Adani Ports and Special Economic Zone Ltd. Q4FY25 Earnings Conference Call

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CORPORATE PARTICIPANTS:

Mr. Ashwani Gupta	**Whole-time Director and CEO**
Mr. D. Muthukumaran	**CFO**
Mr. Divij Taneja	**CEO, Adani Logistics**
Mr. Rahul Agarwal	**Head of IR and ESG**
Tushar Pendharkar	**AVP - Equity Research – Ventura Securities (host & moderator)**

Q&A PARTICIPANTS:

Alok Deora	**Motilal Oswal**
Nidhi Shah	**ICICI Securities**
Sumit Kishore	**Axis Capital**
Achal Lohade	**Nuvama**
Parash Jain	**HSBC**
Vishal Biraia	**Bandhan Mutual Fund**
Pulkit Patni	**Goldman Sachs**
Koundinya Nimmagadda	**Jefferies**
Aditya Mongia	**Kotak Securities**
Sanjay Parekh	**Sohum Asset Managers Pvt Ltd**

Moderator:

Ladies and gentlemen, good day, and welcome to the Adani Ports and Special Economic Zone Limited Q4 FY25 Conference Call hosted by Ventra Securities Limited. As a reminder, all participant lines will be in listen only mode. There will be an opportunity for you to ask questions after management's opening remarks. Should you need assistance during this conference please signal the operator with pressing * and 0 with your touch screen phone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Tushar Pendharkar from Ventra Securities. Thank you, and over to you sir.

Tushar Pendharkar:

Thank you. Good afternoon, and very warm welcome to everyone. On behalf of Ventura Securities Limited, I am pleased to welcome you all on the Earnings Conference call of Adani Ports and Special Economic Zone Limited for Q4 FY25. We are happy to have the management of the company with us here today. This is represented by Mr. Ashwani Gupta, Whole -time Director and CEO Mr. Dean Muthukumaran, CFO Mr. Divij Taneja, CEO of Adani Logistics and Mr. Rahul Agarwal, Head of Investor Relations and ESG. We will begin with the opening remarks from the management followed by an interactive Q and A session with this, I hand over the call to Mr. Rahul Agarwal over to you sir.

Mr. Rahul Agarwal:

Hello, Good afternoon everyone and thank you for joining the Earnings Conference call. We will begin this call with opening remarks from Ashwani and then we will open the floor for Q and A over to you, Ashwani.

Mr. Ashwani Gupta:

Good afternoon and thank you for attending the earnings call. I hope we are audible.
In case some difficulty, please raise your hand. During FY2 5, APSEZ delivered stellar performance across all parameters. We posted 16%, 20% and 37% growth in revenue, EBITDA and net profit respectively and surpassed FY25 guidance, including cargo volume if we gross up one time Gangavaram loss. Domestic ports revenue grew by 12% led by all time high 27% market share and 73% EBITDA margin. Mundra became the first Indian port to cross 200 million metric ton of cargo in a single year.

Our growth continues to be accompanied by strong financial discipline. As at FY25 end, our leverage stood at 1.9x. During the year, we significantly enhanced our domestic and international footprint. We closed Gopalpur acquisition, commenced operations at Vizhinjam and Colombo ports and our board has approved acquisition of NQXT in Queensland, Australia. Our second pillar, Logistics, continued its hyper growth trajectory with 39% year on year jump in revenue led by current portfolio and new services including trucking and international freight network services.

These are capital light services which will further accelerate growth while delivering high capital efficiency. Our third business pillar, Marine Business. We acquired Astro Offshore and continue to invest in growing our marine fleet. We own 115 marine vessels that operate in Middle East, Africa and South Asia waters. We expect the marine business to cross INR 3300 crore revenue by FY27.

As our business evolves, and thanks to your feedback. We are introducing new reporting lines. As you can see on slide number 44 in our investor presentation, we will now report international ports separately and demonstrate the progress towards the target. We will also introduce separate reporting for marine services, which is our third business pillar, which includes Ocean Sparkle in India, ASTRO Offshore, and TAHID in, in overseas. Trucking and international freight network services will also be reported separately as a part of the logistics vertical. We have outlined our marine strategy on slide 46 of the investor presentation.

We are focusing on diversifying our marine fleet in Middle East, Africa and South Asia. We are focused on profitable operations with high capital efficiency underpinned by Tier one customers and long term contracts and we aim to achieve 3x revenue growth in Marine by FY27. As you can see on slide 49 of our investor presentation, we are focusing on trucking and international freight network services. Based on the momentum across the business lines and a great performance in FY25 , looking forward, FY26 is also looking very strong for us. We have guided FY26 revenue in the range of INR 36000 to 38000 crores, EBITDA in the range of INR 21000 to INR 22000 crores and capex between INR 11000 crore to 12000 crore.

As a summary, so far, APSEZ has been focusing to be a industry leader, a volume leader, a market share leader, margin leader, then we transformed it into integrated transport utility company driven by multimodal logistics and hence, as you can see on slide number 41. we are best in class ROCE and ROE in the industry, which is a premium. And as you can see on page number 41, ROCE has reached for APSEZ, and thank you for your feedback. That's why we are going to have this reporting line also in future 15%, ROE close to 21%, which is best in class.

Hence, moving forward, whatsoever business we are in, whether domestic ports where we are reaching ROCE of 21%, whether the marine business where we are of ROCE of 13, 14%, and the new businesses which we are doing now, whatever we are, the only indicator is how better we can be on ROCE and ROE. So with that note, I would like
to say thank you, and we will open for the question and answer. Thank you.

Moderator:

Thank you, sir.

Mr. Rahul Agarwal:

Thank you. Go ahead, moderator.

Q and A

Moderator:

Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your name to be announced. If you would like to withdraw your request you may do so by pressing * and 1 again. The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora:

Hi, good afternoon. So congratulations on pretty good set of numbers. Just had a couple of questions. First is on the EBITDA number has actually come up even higher than what we had estimated as for the revised guidance. So and while the volumes have been slightly on the lower side, so basically, the EBITDA per ton has kind of improved. So just wanted to understand, is this a phenomenon which we'll see going through FY26 as well? That is question number one. Question number two is just on the logistics business, what has really happened because we have seen a massive jump in the growth in for Q4. So is that sustainable? Or is there any kind of one off you know, volumes which we could gather there? Yeah.

Mr. Ashwani Gupta:

Okay. No. Thank you. So first, I would like to give the answer, and then I will hand over to Muthukumaran and also our Adani Logistics CEO, Divij. See, I think we have been repeating our message now since one year that we are transforming our company into a integrated transport utility company, and we are centering up the pillars which are in the whole ecosystem.

Logistics, we have rail, we have terminals, we have ICDs, we have warehouses, We have agri-logistics, and now, you know, we started the trucking. The reason we wanted to start the trucking is any container which comes to ICD is delivered to the customer without our connect. And the trucking is something which is connecting ICD with the customer, and the same truck can bring back many other things from the same customer to our own ICD. Now when it comes to EBITDA percentage, and once again, if you can see our financials for the Q4 or for the full year, we are shifting our financials from EBITDA percentage of domestic port to the absolute amount of revenue, absolute amount of profit in mid to long term by having a multimodal transport utility business pillar, ports, and within ports, domestic and international, logistics, within logistics, we have four or five business units, and the marine, which is domestic and international with a combination of fleets, whether it is anchor handler or utility boats and so on and so on.

So that is giving us a strong advantage to grow our top line and bottom line irrespective of only is linked to only which is linked to port. That's why I, I as I said in my opening speech that we have proved us to be a best in class in ROCE and ROE, which is just possible because of combination of the best businesses we have. Now I hand over to Muthukumaran and then to Divij to talk about especially all the factors which we explained to you on the logistics, especially getting into the new businesses, how it is helping logistics to grow in multiples.

Mr. D. Muthukumaran:

Thank you. So first of all, in a way, thank you for that question. Because if there is one central message that we would like to convey, we would like to keep repeating that this is what it is about. And that is I mean, why even in our current year's presentation, there are a number of changes in the format in which we are reporting to you. We are giving you separate business lines to tell you that we are beyond volume. We are giving you separate ROC. We are giving you a separate guidance note.

And in the guidance, we have actually, if you can notice, taken down the volume as a footnote. Earlier, it used to be a lead indicator. For us, right now, we are actually treating this as an important component. Obviously, volume is going to be the driver of our growth, but not the sole driver of the growth. That is a central message that we want to give.

And, you know, the trend that we are trying to talk about for the past couple of quarters got well established in this quarter. And also, it has not been the first time that this is the case. You know, if you see the Q3, our EBITDA has outgrown our revenue, which has outgrown our volume. So that is point number one. Point number two, going forward, you know, we are not going to shy away from volume.

Volume growth will be there. But what we would like to highlight is the outgrowth that you will see in revenue and, you know, beyond that even in EBITDA. So that is actually the central point that we want to drive. And, you know, in quarter three also, it was the same case that when we reported the number, you've seen how EBITDA vs. volume relationship has broken down and where EBITDA started running ahead. And that is exactly why we have started giving you additional lines of business reporting so that you can appreciate as to where that is coming from, number one.

Number two, incidentally for this year, the, you know, sort of price increase has also been there, which is beyond what is budgeted, which has contributed to volume and internal EBITDA growth. So these are the two factors that we have. Divij, would you like to comment on sustainability of the volume?

Mr. Divij Taneja:

Yes. Thanks, Muthu. So just to build on to what Ashwani and Muthu have said, what you are seeing, the numbers increase, is a total integrated play coming into effect. You're seeing us move from custodians to exhibiting control over cargo. At some level, the tech is also starting to kick in.

So our view is this is more than sustainable. And with all the four quadrants coming in right from the freight network to trucking to rail terminal to the warehousing, our customers are now able to speak to us for all services under one roof backed with the support of the ports. So that's about it.

Alok Deora:

So sure.

Mr. D. Muthukumaran:

If I could just supplement that with numbers, you know, it is sustainable. Frankly speaking, it is beyond sustainable. And that is why if you see page number 51, for the first time, we have given guidance on volume of logistics as well. So, you know, you asked whether Q4 is sustainable, but what we are talking about is potentially three to four times growth in FY25 alone over the FY24 number in logistics volume. So, you know, do we have visibility of the growth?

The answer is yes. Do we have contracts in place? The answer is yes. Will the scalability happen? Actually, you know, we are working towards this, and that is the effort which, you know, sort of Divij and team have put. You know, at any point in time, any of you would like to actually see the Strategic Command Center that we have built you're most welcome. And then, you know, what we would like to also underline is the fact that the phrase that the bridge used about, I would like to repeat for impact, you know, control over cargo than actually sort of custody over the cargo. We have launched two business lines last year in logistics. One is a truck management platform, and the other is the freight forwarding business. So, you know, these are capitalized business. You know, they come with very high return on capital employed, therefore. But more importantly, for the business, it is strategic because, you know, we are then able to actually penetrate through multiple lines of business. So, so therefore, you know, the two questions that you asked, frankly speaking, are very, very vital for the whole call. So thank you very much for asking them right at the beginning.

Alok Deora:

Thank you. Yeah. That's all from my side. Thank you, and all the best, sir.

Mr. D. Muthukumaran:

Thank you.

Moderator:

Thank you. We have the next question from Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah:

Yes. Thank you so much for giving me the opportunity to ask a question. So, you know, we did speak about how logistics is a big portion of, of the business now, but I still wanted to talk a little bit on the volume just to, to understand that, that, you know, our initial guidance of 450 to 480. How is it that, you know, that, that we got a 450 kind of number by the by the year end. What were the commodities that that, you know, we, we sort of transported less of? Was there any particular reason for that? That was the first question.

And the second would be linked to that is that, that the, the underlying guidance of, say, 505 to 515 million tonne that has been given for FY26 . What are the key figures that we are seeing for this volume to come into play?

Mr. Ashwani Gupta:

Well, thank you. I think, first of all, in the volume, let me say there are two indicators. The first indicator, is very much on the positive side, is the the India global trade maritime grow trade grew by 3.5%. APSEZ grew by 5.4%. Right? So as we always say, that we are always 1.5 to 2 times. Right? Then within this, within this I am talking about India level. Right? Within this

Nidhi Shah:

Right.

Mr. Ashwani Gupta:

The coal went down by three percent. Iron ore went down by eighteen percent. Crude and POL went up by three percent. Container went up by twelve percent. This is all India level.
Thermal coal went down by 9.4%. The coking coal grew by 2.2% , and coastal coal was almost flat. So first of all, let's understand that all India cargo the main growth pillar for all India cargo was container. Then if All India grew by 12%, out of which, you know, the EXIM growth was 6% and transshipment growth was 61%.

Now if you look at us, we have grown our market share from 43.8% - 45.5% in container, which gives you the answer that we grew more than the India container trade has grown. So that is a positive side. On the other side, the whole India trade on the coal has declined. We kept our market share almost flat, but the global because of the trade decline, we had a decline. So this is the second answer.

Third answer to your question is, Gangavaram, we closed the because of unfortunate incident for 41 days, which approximately costed us close to 6 million metric ton. But, you know, once the customer is not coming to our port for 42 days, definitely, you know, it's not a small business. It's it's a big vessel. So they will not come up on 43 day. So to restart and have the ramp up, we almost lost between 10 - 11 million metric ton in Gangavaram last year.

So these are the three indicators which we wanted to share with you that how you should evaluate us in terms of volume. Then let's come to next year. Now which will be our growth driver? This will be our growth so container will remain our growth driver. As we said, we are building up container facility container capacities in Mundra.

CT5 is with full throttle in the commissioning stage. And as you can see that next year, we have given the capex guidance. And if you could see our capex slide number slide number 52 and 53, we have also given us little bit more strategic view and a numerical view on capex, and thank you. This is the feedback which was coming from many analysts on the capex allocation or, let me say, capital allocation. So we are going to invest heavily on container terminals, whether it is Mundra or it is Vizhinjam or it is CWIT in in Colombo or it is Ennore or it is Katupalli.

You know, everywhere, we want to keep expanding our capacity on the containers. So that's the number one capex driver. Then, obviously, you know, we we are the essential commodity handlers. So whatever come to our port, we are obliged to take it. Right?

So we should not underestimate the demand of the coking coal as well as the other coal. And the biggest port which is exposed to it is Dhamra. And that's why we are investing in Dhamra. The third growth, which is not exactly same as container is on the liquid, and that's where we started the Hazira liquid farm and, and so on. So to answer to your question from priority viewpoint, first pillar remains the container, second remains the dry cargo and the third remains the liquid. That is where we are looking the guidance which we have given for the volume for next year.

Nidhi Shah:

Lastly, I wanted to ask that the, the volume guidance that you have given, have you factored in any weakness, given the tariff uncertainty in the market? And, and is there any any potential downside to the guidance that you are seeing as things are today?

Mr. Ashwani Gupta:

See, what we have seen in the past, whether it was COVID or it was it was Red Sea crisis, because of our positioning of the ports from geography viewpoint, access to the global trade routes, one thing goes up, so other things may come down, but it can be compensated by other. That's where, you know, our risk mitigation by multi commodity portfolio, multi customer portfolio, and multiple ports portfolio helps us in navigating it. So I would, I would say that things would settle down because, you know, trade remains the trade, whether left to right or right to left or top to bottom or bottom to bottom to bottom to top. I think, whatsoever plus and minus comes in, we, as integrated transport utility company, should be able to absorb it when it is translated to revenue, EBITDA impact. And that's where we are focusing on that volume remains important, but it is not the most important factor in our top line and bottom line.

Nidhi Shah:

Thank you so much. Thank you.

Moderator:

Thank you. We have the next question from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore:

Thanks for taking my questions. My first question is your net debt to EBITDA has come off to 1.9 times as of FY25 . And your operating cash flow for the fiscal is well ahead of your capex FY26 and your operating cash flow is going to grow as well. So your cash position is likely to improve or the net debt to EBITDA is likely to come off. How do you plan to reward shareholders? Maybe if you could articulate your dividend policy or any other modes that you have in mind to reward shareholders over the coming fiscal and also maybe a medium term picture here?

Mr. Ashwani Gupta:

Yes. Well, thank you. I think very good question. Slide number 54 is the capex allocation strategy, and it is driven by ROCE and ROE. So we have added, you know, logistics and marine, definitely where the returns are returns are going to be what we expect, but also the technology capex and the decarbonization initiatives which we are taking.

But decarbonization initiatives are not cost, but they are, they are for us a profitable initiative. Especially, we are investing now in technology capex, for example, Vizhinjam. But also in the coming future, when we are going to have our new terminals, container terminals in Mundra, we will invest in the technology as we have invested either in Vizhinjam or we could see. So world class investment in world class technology to our port to keep the more than sustainable efficiency and effectiveness of our operations because that is what is going to drive our top line and bottom line. So number one, capital allocation remains a most important thing for us because of our heavy cash flow.

The second one, we are rewarding our shareholders, a, by announcing the dividend, which Board has recommended at INR 7, which is purely driven by what is the mid to long term wealth we are creating for our shareholders by investing in the right business at the right time, which has got best in class returns. With these two pillars, we will manage and we are managing our operating cash flow.

Sumit Kishore:

So maybe I would like to follow-up with a question out here. Basically, the dividend payout ratio right now is still going to lead to a situation where with your prevailing capex run rate, which probably takes you to your targets of one thousand tonne and the growth that you have planned on the logistics side, your net debt to EBITDA is still likely to come off with this kind of dividend distribution. So is there any plan to ramp up the dividend policy in favor of shareholders? Also, I look at your net debt to EBITDA threshold, the upper limit is two point five, which is still leaving a very big sort of investment over and above the present capex run rate that you would have to do to actually get closer to two point five. So what do you have in mind because even the acquisition is not going to lead to a major increase in net debt to EBITDA?

Mr. D. Muthukumaran:

Thank you very much for the question. You know, we have increased the dividend to start with, could we increase more based on your marks? The answer is possibly yes. But I think the point we are trying to address here is that point page number 52 tells you how we approach capex.

They you know, our domestic port is likely to be organic, which is where we have given guidance of INR 12000 crores. And, you know, a couple of others, especially marine and, you know, and, and tuck-ins in logistics actually could come through inorganic. So, you know, we are expecting that there will be inorganic in the coming years as well. And we are already working on some of them, and you will actually hear from us in times to come. So, you know, we will be in this range of debt equity that we're talking about, which is two, but we'll not breach two and a half as a policy.

So we think we'll be somewhere between two and two point five with this. And then we have always said that, you know, we'll take stock, you know, couple of years down the line. We have rapidly increased our debt equity ratio. You know, all of two years, we have come down from three handle to now less than two. So, you know, we will keep, you know, an eye on it, and we will do what it takes down the line.

But right now between organic and inorganic, you know, we'll consume the cash that we're generating. And of course, there is, you know, far down the line, three years down the line, FY28 , July'27, we have the first big chunk and the only big chunk of debt repayment coming. So yes, we are keeping an eye on this, and we at the moment, we will be focusing on organic and inorganic investment.

Sumit Kishore:

Just a brief question. One of your slides mentions that logistics and international ports are likely to achieve threshold ROCE in the next three to four years. So particularly in relation to these two businesses, what kind of threshold ROCE is being indicated and what is likely to drive, you know, the improvement to those levels for these two businesses?

Mr. D. Muthukumaran:

So 14% return equity in rupee terms, and, you know, you need to adjust for dollars, you need to adjust for the things. So it's what we actually look for in in the threshold return for these businesses. And in terms of actually, you know, improvement, we have a plan, you know, port by port in the case of international port. For example, Colombo, it is driven by volume ramp up. In the case of Tanzania, it is combination of investment efficiency and ramp up.

And in the case of Haifa, it is actually operating efficiency. And in logistics, it is going to be driven by substantial volume increase that you can see, for example, in this year guidance that we have given, where the capital employment is disproportionately insignificant and the volume increase is quite significant. So we are while percentage EBITDA will be what it is, but our total rupee operating leverage will be extremely high in all these business going forward in the coming years.

Mr. Ashwani Gupta:

One thing I think, you know, we are adding up the international port really this year because Sri Lanka is starting this year, Tanzania started last year, and Australia will come up. But I think so far, our internationalization was limited to Haifa and TAHID, which is a which is a marine company. Right? So that's why I think we had lot of questions about our internationalization. Let me say, when it comes to port, with the acquisition of Australia, we have given the visibility of one hundred and fifty million metric ton, let me say to be precise 148 million metric ton by 2030. Which is, you know, out of one billion which we have ambition.

Second, in Haifa, you know, we have taken two main milestones and which we cleared two weeks before. First is we have put our president to run the operations in Haifa. And number two, we will have our CFO in Haifa to run the business. And then there is a four to five people, a specialized team, whether techno commercial or engineering, which will be supporting Haifa to improve the efficiency and effectiveness because it is the time when, as you can see the financials, how best Q4 has been for Haifa. And I think this is going to continue the way the country wants to grow after this challenges over which they are going through. The second major achievement which we have done in Haifa, the long lasting negotiation with the labor union. We have eight labor unions at the port.

We have signed the union agreement till 2036, which is bringing a big efficiency and the productivity improvement in the port. So port by port, now we have a very concrete and structured business plan, but most important, the leadership team, which is inducing the DNA of APSEZ when it comes to creating the margins and at the at the port.

Sumit Kishore:

Sure. Well, thank you for the detailed answer. Does your guidance include NQXT and consolidation for how many months or quarters?

Mr. D. Muthukumaran:

No, it doesn't include. We have clarified it.

Sumit Kishore:

It doesn't include. Doesn't include. Oh, sure. Thank you so much.

Mr. Ashwani Gupta:

Thank you.

Moderator:

Thank you. We have the next question from the line of Achal Lohade from Nuvama. Please go ahead.

Achal Lohade:

Yes. Thank you for the opportunity, sir. And my question is, you know, with respect to the continual volumes, you know, we are hearing about, you know, the government stepping up actually working very aggressively with respect to Vadhavan port. So you know, obviously, we are talking about three, four years down the line, but how do you see that changing anything for, for us in terms of competition, pricing, margins, etc?

Mr. Ashwani Gupta:

So, you know, Vadhavan, this is at a very initial stage of pre study. I think it's going step by step. Obviously, you know, we are doing the study of, of, of especially all, all the tenders which are about to come and we should be applying for. But once again, this is not about one tender or two tender. This is about ecosystem. And we do believe that with our know how and expertise to, to develop and run a ecosystem will give us the competitiveness to get, to get that business. But time will tell. So today, it's only at the study stage.

Mr. D. Muthukumaran:

So if I could just supplement on that, see how you're talking about three to four years. I don't know where you got that number from. We've been building ports in the country. It will be extremely aggressive target to have a three to four year for such kind of a port development even for people like us. So number one.

Number two, you're also seeing that market actually, we spoke about it earlier in the call that the lead, you know, sort of market increase and leader in the market increase as a segment. So last year, we have seen, you know, sort of significant growth both in our share and which has outgrown the market itself. So, you know, I guess we do not, in short, anticipate any significant dent into our market share if you project the numbers based on realistic project dynamics.

Achal Lohade:

Understood. Sir, the second question I had, while you've talked about the revenue growth for both trucking and marine, how do you see the margins actually out there? you know , is, is there any number you want to give us, any direction as to how you see the profit growth for these two businesses?

Mr. D. Muthukumaran:

Sorry, sorry, which two business?

Achal Lohade:

For Trucking and Marine. Because you're talking about certain batch growth out there. So I'm just curious, you know, would the profit growth be even higher than that or it could be lower than that?

Mr. D. Muthukumaran:

You know, we will disclose that the quarter go for each segment, both revenue and EBITDA, you will be able to see it. Approximately, if you want, for the year, we are factoring in blended 10% margin for all businesses, which is not ports I mean, the new businesses because it is gestating year and first year of such large volume growth, and then it will actually ramp up in margins in times to come. So that's broadly where we are in terms of the margin, but we will give quarter by quarter the numbers so you will get to see that. Yeah.

Mr. Ashwani Gupta:

But especially for the marine, it's over gestation now, so it's scaling up. So if you can see the investor presentation, the margins are very high, very equivalent to what we have been doing in ports. Of course, vessel to vessel, it depends. But if you can see the ROCE, we are talking about 14% - 15%. So this business is at a stage where we can demonstrate by return on capital, whereas in logistics and, and international port are also at a stage where we will start demonstrating improvement by ROCE.

Logistics, where we have separated two business for further reporting are at gestation stage. We will start the business with a margin, which should be in line with the margins which are there in the market or above their net, but please wait because we want to demonstrate that with numbers.

Achal Lohade:

Understood. Sir, just a clarification. The 14%, you know, the threshold return, is it ROCE or ROE, return on capital employed or return on equity, you mean?

Mr. D. Muthukumaran:

ROE.

Achal Lohade:

ROE, understood. And just last question, if I may, sir, Slide 64, you know, we've seen a substantial improvement across most of the ports. So like, for example, Mundra, Q4 FY24 was 61%, this quarter is 67%, for Hazira, 62% has become 68% Krishna Patam, 61%, 67% now. If you could highlight what is driving this, know, just just a bookkeeping question on that.

Mr. D. Muthukumaran:

Sure. Sure. See, it's an improvement on a very good number actually to start with. I mean, the base itself was very, very high, and then we have improved it even further from there. So I just wanted to actually, you sort of not miss this point before I respond.

So this is number one. And, you know, basically, the increase is combination of operating leverage because you'll know that we are already a high EBITDA business. So any operating leverage actually contributes to the margin increase. And, you know, combined with price increase that we have taken in the product in services rather. So it is these two which has actually helped us improve the margin further.

Achal Lohade:

Understood. That's all from my end, sir. Thank you.

Moderator:

Thank you. We have the question from the line of Parash Jain from HSBC. Please go ahead.

Parash Jain:

Hi, this is Parash here. Thank you for the presentation. And I must say, I mean, this is probably one of the most exhaustive presentation I've seen in this space, so congratulations. I have a couple of questions, if I may start with, and I missed the first few minutes. When you talk about your logistic business expansion on the freight side, were you referring to the freight forwarding business?

Or was it something else? Secondly is that now with all, all of your businesses has shown immense amount of clarity, Can you also touch upon how shall we visualize the land bank that you have accumulated across some of your key ports? How shall we think about the development and monetization opportunities on those land parcels, particularly from Mundra? And lastly, with respect to your overall logistic offerings, do you see a feedering feeder services connecting probably within them to the rest of the East Coast border Bangladesh as one of the vertical to offer the full array of service to your customers? Thank you.

Mr. D. Muthukumaran:

So feeder service right now is not in the plan by ourselves or by through ownership, if that is your question. Okay? So, Will we encourage a customer who will actually give us that? The answer is yes. Will we look for somebody who could actually do it? The answer is yes. We'll support. But at the moment, we are not talking about buying ships for feeder service.

Mr. Ashwani Gupta:

Yeah, and, and feeder service is a is a cost center for us. So unless until we find a value which will bring, you know, the profit, which is what we look for, we have no intention to go for. Because for us, it's a cost center for someone, which means that the very thin margins. Yeah.

Mr. D. Muthukumaran:

But I think there will be people in the market to actually help us do it if, you know, sort of so that is not a problem, but we don't have to do it by ourselves at the moment. We'll see down the road. And your point on land bank, actually, I'll answer, and I'll hand it over to Divij to respond on your other question on logistics of what is straightforward. So as far as the land is concerned, Parash, we have bought all these land because, you know, we don't have to guess where we need to put all our warehouses and our logistics business because it will be driven by current industrial activity. So we don't have to lead it.

I mean, you know, the we don't have to lead the market. We can follow the market. So based on the exhaustive research that we have done and, you know, decisions of where we would like to put, we have been buying land. You know, we will actually roll out. That's why you see twelve MMLP going to twenty MMLP over a period of time. Warehouse is actually going to a target of twenty million ton. So we have a road map of how we will do. So we will start using those in times to come gradually. Like, you know, this year, again, I request Divij to cover. We have opened a couple of large warehouses. So, Divij, over to you, if you can please complete this part and then also answer the freight forwarding.

Mr. Divij Taneja:

Yes. Thanks, Muthu. So with regards I'll start with the forwarding part. So it is not just the CIF or FOB forwarding that we're looking at. We're also getting into DDP and DDUs, which essentially is a lot larger than traditional forwarding. And it will, in some form, given we are integrated, it will link into a first mile or a last mile, depending on what the case would be. Back on to what Muthu was referring to in terms of warehousing, again, quadrant one, it sort of integrates into the product offering. And the way we are looking at it is end to end with forwarding, making sure we have control over cargo, and the remaining, making sure we can offer everything in house.

Mr. D. Muthukumaran:

So we're gonna I mean, we don't even know where the one that started. Sorry. Couple of the recent ones. Do you wanna talk about the which the ones that we started?

Mr. Divij Taneja:

I, I lost you, Muthu. Say again?

Mr. D. Muthukumaran:

I was just saying, would you like to just tell them the couple of recent MLLPs that we opened up and where we are in each of them broadly?

Mr. Divij Taneja:

Yeah. Alright. So with regards to the footprint that we have today, we have got twelve MMLPs. And if I look at them with regards to the permissions from customs to operate them as ICDs, so the most recent, that you will see will be Virochannagar, followed by Kishangarh, followed by Malur, all expected to get the permissions done in this quarter. Virochannagar will be our largest ICD, and it is going to be the largest ICD in Asia spanning over one thousand acres. And it connects onto a gateway port that's Mundra with about three hundred kilometers of rail distance in between them. Kishangarh connects us to Rajasthan market and Malur, of course, is down south. So these are the three ICDs that are expected in the coming quarter.

Parash Jain:

And just one last question, if I can chip in. With respect to your guidance, what is the base case that management have with respect to ongoing tariff tensions, is it hinges upon India potentially strike a great deal with the US, or it is independent of that?

Mr. D. Muthukumaran:

It's independent of that, Parash, right now.

Parash Jain:

Okay. Thank you very much. Thank you so much, and have a good rest of the day.

Mr. Ashwani Gupta:

Thank you.

Moderator:

Thank you. We have the next question from the line of Vishal Biraia from Bandhan. Please go ahead.

Vishal Biraia:

Hi. I'm from Bandhan Mutual Fund, actually. The question is on international acquisitions. Are there any plans for international expansions anymore?

Mr. Ashwani Gupta:

Yeah. So, yes, answer is yes. But the condition is, number one, it should be in line with our business strategy, which is from Southeast Asia to India to Middle East to Africa. Number two, it should be ecosystem and not only something which is only a cost center. Number three, we are given the authority to operate it, which means we must be majority. Number four, at the end, it should have the today's business, which is profitable and has a potential to grow in the future. So that exhaustive zero to five year business plan.

So we are as you would have as you could see our cash flow situation. In addition to the very smart capital allocation for, for the growth in all the, all the three businesses and, and inside the three businesses, we have roughly eleven, twelve businesses. In addition to that, we need to have the inorganic growth, but inorganic growth as an enabler to bring the performance. So to answer to your question, yes, but with the conditions to grow top line and bottom line.

Vishal Biraia:

And what would be the kind of scale that you would target? What is the extent? I mean, will also would be on the cards.

Mr. Ashwani Gupta:

It depends. We can't, we can't generalize because it's also a question of what we want to do. But on the other side, what is available. Right? And it should be a best match between what we want to do and what is available and what is going to be available. I would say we are focusing on marine because this is where, you know, we are getting a very good momentum. We have expertise. We have a we have a good good control on that business now after three, four years running the OSL. So I think first priority for us is to invest in in marine. Second, we are looking at some ports in Africa and also in also Southeast Asia. I can't disclose more, but that's where we are targeting today.

Vishal Biraia:

Fine. So that will be over and above the INR 12000 crores that you'll be you will mark our capex for. Right?

Mr. Ashwani Gupta:

Yes. Yes.

Vishal Biraia:

Okay. Thank you.

Moderator:

Thank you. We have the question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni:

Sir, thank you for taking my questions. The first one is already answered, which is on global trade, and you did mention that your guidance is irrespective of what happens in the tariff outcome. My second question is, last year, one of the big reasons why our guidance on volumes could not be met with coal. Any early signs of whether we've started seeing reversal of that? And how confident are you that coal volumes this year are going to come back for us to be able to meet our volume guidance?

Mr. Ashwani Gupta:

So. Thank you. First of all, as I said, we are not the one who is controlling the coal volume. It's the, it's the trade which is controlling the trade volume. You know, the point is in FY25, the total utilities generation grew up by 5.2%, out of which thermal power 2.8%, but the renewable energy grew by 12.9%.

Right? So I’m, I'm pretty sure that same thing will continue with lot of initiatives in the renewable energy. But our good point is more and more renewable energy grows, more and more our cargo for solar and wind grows, and that is a container cargo. So for us, if something is getting cut down on the coal, we get the benefit on the container. Right?

So moving forward, I would say that energy demand will keep on increasing. But the mix of engineering the mix of energy may have an evolution as we have seen in FY25. But we are prepared to manage that evolution because we are in renewable, we are also in the thermal.

Pulkit Patni:

Okay, sir. So then I'll probably take one more question. So in light of that, are you also doing any switches of your coal terminals into container terminals or any plans of doing that over the medium term?

Mr. Ashwani Gupta:

No. I don't think we have it. Of course, we have the technology to convert to, to use our equipments for our containers, right, as it is done in some of the ports abroad. We have that capability, but we don't feel today that we should do that because utilization of our ports are, are extremely good, and I don't think that we should do it today. And most of it, as you know, is also captive, whether it is Mundra or we have got long term contracts with our customer.

I don't think we should do that today. But if it, if it is needed, we have the technology to do that.

Pulkit Patni:

Sure, sir. useful. Thank you so much.

Mr. Ashwani Gupta:

Thank you.

Moderator:

Thank you. We have the question from Koundinya Nimmagadda from Jefferies. Please go ahead.

Koundinya Nimmagadda:

Yeah. Hi, sir. Thanks for the opportunity, and thank you for the wonderful disclosures of the PPT. Sir, two questions from my end. Firstly, on the logistics business, I mean, you certainly target an improvement in our ratios over here.
So, I mean, part of it is also driven by asset light business, you know, like, forwarding and trucking. So I'm also trying to understand if there is any option of, sweating out the asset. Right? How does the effect turns look like today? And because there are also these new large assets such as your original and all stuff already. So just trying to understand it from that perspective.

Mr. Rahul Agarwal:

Koundinya, could you repeat that, please? It was not very clear. Could you repeat the question again, please?

Koundinya Nimmagadda:

So I mean, was trying to understand from a return ratio perspective for your logistics. One is obviously pursuing asset line businesses like your freight forwarding. But outside that, is there an optionality to sweat the assets better because you have recently invested in large ICDs such as your with Virochannagar. So just trying to understand it from that perspective, the contribution towards certain ratios.

Mr. D. Muthukumaran:

Okay. So again, it was a bit Yeah. Go ahead. Expect the ramp up in each of the ICDs, and, we expect, therefore, incremental margins to come from these higher utilization.

Koundinya Nimmagadda:

Sir, how does the effect turns look like today for the, for the portfolio on the logistics?

Mr. D. Muthukumaran:

Sorry. Your, your voice isn't very clear. Can you please?

Koundinya Nimmagadda:

Sir, I was ask let me speak a bit louder. Sir, I was asking how does the effect terms look like today in logistics?

Mr. D. Muthukumaran:

Do you have a number off hand, Rahul? We can come back to you, sir. Sure. Continue in fact yeah. Go ahead. Go ahead.

Koundinya Nimmagadda:

Yeah. So so my second question is on the marine business. So, I mean, we are targeting the expanded. So I'm just trying to understand the unit economics a bit better and also the customer profile, how does this growth come? If you can provide some color out there, please.

Mr. Ashwani Gupta:

So, yes, no, thank you. So in the Marine business, of course, we have got, we have got multiple customers, but they are all mid to long term contracts. And this is where we are, we are getting into. But also, most important, when we are acquiring these companies, we are acquiring their operational and the management teams along with it and then integrating them into a one team in Dubai. So this is our strategy.

When it comes to customers, of course, you know, because of the customer sensitivity, we are not able to disclose the customers. But when we talk about, you know, the the anchor handlers or the or the rigs in oil and gas companies in Middle East, you know, you can count that there are three or four or five big oil and gas companies in Middle East, for example. For example, in North Africa, whether it is Angola, you know, we know exactly who are the who are the global players there. So we are focusing on that, and that's fair. And within the marine fleet also, maybe, you know, we can talk about, we have four to five categories of vessel.

So it's not only anchor handler. You know, we have rigs. We have utility boats. So different kind of vessels, which we are, which we are putting up in the fleet so that our business mix is good between, between the oil and gas and the other industries.

Koundinya Nimmagadda:

Understood sir. Sir, lastly, I may ask one last question. So how do, how should we look at, Gopalpur's realization and profit margins for this quarter? It weak? And it's just a very so just I mean, we can come first back to the control, some color.

Mr. D. Muthukumaran:

I'll, I'll give a short answer. You know, like any other half a dozen port that we have done, in times to come, this will also get to we have a pathway and visibility on how we will get to the, you know, sort of our portfolio return from the output as well.

Koundinya Nimmagadda:

Okay, sir. Thank you and all the best.

Mr. D. Muthukumaran:

Thank you.

Mr. D. Muthukumaran:

We are actually at the top of the hour that we have put allocated. Maybe we could do one or two questions, and then we can close. So are there any I can't see the queue. I'm outside. Is there any more question?

Mr. Rahul Agarwal:

We have a couple more to answer.

Mr. D. Muthukumaran:

Okay. Let's do one or two and then close it.

Moderator:

We have the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia:

Thank you for the opportunity. The question I had was more on logistics as in the context being you have obviously invested in sizable amount of fixed assets and now you're starting with a certain margin level. Within the individual lines of work in logistics, what kind of improvement in margins can happen from here on over the next two to three years? That will be my first question.

Mr. Ashwani Gupta:

So I think let's not talk about EBITDA margin only. Right? I mean, this is what we said. You know, when we started Mundra, what was the margin? What was the return on capital employed? 0.1%, 0.2%, 3 to 1%. Where, where is Mundra today? Right? Our domestic ports have reached 21% of, of ROCE. So we are focusing and, you know, there was a question before why and how the logistics volume can increase by 39%.

This is only possible because we are filling the gap between end-to-end business value chain. So trucking, stand alone, may not be in terms of EBITDA margin great, but when it comes to return on capital, it is great because we are asset light. We own the truck, but we use them. But when we use them, we use our own technology. And as we have started, you know, the skill and development center to have our own drivers, we are going to give their drivers our own accommodation, uniforms, discipline.

We know that if the drivers are disciplined, definitely, our assets will be disciplined. And if our assets are disciplined and we use our technology to drive those assets, we will be sweating the assets. So sweating the assets is the, is the conclusion and not the objective. Right? This is what we did in port, and this is what we are doing in logistics.

And because of trucking and now as Divij explained on the, on the freight, freight network services, which is not only freight forwarding. Because our 46% market share with container, we have a strong relationship with the shipping lines. So once we get into this, we, we have this 46% of market share with the shipping mainly because of relationship with shipping lines. We are going to use that trucking and the network services to bring more cargo to us. So it's, it's important to see the trucking margin, which will be more than market because we are controlling the technology and the driver.

But it is also important to see, at APSEZ, we are not only a truck company. We are not only a port cargo million metric ton company, but we are the, the full end to end integrated transport utility company. Hope it answers the question. Thank you.

Aditya Mongia:

No. Fair. This next question that I had was of a similar question on the port side. As in one advantage that I've seen, Adani, is that all expansions are brownfield in nature. In five years, 50% of volumes are on those brownfield expansions. That coupled with your kind of focus on IT, can port margins kind of exceed 80% levels next five years? I'm just trying to get a broad sense as to the extent to which things can become better given this advantage we have versus most of the players who actually have to do greenfield to expand their own capacities.

Mr. D. Muthukumaran:

You're not giving specific number, Aditya, but, yes, directionally, you know, margin is expanding. That we have seen the trend already. So that will continue.

Aditya Mongia:

So those are my two questions. Yeah. Thanks a lot for this context.

Moderator:

Thank you.

Mr. Rahul Agarwal:

Muthukumaran one last question.

Mr. D. Muthukumaran:

Okay.

Moderator:

We have the question from the line of Sanjay Parekh from Sohum Asset Managers Private Limited. Please go ahead.

Sanjay Parekh:

Congratulations on great numbers and very good disclosures. It really helps us. Just one question, only one simple question. Is that global acquisitions has its risk, geopolitical risk, you know, currency risk? And as you see, the margins are also lower. So on a longer term, do you think we our threshold of return should be higher while we invest in them?

Mr. D. Muthukumaran:

No. We very good question, Sanjay. Basically, the return expectation that we have is factoring in all the, you know, sort of risks that we can foresee. And, you know, when we acquire the port, we certainly evaluate them on all these criteria. And despite all these risks in some particular assets, you know, one risk of the list that you said may be more prominent than other. So we evaluate risk. We bake them in, and then only when we are confident, we go ahead and get into the, you know, sort of transaction. So, you know, our risk in our eyes stands mitigated because there is a compensatory opportunity, and that's the driver for us, and that's the motivation for us to get into that.

Sanjay Parekh:

Alright. Thank you, and best wishes.

Mr. D. Muthukumaran:

Thank you. Okay. So thanks a lot. We'd like to close this. If you have any further queries, please do reach out as usual. We're all available, you know, on the high note of last year's results and the higher note of our next year's forecast that we have put out there as a guidance. We would like to sign off with a big thank you for each one of you to have participated yet again on a holiday. So, have a good evening, and look forward to being in touch. Thanks again. Bye.

Moderator:

Thank you. On behalf of Ventura Securities, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.