"Adani Ports and SEZ Limited

Q4 FY'24 Earnings Conference Call"

May 02, 2024

.

MANAGEMENT:	**MR. ASHWANI GUPTA - WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER - ADANI PORTS AND SEZ LIMITED** **MR. PRANAV CHOUDHARY - CHIEF EXECUTIVE OFFICER, PORTS BUSINESS** **MR. SUBRATA TRIPATHY – FORMER CHIEF EXECUTIVE OFFICER OF PORTS BUSINESS – ADANI PORTS AND SEZ LIMITED** **MR. SUSHANT KUMAR MISHRA – CHIEF EXECUTIVE OFFICER – ADANI LOGISTICS** **MR. D. MUTHUKUMARAN – CHIEF FINANCIAL OFFICER – ADANI PORTS AND SEZ LIMITED** **MR. CHARANJIT SINGH – HEAD OF INVESTOR RELATIONS AND ESG – ADANI PORTS AND SEZ LIMITED**
MODERATOR:	**MR. PRIYANKAR BISWAS – BNP PARIBAS SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Adani Ports and SEZ Q4 FY24 Earnings Conference call hosted by BNP Paribas Securities. 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 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. Priyankar Biswas from BNP Paribas Securities. Thank you and over to you, sir.

Priyankar Biswas: Thanks Rayo and thanks to the management of Adani Ports for giving us the opportunity to host this Results Con call. So we have the management team represented here by Mr. Ashwani Gupta, Whole-Time Director and CEO of Adani Ports and SEZ, Mr. Subrata Tripathy, the former CEO of Ports Business, Mr. Pranav Choudhary, CEO of the Ports Business, Mr. Sushant Kumar Mishra, CEO of Adani Logistics, Mr. D. Muthukumaran, CFO of Adani Ports, and Mr. Charanjit Singh, Head of Investor Relations and ESG at Adani Ports. So without any further delay, let me hand over the floor to the management for their opening remarks, post which we will have the Q&A session. So Charanjit, over to you.

Charanjit Singh: Thank you, Priyankar. Good evening, everyone, and a very warm welcome on behalf of Adani Ports and SEZ. With regards to this engagement, from our side, there are a couple of changes versus the last call.

Firstly, it is our new CEO, Mr. Ashwani Gupta, who will be leading this engagement for Adani Ports while he was present on the last call along with Mr. Karan Adani. Secondly, we also have our new Ports CEO, Mr. Pranav Choudhary, joining this call for the first time. Before taking over the responsibility of CEO Ports, Pranav was the Head of Container Marketing and has been with the company for close to seven years.

Mr. Subrata Tripathy, who has been the Ports CEO for the last three years, has taken a larger responsibility at the group level. APSEZ team wishes him all the best. With this, now I hand over the line to Mr. Ashwani Gupta for his opening remarks. Over to you, Ashwaniji.

Ashwani Gupta: Thank you, Charanjit. Good evening, everyone, and welcome to the conference call for the quarter and twelve months ended on March 31, 2024, to discuss the operational and the financial performance of APSEZ.

I will first discuss the financial performance of the company, followed by the operational and business highlights of the year. Starting with the financial performance during the year. Operating revenue for the year is INR26,711 crores, which is a good 28% year-on-year growth, ahead of cargo volume growth of 24% year-on-year. EBITDA, after excluding the forex impact, is INR15,864 crores, which is a healthy 24% year-on-year growth.

Domestic ports EBITDA margin expanded by around 150 basis points to 71% during the year. Profit after tax increased by 50% year-on-year to INR8,104 crores, despite a write-off of INR455 crores during the second quarter, resulting from the switch to the new tax regime in one of the subsidiaries, Krishnapatnam Port. Now moving to the operational highlights of the year, APSEZ recorded a strong 24% year-on-year increase in cargo handling volume at 420 million metric tons. The growth was reported across all three major cargo categories, with dry bulk registering a 29% year-on-year growth, container 20% year-on-year, and liquids and gas increased by 15% year-on-year.

During the year, we have achieved various operational and business milestones, particularly during the year APSEZ handled 27% of total cargo and 44% of the container cargo of India. APSEZ domestic cargo volume grew by 21%, which is around three times the growth rate of all India cargo growth. Ten of our ports from the India portfolio recorded their lifetime high cargo volumes for the year.

Our flagship port, Mundra, handled 180 million metric tons of cargo during the year, which is 16% jump year-on-year. The port handled 7.4 million TEUs during the year, which is 15% higher than its nearest competitor. Our container terminal, CT3 in Mundra, handled 3.1 million TEUs, which is the highest ever annual container cargo volume done by any terminal in India. APSEZ completed acquisition of Gopalpur Port and Karaikal Port, thereby increasing the total count of our India portfolio to 15. We also entered into a joint venture with MSC for the Ennore container terminal. Our Colombo terminal received a financing commitment of USD553 million from the US, DFC. The port is scheduled for commissioning before end of current financial year.

Moving to operational performance of logistics business, Adani Logistics Limited recorded its highest ever volumes across the segment with rail volumes of around 0.6 million TEUs, up 19% year-on-year, while GPWIS volumes were at 20.1 million metric tons, up 40% year-on-year. During FY24, we commissioned three logistic parks, taking the total amount of MMLPs to 12 from 9 at the start of the year.

We added warehouses in Indore and Mumbai, thereby taking the total warehousing capacity to 2.4 million square feet. We have also added 34 racks to our existing fleet, thereby taking the total count of trains to 127 as of March 24 end. Delivery of another four racks is in pipeline. More importantly, we have launched our trucking business segment to provide last-mile connectivity to customers from ports, ICDs, and customer premises. During the year, we operated 900 trucks, and currently we are building this business on an asset-light model approach. Some color on our third-party marine service businesses.

With contract wins in Sri Lanka, Mexico, and Oman, the total count of tugs in our ownership now stands at 111. We are also pre-qualified for contracts with Saudi Aramco, and in Oman, Kuwait, and Qatar. This strong operational performance has translated into robust cash flow for the company.

As a result, our net debt to EBITDA ratio as on 31st March 24 stood at 2.3x versus 3.1 at the beginning of the year, despite a capex of over 7,400 crores. For FY24, the APSEZ board has recommended a dividend of INR6 per share in line with our capital allocation policy. This implies a payout of around INR1,300 crores. During the year, CARE ratings assigned AAA the highest possible credit in India to APSEZ, making the company the first private corporate infrastructure developer to be rated AAA, while S&P and ICRA revised the credit outlook of APSEZ to stable from negative earlier.

Moving forward with regards to FY25, we expect our cargo volumes to increase to 460-480 million metric tons, resulting in a revenue of INR29,000 crores-INR31,000 crores. EBITDA is expected to be in the range of INR17,000 crores-INR18,000 crores. Net debt to EBITDA is expected to remain between 2.2x to 2.5x, while capex is expected to range between INR10,500 crores to INR11,500 crores.

We can now open the forum for the Q&A.

Moderator: Thank you very much. The first question is from Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: So the first question is, have we taken tariff hike across all your ports in the beginning of the year? And if yes, can you please quantify the average hike?

Ashwani Gupta: Mohit, you're not audible. Can you finally repeat the question and be a bit louder?

Mohit Kumar: Yes, sorry. So, but.

Moderator: Mohit, if you are using a handset, we request you to use the handset. We can't hear you. We seem to have lost the line for Mohit. We'll move to the next question. The next question is from the line of Alok Deora from Motilal Oswal. Please go ahead. Mr. Alok Deva, you may go ahead with the question. Hello. Hello.

Alok Deora: Yes. Thanks for the opportunity. So, just had a couple of questions. So, first is on the volume guidance. I just wanted to understand this, are we facing any issues related to Red Sea, any slippage of volumes, which we are seeing, because last time you had mentioned about 10% of the volumes are through that route. So, any update you can provide on that, please?

Ashwani Gupta: Thank you. Thank you for your question. Absolutely, we are not facing any challenge, which should impact our growth. And whatsoever, risk we have, we are covering it with additional opportunities. And especially if you can see the trend of the growth, which we are seeing in the cargo volume, the results from the April are itself demonstrating that in April, we showed 12% growth with respect to the last year month. So, obviously, starting the year, we are keeping a range between 460 million metric tons to 480 million metric tons. And moving forward, we are minimizing the risk and maximizing the opportunity. And we are very confident of delivering growth trend.

Alok Deora: Sure. And also, the capex, which you have guided for FY '25, if you could just elaborate some of the key areas that you are looking for this capex, spending this capex?

Ashwani Gupta: Yes, no, I think last year, we did INR7400 crores of capex. And as on one side, we are delivering the operational excellence by utilizing the assets, but on the other side, we are investing for the future. And for next year, we decided to have an increase, we have given the range.

So, but if I take the higher part of the range, which is 11,500, we are going to invest roughly 7300 in the ports. In the marine services, as we said, 111 tugs we have, and we are going to allocate roughly INR400 crores in the marine services. Logistics business, which consists of the agro silos, but also, as I said, that one of the most important strategy we have for FY '25 is about the last mile connectivity.

And last mile connectivity is all about warehousing, it's all about the trucking. And as we have started the trucking, and the logistics parks, we are allocating roughly 2300 for the logistics. Having said that, we are on our track for the decarbonization. And we are investing in the energy, approximately INR1500 crores.

So, clearly, on one side, improving the operational excellence, on other side, investing for the future. And finally, working for the decarbonization, all put together, we are allocating capex of 11,500, which is much higher than 7400, which we considered last year. Having said that, because of our financial discipline, with the maximum utilization of our assets, our net debt to EBITDA ratio, we are keeping still between 2.2 to 2.5. That's the overall capex allocation strategy which we have for FY '25.

Alok Deora: Sure. Thanks for the elaborate answer. So, just one last question from my side. So, in the logistics business, we have seen, especially in the fourth quarter, the growth has been pretty muted. And even the margins have come off quite materially, if you look at Y-o-Y, or even if we compare it with the four-year performance. So, what's happening on the logistics side? Is it more of a one-quarter thing? Or how do we see this ahead in logistics, or in terms of revenue also? And where would the margins settle now?

Ashwani Gupta: So, the trucking business is a business which should not be considered standalone because it connects the dot. It connects the dot with the end customer, end user, which means using the truck, more and more consignment will come to our ICDs. And once more and more consignment comes to our ICDs, definitely they come to our port.

So, there are two ways of increasing the cargo volume. One is getting from first mile to the last mile. But another way, which is also very important, and considering the way India is growing on Ex-Im, to also connect the last mile to the first mile. That's why the trucking standalone business is sufficient enough to bring additional businesses to our ICDs and the ports. So, that's the strategy behind the last mile connectivity.

Alok Deora: Sure.

Charanjit Singh: And if you also look into the overall numbers for the full year, you'll see that the revenue growth is in line with the cargo growth for the logistic business. So, it's only in Q4, there is a bit of an impact, which is primarily because some of the agri silos contracts, which have completed 10 years, their billing is reduced, which is as per the contracts. Otherwise, if you look at the full year numbers, both from a revenue perspective, and also, if you look into the nine-year number from the margin perspective, the numbers have been relatively strong and aligned to the volume growth.

Alok Deora: Got it, sir. So, next year, we could be looking at 15% sort of a growth year or could be higher?

Charanjit Singh: So, it is baked in our overall guidance.

Alok Deora: Got it.

Charanjit Singh: Because we don't give segment-wise guidance.

Ashwani Gupta: So, as I said, the trucking business is to connect the dot, the last dot. So, that's why it's consolidated in the overall increase of volume, revenue, and EBITDA.

Alok Deora: Got it. That's all from my side. And thank you. And congratulations again on very good numbers. All the best.

Ashwani Gupta: Thank you for the compliment.

Moderator: Thank you. The next question is from the line of Atul Tiwari from Citigroup. Please go ahead.

Atul Tiwari: Yes, sir. Thanks a lot for the opportunity. And congratulations on a good set of numbers. My question is on the trucking business again. So, these 900 trucks, you have bought on your balance sheet or you are just like hiring them and running?

Ashwani Gupta: Yes, these 900. So, basically, the strategy for the trucking business is asset-light. When I say asset-light, which means where we have a confirmed mid- to long-term contract for the last mile. And we see that based on the TAT, which is truck turnaround time, we can maximize the usage and minimize the depreciation. We are going for our own assets. Where we believe that there is a flexibility and the last mile is case-by-case, we are going for aggregator model.

So, because we have started, at present, I would say we are setting up the processes. We are setting up the end-to-end digital platform, which should connect from our port to our yards, to our trains, and to our ICTs, and finally to the truck, and finally to the customer. So, this is what we are preparing. As and when we move forward, the way this business will evolve, we will see what would be the best mix in the asset-light model, and what will be the mix which we will own, and what will be the mix which will work on the aggregator model. As of today, these 900 trucks we bought because there is a mid- to long-term commitment from the customer for the last mile delivery.

Atul Tiwari: Okay, sir. And my second question is on the renewable energy investment of INR1,500 crores. So, what kind of investment Adani Port will be doing? Like, is it setting up its own solar park or what kind of exact investment is that?

D. Muthukumaran: Hi, this is Muthukumar. We have said that we will do 1000 megawatts. It is a combination of solar and wind. And in order to actually leverage the group's capability, we will put it up in an existing solar park in Khavda. So, that's the progress that is already happening. So, we have started putting it, and we should see that come through during the course of the year and next year.

Atul Tiwari: Okay. And then from there, it can probably scale up?

D. Muthukumaran: We are talking about 1000 megawatts. So, we are actually good for a while to come now. So, we don't necessarily need to scale up. But we will keep an open eye. And, if there is a good opportunity, we'll react at that point in time.

Atul Tiwari: 1000 megawatts should cost about like [0:21:21 INR40, INR50 billion], right? So, basically, the investment will happen over a number of years, like [INR15 billion] in the first and then.

D. Muthukumaran: Correct. We have invested already some. Okay. And we will invest some more, we will actually have about 250 megawatts coming through in the quarter one. And, the rest over a period of time. So, it's being done in parts. You're right.

Atul Tiwari: Okay. And the power generated will be used by Adani port for its captive purpose or is it for sale?

D. Muthukumaran: So, it is for captive. And if there is extra, we will sell it.

Atul Tiwari: Okay, thanks.

Moderator: Thank you. The next question is from the line of Yunyun Bai from Barings. Please go ahead.

Yunyun Bai: Thank you for the opportunity. I just want to ask what's your plan for the July '24 bond? And also any plan to come to the dollar bond market in the near term? And if I have another question, I also want to know what's your thought on the international M&A next year? Because previously, I think you were talking about grow overseas, but I think in the latest capacity, it's all about expanding the existing port. I wonder what's your thought on the acquisition side? Thank you.

D. Muthukumaran: Yes, sure. Thanks a lot. As far as your question on our July bonds are concerned, we already have cash in the balance sheet of the company, as you would notice. So, we will actually pay it off on the due date. And it is already there in the balance sheet today. And we keep generating cash as well as we go forward. So, we have no intention to come to the bond market in the near term. And as far as the question on international M&A is concerned, yes, go ahead.

Ashwani Gupta: Thank you, Ashwani here. So, thank you for that question. So, as you correctly said, we are maximizing the cargo coverage in India. And of course, we have Israel Haifa, which is growing. We have Sri Lanka one, which should be ready for taking up the cargoes. And moving forward, now we are studying and under discussion of further expansion in the international ports. And as and when we will be finalizing it, we will be very happy to share with you in the near future.

Yunyun Bai: Okay, thank you.

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

Asmeeta Sidhu: Hello, management. Thank you very much for taking my question. I just have a quick question regarding the current audit opinion. I noticed it is still qualified at this point. Could you share if there is anything the auditors are looking for or sort of waiting for before we can see the reversion in the opinion? Thank you.

D. Muthukumaran: Sure, thank you. See, as far as the qualification is concerned, it just is continuing with what you have seen in the past. And a definitive conclusion has happened when Supreme Court on 3rd of January dismissed all the plea other than what SEBI is currently investigating.

And they have suggested that SEBI should bring this to closure on an expedited manner. Because there is no time period defined as an outer limit, and it is only three months or thereabouts since this has come, the qualification is continuing. It is only a matter of time before the qualification should get dropped. And we are, from our point of view and from our side, working sort of towards closure of these outstanding SEBI investigations. And we look forward to seeing this drop off in times to come.

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

Bharani Vijayakumar: Good evening, gentlemen. My question is on the volume guidance for 25. So, the lower and the upper end of the guidance indicate that we are considering about 10% to 14% year-on-year growth. So, and looking at the sequential growth of, say, container, coal, so it is in single digits. In fact, in coal year-on-year, sorry, the sequential growth is flat. So, can you highlight what is your view on, say, container and coal volume growth in FY '25? Definitely, I think there is some moderation in assumptions you have made. So, which you think is going to grow at the least, according to you?

D. Muthukumaran: Yes, I think it is important to highlight the background with which we are entering the coming year. This year, we have actually achieved a 23, I mean, 24% growth when the market has actually grown, 7-odd percent. So, and if you see our growth this year, we have grown across. We have grown in the areas that you mentioned, which is coal, cargo, container, and we have also grown in other areas, you know, liquid, new LPG that has come, new LNG that has come.

And as far as FY '25 is concerned, we expect, you know, a reasonably well-distributed growth across coal and sort of container cargo. There is no spike from any particular commodities other than the new facilities coming in. LNG will ramp up a little bit that is there in Damra, but otherwise, there is no unique characteristic of this growth that we have seen.

Ashwani Gupta: Now, I think to add on what is very important that we are focusing on two by two, which means how to have a balanced mix of the commodities, and number two is how to have the balanced mix of our ports. So, if you please see our results of FY '24, you will see that all the three main cargoes have grown a double digit. Then when it comes to the ports, we can see now a good trend between the west coast and the east coast and the south.

And this is how we are moving forward, that how we maximize all of our this 7,800 coastal line of ports by the ports connectivity, so that we connect to the last dot of the India growth. And that's why our focus is, in addition to the ports, how we maximize the ports connectivity with railways, warehouses, and the trucking. Especially on the container, definitely because we are starting the T3 in Mundra, and definitely that is also bringing the additional growth in the container segment. So, that's why the commodity mix and the port mix, both are very important to capture the maximum growth.

Bharani Vijayakumar: So, to summarize, you are expecting balanced growth in both containers and coal, which is a tune of 10% to 15%?

Charanjit Singh: Yes.

Bharani Vijayakumar: Okay. So, coming to the next question on...

Charanjit Singh: Before you jump to the next question, because your question is being driven by the single digit growth at the All India Cargo, right?

Bharani Vijayakumar: Also, our single digit growth in... So, when you compare last quarter to this quarter?

Charanjit Singh: No. I think what you need to look at is more as a Y-o-Y basis. And if you look from a Y-o-Y basis, that's what Muthu and Ashwaniji both referred to, that we have seen a double digit growth. Rather, even if you remove Haifa out of the picture, right, our cargo volume growth is 21%. And in that, if you look at what the bulk has been, dry bulk, it is 27%. If you look to liquid and gas, it is 15%. If you look to containers, that is 16%.

So, for us, while the India cargo growth was 7 percent, we were at 21 percent within the domestic market. So, three times that. And that's what I'm saying is just with addition of one single port, which is Karaikal at the start of the year. Even if you remove Karaikal out of the picture, one of the -- you can say more like an apple to apple comparison of what we had, the assets, what we had in FY '23 and the assets in FY '24, the same port, our growth was 18%.

And therein, if you look to the three cargo types broadly, then the dry was, dry bulk was 20%, liquid was 15% and container was 16%. So, all three segments have grown and we have grown much faster on an organic basis in comparison to the average of India market, which has also been the case in the past year when there was no acquisition.

Bharani Vijayakumar: So, I appreciate that, Charanjit. So, of course, I will take this offline. My major part of the question was answered. So, the second part of the question was on this under construction port projects that we have. We have told that INR7,300 crores is what we would spend on capex for ports. But does this mean all our port under construction capacities would be over or get commissioned this year or what would be there happening in the subsequent years? Meaning, I just want to know what are all the under construction projects and what will be the capex till it gets completed until it's commissioned over the next one or two, three years?

D. Muthukumaran: Yes, sure. See, there are new two projects which are being worked on, both Colombo and Vizhinjam. Both are going full stream and we have given broad guidance of when they will actually start. As far as expansions in the existing ports are concerned, the major expansion actually will happen in big ports that we have, which is Mundra, Damra, Hazira-Dahej combination, and on the east coast, little bit on Gangavaram and Krishnapatnam. So, frankly, once again, growth is happening across. And to your question specifically on greenfield projects, by the time we exit next year, both the ports should come in commercial operation and what will be left with in terms of capex is only the post-completion payments…that we need to do. So, everything else will be paid in this year.

Bharani Vijayakumar: Okay. Last question, have we stated for [Gopalpur 33:18 operation] is it in the cash flow statement in the 2024 balance sheet?

D. Muthukumaran: No, it's not been paid yet. We are waiting for approval from the government of Orissa. So, we expect that Q1, we should actually close this transaction. And the cash balance that we have, again, is sufficient to pay for this as well as for the earlier point that I made, which is July bond, which is maturing. So, we have cash in the balance sheet to pay from our cash balance.

Bharani Vijayakumar: Okay. And I see about INR3,100 crores of cash that has gone towards acquisition of subsidiaries in 2024. What is that for?

D. Muthukumaran: So, it's basically land acquisitions and advance for acquisitions that we have actually paid. So, it's all for logistic business.

Bharani Vijayakumar: Okay. Thank you so much for answering my questions. All the best, gentlemen.

D. Muthukumaran: Thank you.

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

Ankita Shah: Hi, thanks for the opportunity and congratulations on a good set of numbers. Sir, I wanted to understand on the SEZ income why is it that it is structurally coming down? And what is the view on that going forward?

Ashwani Gupta: Sorry, we didn't get you. Can you please repeat?

Ankita Shah: Sure. Definitely. I wanted to get your thoughts on SEZ income, sir, earlier. It used to be a big number, then it has structurally come down.

Ashwani Gupta: You talked about SEZ income?

Ankita Shah: Yes.

Ashwani Gupta: Okay.

Ankita Shah: So, what is your thought on it? Why is that structurally coming down and where it will go going forward?

D. Muthukumaran: Yes. Sure. Okay. See, there are two parts of income from SEZ. One is what we get on an annuity basis, whenever we actually give the SEZ piece of the land to a unit. That we are actually forecasting and it is there in the numbers that you see.

Then, we also get, whenever we do either advance payments on lease, or actually when we sell the land on SEZ, we actually monetize rather. So, we have assumed that next year there is going to be no big monetization. Fundamentally, because there is a captive demand and the total actual units coming up in the current year from already committed lease are pretty large.

So, therefore, we are not working on monetizing any more land. But that said, it will be appropriate for me to highlight that as far as the land bank on SEZ is concerned, across ports, the three main ones that is actually presented in the investor deck, we have been sort of increasing our land bank.

And Mundra have pretty large sort of unutilized SEZ that is being sort of put in the market, as well as the other ports, Krishnapatnam and Kattapalli. So, and we also are working on Dhamra. So, we are working across. So, our land bank is increasing. So, therefore, you know, our long term sort of plan for this is going as per what we've explained in the past.

Ankita Shah: Got it. Also, sir, are we trying to be a bit conservative on the growth rate that we are assuming for the next year in terms of cargo volume growth?

Ashwani Gupta: So, I think I would say that I will not call it conservative. I will not call it optimistic. I will call it neutral, which means we have already started April and we have finished April with more than 12% growth. So, definitely, we are keeping a guidance to start with. And definitely, as we move forward, we minimize the risk, maximize the opportunities, as we can already start seeing the opportunities in our ports, whether it is Dhamra or it is Krishnapatnam or it is Mundra. We already started seeing the opportunities, but also we have some small risks.

So, as we move forward, as we are very much confident to keep the growth trajectory very balanced between west, east and south and very balanced between the three commodities.

Ankita Shah: Got it. Okay, sir. Thank you and I wish you all the very best.

Ashwani Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Rajarshi maitra from InCred Capital. Please go ahead.

Rajashri Maitra: Hello. Yes. Thanks for the opportunity. Hello.

Charanjit Singh: Yes.

Rajshri Maitra: So, when you are giving the guidance for next year, how much are you factoring in from Gopalpur and any other acquisitions or new projects, completions, which will contribute to your volumes in the next year that you factor in?

Ashwani Gupta: Yes. So, in the guidance, so we target to get all the approvals in the quarter one. So, roughly, we have taken an estimate for the nine months, which is between nine, around 9 million metric tons. Of course, this is an estimate based on what we know today about the Gopalpur, but once we will start managing it fully, definitely we will see the further opportunities on it.

Management: He also asked about the new Greenfield projects. Okay.

Ashwani Gupta: So, today, at present, we do not have any new Greenfield projects, which are coming up, as our CFO has expressed before. For us, after starting the T3, then Vizhinjam and then the WCT, these are the projects which we are completing. Having said that, we are always open for any kind of opportunity, as I said before, especially internationally, to capture any opportunity to bring the further growth in our portfolio.

Rajshri Maitra: Thank you, sir. Thank you for that answer. That helps a lot. Thank you. Thank you.

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

Pulkit Patni: Sir, thank you. A couple of questions. Part of it, you did answer Gopalpur what assumptions you have taken. Are you also taking any numbers from Sri Lanka for next year in your guidance?

D. Muthukumaran: Not material actually. We are expecting both Vizhinjam and Sri Lanka to come on stream this year, but it will be a very small contribution to the volume.

Pulkit Patni: Got it. So, my second question is more longer term. I mean, we are pretty much - as I look through a presentation on the Indian map you have, there is not a place where you can put in one more dot to now acquire in India. So, I am just thinking about how should we look at the next three, four years in terms of our growth strategy, what all international geographies are of interest for us from a trade perspective, etc.

So, if you just talk about how the next three, four years for us are going to look like or if my question is not right, is it true that bulk of our focus is going to be in ramping up the logistics business and inline logistics rather than grow our portfolio overseas?

Ashwani Gupta: So, no, thank you. That is a great question. I would say any opportunity which comes up, definitely we will assess it and we will go for it. Now, the point is, if we see what we have done is always delivered twice or thrice then the India growth.

So, if I say that India is going to grow around 6% to 6.5% in the cargo, definitely with the operational excellence we have, with the customer base we have, with the confidence of our stakeholders whether the shipping lines or whomsoever and our strategic positioning of the port on the India coastal line definitely anything between twice and thrice is very credible looking at what we have delivered and we are delivering which means if India cargo is growing between 6% to 6.5%, for us to grow between 12% to 14% will not be a surprise because we are strategically positioned to cover that trade. That's the first part of it.

The second part of it, now, where the additional growth will come from? The additional growth will come from definitely, as we talk, the game changer Vizhinjam which is going to be a transhipment terminal. That is something which is an untouched potential in India and definitely it will start with the transhipment, but I am pretty sure that it will turn into a very high potential EXIM cargo in the near future and with all the infrastructure ecosystem which will be developed around that port whether it is railways or logistics parks or the highways definitely that untouched potential will come.

As the second thing which I would like to say is all the investments which we are doing on the port connectivity in collaboration either with the central government or with the state government will help us in having more access to the cargos. So, as I said, trucking is a very small thing.

We talk about the railways like the Dhamra which we believe is the potential for the future. We are doubling our railway line. We are getting more investments over there. So which means 12%

to 15% is not a surprise if India is growing between 6% to 6.5%. So, that is where we see in the coming 3 years to 5 years the growth in India.

Having said that, our next or our continued efforts are to go international, but to go international is not the objective, but to go international profitably which can sustain the cargo traffic is the objective. And that's why the strategic positioning of Haifa in Israel, the strategic positioning of WCT in Sri Lanka are the examples that we are choosing our bet for the international expansion purely driven by the business opportunity.

And next, what we are studying is exactly the same cargo traffic whether it is Middle East, whether it is Southeast Asia, whether it is Africa or it could be Mediterranean And that's where we will move forward so that we go for strategic acquisition slash partnerships for these four. So, that's what is our 3 to 5 years strategic roadmap to grow sustainably every year. Sure, sir.

Pulkit Patni: Sure, sir. Good luck for those endeavours.

Thank you.

Moderator: Thank you. The next question is from the line of Ruixing Lin from Goldman Sachs Asset Management. Please go ahead.

Ruixing Lin: Thank you, Management. And congratulations on the results. So, just maybe going back to your topics on renewable energy funds. So, we would like to understand how you are thinking about doing the renewable energy itself given that your sister company, Adani Renewable, is kind of one of the largest players in this field.

So, what makes companies to make this decision and decide to do this two-career work yourself instead of sort of procuring or buying green energies from them? And my second question is, can you share what's the source of solar panels? Sorry, your second question wasn't clear.

D. Muthukumaran: Sorry, your second question wasn't clear. Can you just repeat the second question? Source of solar panels. Okay. So, source of solar panels, we are actually going to import from China. To your question on first, why we are doing, I think it's the most responsible way as a corporate to own the renewable asset from ESG perspective than necessarily to actually have just a contract for supply. Because basically our supply will come from the place where actually generation is sort of most efficient. So, it will become too distant for us to actually do a contract or source it. So, we want to own the asset and from ESG perspective.

Ashwani Gupta: So, I mean, this is very precise. You know, there are two things. One is we want to go for decarbonization. That's what APSZ is looking for. Definitely one of the most important contributor is energy and that's why we want to go for renewable energy. The second point is because Adani Green, what we need?

We need a cost competitiveness for the energy. So, going decarbonization is important, but going for a cost competitive decarbonization is more important. And because they are going for an economy of scale to generate the renewable energy, that's why they are competitive.

And that's where it's a win-win situation for us, that our decarbonization objective is fulfilled by getting a cost competitiveness for our force. And that's why we are investing in the renewable energy.

Ruixing Lin: Understood. Very good. Thank you very much. Thank you so much.

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

Aditya Mongia: Congratulations on the strong results and thank you for the opportunity. Yes. And the first question that I had was more to do with the margins in Mandra that have expanded quite meaningfully from 62%, 63% to about 65%.

I wanted to get a sense that whether margins in that area can further expand to, let's say, 68%, 69% levels that you've seen at the assets that you own and maybe higher given recent price spikes taken by your competitors. And obviously, projects like Kandla that have a large capital cost associated with them.

Charanjit Singh: So, Aditya, while your question was not fully audible, but correct me in case I don't answer it properly, you will have to repeat the question. So, I think you are talking about the expansion of margins at Mundra. So, see, there are two things. One is with the growth in the volumes, which we have seen at Mundra. So, that brings an economies of scale and that helps in improving the margin. That's point number one.

Point number two, that given our container terminal, higher the volume at CT2, the container terminal, which is fully owned by APSEZ and is not under the joint venture mechanism, the entire revenue share and the profits accrue to APSEZ. So, as the volumes increase on that terminal, the profitability of APSEZ will, or particularly Mundra port, will continue to improve. I hope that answers your question.

In case it was a bit different, then please repeat the question again.

Aditya Mongia: Yes. So, just to kind of clarify more on the question, while your response is very useful, are the scope of taking validation increases in Mundra more and more from KROG? That was one of the most important questions.

D. Muthukumaran: See, yes, you're asking whether there is scope to realize more, correct?

Aditya Mongia: Increase the pricing over that, yes.

D. Muthukumaran: Price. So, it will increase. The trend is that it will increase. You know, we expect the past trend to just continue.

Aditya Mongia: Okay. Understood. The second question that I had was more on, while not going into the breakup of the capex, it's kind of consuming two-thirds of your EBITDA for next year. This year, this ratio is broadly half and probably pre-COVID, these numbers were kind of less than half of your EBITDA. In this kind of scenario, kind of sustaining, do you envisage kind of returns improving only with the lag? Or do you think there is scope of improving, let's say, return ratios for your portfolio and probably in specific logistics?

D. Muthukumaran: No. So, we don't expect any lag in this. For example, you know, INR1,500 crores that you see for renewables is actually going to start generating cash on day one. Okay. That's 15%, which in itself actually explains two-thirds versus half difference that you spoke about. And then our investment in ports continue to be in the similar kind of assets that we have done expansions. The two big greenfields is coming actually to a closure next year, which is Birmingham and WCT. So, we don't expect any lag to happen from returns perspective.

Charanjit Singh: And if you also see the data points in the presentation deck, right, on the return on capital employed, and if you see the last three years of data, then you see that the return on capital employed is improving. Because as the asset base increases, because in the last two years, we have made a good amount of, for last three years, you can say, post-COVID, we have made a good amount of investments, right, and considerable, sizable investments compared to the asset base what we were having prior to the COVID. So, there was, and given that the majority of that was acquisition, right, so the revenue generation and the returns started coming from the day one.

And more importantly, these were acquired at the right price. So, that is the reason why you are seeing an improvement in the return on capital employed as we have made efforts to monetize this asset, particularly turn around some of the assets in terms of increasing the revenue and the margin. So, I think what Muthu said is that we will continue to see an improvement in the return on capital employed, particularly given that two large leased projects are coming for completion in this current financial year.

Aditya Mongia: Understood. And just to kind of clarify, since you put capex and set up a renewable power plant, which is for capital use, your portability margin should start kind of improving from later year too. Is that the right way of thinking through?

Ashwani Gupta: Yes. Yes. The answer is yes, to be very precise.

Aditya Mongia: Understood. And just lastly, on the logistics piece, I heard this comment coming from your side that the investment in subsidiary line items, INR2,000 crores or INR3,000 crores is focused on logistics. Could you give us some sense of where this money has been spent, whether it's in land, equipment, and which line of work, whether it is ICD or something else, for us to kind of better appreciate? It's a large number. That's what I'm trying to get a better sense.

D. Muthukumaran: Yes. So, it's a combination of all. But this year, what you're seeing, a large part of it is land. I think we've explained some time ago that basically the way to look at our balance is threefold. One is actually the port asset. One is the land bank that we are creating. And third is the logistics. So, land bank clearly is actually a big opportunity that we are working on. And we have mentioned that we are looking at creating multi-modal LPs across industrial belts of India.

So, therefore, we are actually building land banks. So, the large part of what you see in the investment in subsidiaries that you're talking about this year has gone to land. But we have also invested in railway rakes. We have actually bought – you would have seen that our rakes have gone up to 127. And we have built three MMLPs this year. And we have also actually increased our warehouse to 2.4 million. So, investments have gone in these assets as well.

Aditya Mongia: Understood. Sure. Those are my questions. All the very best. Thank you.

D. Muthukumaran: Thank you.

Moderator: Thank you. Next question is from Ketan Jain from Avendus Spark. Please go ahead.

Ketan Jain: Good evening, sir. I just have one question. With healthy free cash flow generation, what kind of dividend policy, payout policy are you looking at? Are you going to increase it from, say, 15% to 20% just currently in the next two to three years?

D. Muthukumaran: Yes. By and large, that's what it is.

Ketan Jain: Hello. Sorry. I couldn't hear you.

D. Muthukumaran: Hello?

Ketan Jain: Oh, yes. Yes, sir.

D. Muthukumaran: Yes. Sorry. We're just saying that we are actually talking about being in the – we have increased the dividend this year, you might have noticed. We've been giving INR5 per share. We have now increased it to INR6 per share. So, you know, it will keep increasing as we see a secular underlying growth in the cash that we generate.

Ketan Jain: Okay.

D. Muthukumaran: Thank you.

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

Nikhil: Hi. Thank you for taking my question. My first question is on volume growth guidance. So, FY25 – FY24, good to see good support come from bulk cargo growth, especially coal. But now it seems – I mean, from a growth perspective, with coal India ramping up production, captive coal mines coming up, do you expect container to bear the brunt of the entire growth or majority of the growth coming into FY25? Or is growth in bulk also built in?

Charanjit Singh: Nikhil, if you look to the numbers in a bit of more detail for our FY24 numbers, then you can see – and I mentioned this earlier also – on a like-to-like basis, apple-to-apple comparison, our cargo volume growth rate, excluding Haifa and Karaikal, was 18%. And in that 18%, dry bulk was 20%, liquid gas 15%, and container was 16%. So, the growth in coal which you are talking of, we have been seeing this for the last two years.

The thing is the demand remains – the change is happening between EXIM and COASTAL. With respect to – if you are talking of the container, rather the container volumes were subdued given the global economic issues, namely Europe and US. We are seeing a recovery in the container demand also now, though we have done much better than the India average, but we are also seeing a recovery.

And that's the reason why, if you look to the growth of Mundra and the volumes which Mundra had delivered on the container side, we are doing one of the best in the history of this company and the history of the Mundra. So, with regards to – I think we are seeing an overall growth from all the three segments, and which Ashwani ji also earlier referred to, that's what our objective is and that's what we have been seeing also.

Nikhil: Right, understood. My second question is from a forward view. I mean, since the government is looking to play more of a landlord model in major ports, do you see any opportunities coming up for terminals or similar such opportunities within India on that side?

Ashwani Gupta: Yes, I think as I said before, we are always open for the opportunity if it is driven either by the business need or by the business potential.

Nikhil: Sorry, but any other discussion right now or is that still nothing to comment on?

Ashwani Gupta: We always keep opportunities on the table. So, obviously, discussions are going on, but when it will be realized, definitely we will be sharing with you.

Nikhil: Perfect, understood. Thank you. Those are my questions. Thank you.

Moderator: Thank you. That was the last question. I now hand the conference over to Mr. Priyankar Biswas.

Priyankar Biswas: I would want to thank the management for giving us this opportunity to host the call. I think some of the investors, they wanted to ask this question and their lines got disconnected. So, if the management can oblige, that would be great.

So, one of the questions there was, for the new investments that you are making like the new capex, what is the sort of hurdle ROC that you are expecting? And also, just like you give targets for your logistic segment for FY29, so is there some aspirational volume target for FY29 for the ports business? So, those are the questions.

D. Muthukumaran: See, two points. First one, as far as the hurdle rate is concerned, we look for equity return of 15%. And we work with 60-40 debt equity ratio. And our long-term cost of debt is 7-7.5%. So, the rest is math. And as far as your question on long-term volume guidance, we have already said that actually the next milestone for us is a billion ton. So, the company is working on that.

Priyankar Biswas: Okay, sir. That is great to hear. So, I will hand it back over to you for any closing comments that you may have.

Charanjit Singh: We would like to thank everyone for taking out the time to join this call. And we look forward to our next call, which will be towards the end of July, early August, once with the Q1 numbers, while we continue to report the monthly volumes on an ongoing basis. So, thanks, everyone. And looking forward to seeing you or basically listening to you in the next call. Thanks. Bye.

Moderator: Thank you very much. On behalf of BNP Paribas Securities, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.