and EBITDA for FY '25. So you need to look at all the 3 numbers and see where do we stand, particularly the revenue and EBITDA because cargo is our input in terms of deriving those numbers. And what we have seen in the past, because the guidance was given 4, 5 years back when the 5-year plan was prepared. So you could see that we are on track in terms of achieving what we have mentioned, if you look at the numbers details.

Alok Deora: Got it, got it. And also on the logistics business, how we are seeing that shaping up at the ground level? And whether we have been -- we have already seen the integration with the ports business, which we were -- which you had mentioned around some time back that we are looking to be it integrated with the ports business and become a one-stop solution for the clients. So that has already played out in a big way or it's kind of still a long way to go with that?

Sushant Mishra: No, we are very much on that journey. You -- as you know, the number of rakes that we're adding almost 35 rakes that we'll be adding to our stable this year. And also the terminals. We are already 10 terminals. And this is a function of the rolling stock as well as terminals and integrated solution to the customers.

So we have internal synergy within our port container team and our Adani Logistics. And as well as the warehousing, all these together we are providing integrated services to customers and that is very much on the cards. This is on the container space.

And with GPWIS, we are also derisking the -- our major customers from the major ports so that, that is providing a lot of stability to their volumes in terms of evacuation of imported cargo and also, to some extent, bringing export cargo to the ports.

Moderator: Next question is from the line of Sharon Chen from Bloomberg Intelligence.

Sharon Chen: Congrats on a good set of results. Just a couple of quick questions. The first one is just to confirm the loan that you got from DFC that's presumably nonrecourse to Adani ports? And the second question is just on your medium-term financial policy. So I know you target 2.5x net debt to EBITDA by next March. But thereafter, will that still remain the target, especially considering, I think, you've demonstrated good access to funding, and clearly, there's a lot of opportunities out there?

Karan Adani: So on the first question, yes, it is nonrecourse. The loan is nonrecourse to APSEZ. Sorry, can you repeat your second question?

Sharon Chen: So I just want to clarify your medium-term financial policy, whether you're planning to stick with the 2.5x net debt to EBITDA going forward?

Karan Adani: Yes. So I think looking at our cash flow, our growth right now, we are comfortable at 2.5. We will -- and we would stick to it. I think we would be looking at opportunities available if there is, on growth perspective, we, have to take a little bit of bump for a quarter or 2, we will be happy to take that. But on a medium term, on a long-term basis, 2.5 is what we are looking at right now.

Moderator: Next follow-up question is from the line of Aditya Mongia from Kotak Securities.

Aditya Mongia: I only had one more question and is linked to the opportunity to add more assets to the Adani portfolio. Now we can see in this year Haifa and Karaikal are boosting overall growth rate meaningfully. Could we expect the next few years to also have an inorganic component of, let's say, 4% to 5% of growth? Or do you think it will be more organic in nature?

D. Muthukumaran: See, even in the current year, actually, our organic growth is quite substantial. Volume, it is 8%. And revenue, it is close to 12%. And inorganic growth, of course, we will keep an eye and if there is an opportunity, we will be at it. Our own expansion plans for many of the ports are also coming up. So brownfield expansions also contribute. So our growth will have all 3 components.

Aditya Mongia: Understood. Sir, also wanted to kind of understand, at least one of your peers is suggesting meaningful opportunities from port privatization. Do you envisage that to play out, and thus, there's been an inorganic component to growth which is sizable? Or you still think that the other 2 components which we got, something that will be driving your growth prospects much more?

Karan Adani: So I would say from government privatization if you look at our -- I mean if you look at our past record, we are not very bullish on -- from a return perspective. That said, if we -- if there are 1 or 2 strategic locations where we are missing, whether on container or on liquid, if we get a position, we would be looking at it.

But our predominant focus would be expanding our footprint -- and I mean, our footprint of our existing ports and diversifying that the cargo base in our existing ports because we have an ample space and opportunity to grow over there. And the good part is the incremental growth is -- incremental capacity that we will be adding will be 30% or 40% of the cost of a greenfield capex. So predominantly for us, our growth will come from expanding our existing facility and diversifying our existing facility.

Aditya Mongia: And maybe again, a related question. See, Maharashtra is one geography that you have recently entered through Dighi Port. Has been your experience so far has it been encouraging? And do you think that you can gain a meaningful market share in Dighi over time? Or do you believe you may need to add more asset, maybe a greenfield one to become more relevant in Maharashtra? That will be the final question on my side.

Karan Adani: Yes. No. So Dighi is a long-term project. We are -- our strategic intent does not change. We do believe that it can be a good -- it will be a good gateway -- alternate gateway to JNPT. And we will -- we are building the port out. We are building the railway line out over there. We are building an industrial park right behind the port as well as improving the road connectivity.

And we are -- and we have also started our liquid operations over there. So once I think -- it will take time to stabilize. In our view, it will take -- it is -- though it is a brownfield project, it is as good as a greenfield project. So it will take 4 to 5 years for Dighi to come up to a little bit of scale. I think -- but on a longer term, when we look at 10, 15, 20 years down the line, we do believe -- we strongly believe that Dighi will be a great alternative to JNPT.

Moderator: As there are no further questions from the participants, I'd now like to hand the conference over to the management for the closing comments.

Charanjit Singh: Thank you, everyone, for taking out the time and wishing you all a very happy Diwali. Looking forward to another full interaction in the month of January with our Q3 numbers. Thank you, and good day.

Moderator: Thank you. On behalf of InCred Equities, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.