# "Adani Ports and SEZ Limited
# Q1 FY'25 Conference Call"
# August 01, 2024

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| **MODERATOR:** | **MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL** |

**Moderator:** Ladies and gentlemen, good day and welcome to Adani Ports and SEZ Limited Q1 FY '25 Earnings Conference Call hosted by PhillipCapital India Private Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 this conference call please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital. Thank you, and over to you, sir.

**Vikram Suryavanshi:** Thank you, [Dell]. Good afternoon, and a very warm welcome to everyone. On behalf of PhillipCapital, I'm pleased to welcome you all on the Earnings Call of Adani Ports and SEZ Limited for First Quarter of Financial Year 2025. We are happy to have the management with us here today for question and answers session with the investment community. Management is represented by Mr. Ashwani Gupta, Whole-Time Director and CEO, Adani Ports and SEZ; Mr. Pranav Choudhary, CEO, Ports Business, Adani Ports and SEZ; Mr. Divij Taneja, CEO, Adani Logistics; Mr. D. Muthukumaran, CFO, Adani Ports and SEZ; Mr. Rahul Agarwal, Head of Investor Relations and ESG Adani Ports and SEZ. We will begin with the opening remarks from the management, followed by interactive question-and-answer session.

With this, I hand over call to Mr. D. Muthukumaran. Over to you, sir.

**D. Muthukumaran:** Thank you. Thank you very much. Good afternoon to all of you. Thank you very much for your time. I am Muthukumaran. I just wanted to take a moment to bring on board and introduce Rahul Agarwal. He has taken over Investor Relations and ESG from Charanjit. He will moderate this call, and he'll be a point contact for Investor Relations.

Over to Rahul.

**Rahul Agarwal:** Thank you, Muthu. Good afternoon, everyone, and a very warm welcome to our earnings call for Q1. We will commence with Ashwani's opening remarks. Over to you, Ashwani.

**Ashwani Gupta:** Good evening, and welcome to APSEZ earnings conference call for the quarter ended 30th June 2024. FY '25 began on a stellar note on both the growth and the financial fronts. On the growth front, we handled 109 million metric ton cargo in the first quarter, which is up 8% year-on-year, excluding the impact which we had because of non-operational days in Gangavaram. We won 2 concession agreements to operate terminals in Tanzania and Deendayal Port.

In addition, we won an O&M contract for a container facility at Syama Prasad Mookerjee Port, Kolkata. Also, we welcome the first mothership at our Vizhinjam port and our marine services business deployed a tug each in Mexico and Sri Lanka. We feel immensely proud to announce that 4 of our ports got featured in World Bank's Container Port Performance Index 2023.

Now moving to the Logistics business. Our Logistics business reported rail cargo at 0.16 million TEUs and GPWIS volume at 5.56 million metric tons. We added 4 rakes and expanded our warehousing capacity to 2.9 million square feet. Agri silo capacity was at 1.2 million metric tons and is expected to increase to 4 million metric tons on completion of the projects underway.

On the financial front, Q1 FY '25 has been our strongest quarter till date with highest-ever revenue, EBITDA and PAT. Our operating revenue for the quarter stood at INR7,560 crores, representing a 21% year-on-year increase. Our EBITDA, excluding forex impact for the quarter stood at INR4,848 crores, up 29% year-on-year. Domestic ports EBITDA inched higher by 32 basis points to 72%. Profit after tax stood at INR3,107 crores, up by 47% year-on-year. CARE and ICRA upgraded APSEZ's credit rating to AAA, while S&P upgraded its outlook to positive from stable, driven by improving scale and diversification.

We also draw your attention to the fact that based on in-depth legal and accounting review undertaken by the Adani Group and considering all other relevant factors, the auditors have dropped the qualification, and it is now an EOM, emphasis of matter. During the quarter, we won several awards, mostly notably, APSEZ clinching the prestigious title of best portfolio for the year containerised in the private sector and AICTPL being honored as the best container terminal of the year at the India Maritime Awards. Overall, a very strong start to the year. Thank you.

We now open the forum for Q&A.

**Moderator:** Thank you. The first question is from the line of Parash Jain from HSBC. Please go ahead.

**Parash Jain:** I have 2, I believe. So first, on APSEZ portfolio development. We have seen that we have port development revenue about INR627 crores. Could you give us what are the future potential pipeline in the remainder of the year and the following year for us to understand better on how to think about this line item? And my second question, more pertinent is, more on -- if you can just give us a quick recap of all your recent investments, particularly in the capex attributed to Tanzania, the progress that has been made with respect to Colombo and what is your near-term expectation from within them? Thank you.

**D. Muthukumaran:** So your first question was on core development with INR600 crores revenue. It is actually where we have done the stake sale in order to finally [mark], MSC through the intermediate holding company. Basically, in the past, when we were operating the port, all the sort of expenditure and losses were debited to the P&L account as required by the accounting standard. And therefore, the carrying cost of this in our books has significantly come down on account of the past losses during the ramp-up period. And now when we have sold it, while we have sold only 49% we have to -- as per the accounting standard, compare the process with the book value. So the difference is actually put in there as 600 crore for development costs. To your following question on this aspect of what is the pipeline, actually, we have been mentioning that we are on the lookout for all strategic opportunities. We developed both inherently on our own strength to run it by our sales. Every now and then we get an opportunity to [inaudible 0:08:53] incoming interest. And we will actually sort of react and we'll do the deal based on the rest of individual transactions.

To your next question on investment in Tanzania and Colombo. Tanzania, we have announced a deal a while ago, and we have been waiting to get the concession agreement. We signed the concession agreement and all the CPs are over. And therefore, we concluded the deal in the last quarter. I mean almost towards the end of the quarter, late June. We have been operating that terminal for the past 1.5 years. It is actually a business as usual for us. So we expect that to continue.

And in the long term, we are sort of -- we are planning to actually both enhance the volume as well as actually sort of modernize the port in terms of sort of mechanization. All these at this point in time, as far as our business plan will be self-funded by the cargo generated by Tanzania there isn't any increment to capex that is required to achieve our long-term business plan. Colombo is still under construction at an advanced stage, and it should actually -- we are estimating that it should start sometime late this financial year FY '25.

**Ashwani Gupta:** And yes. And I think -- Ashwani here. So I think to answer your last question about upcoming investments. Basically, we categorize our investments, A, it’s been our operational efficiency in the current assets. B, in capex, in our capacity expansion in the existing assets; and three, the new projects. So we keep on investing in a balanced way in all these three categories, keeping the financial discipline, which we have again demonstrated in this quarter with 2.1x net debt to EBITDA. Now in the capacity expansion because in 2030, our ambition is to reach 1 billion metric tons, we are investing on -- in our ports in West Coast, which is Mundra, Hazira and so on.

In our East Coast, which are really pulling our growth in Dhamra, in Gangavaram, in Krishnapatnam and of course, in South the Ennore and Kattupalli. So basically, almost all the main ports are having the investment for the capacity expansion. And the third category, which is about the new projects, we just finished the receive of the first vessel in Vizhinjam after having an investment of more than INR8,000 crores. And in the second phase, we will be investing INR20,000 crores to increase -- to develop the second phase of Vizhinjam. So that's how we are managing our capex, and that's how we want to reach 1 billion metric ton by 2030.

**Moderator:** The next question is from the line of Pulkit Patni from Goldman Sachs.

**Pulkit Patni:** Sir, can you highlight in this year, fiscal '25, what should we assume for Vizhinjam as volume? And also for any other upcoming port, what should be the volume expectation based on when you are starting those ports? That's question number one.

**Ashwani Gupta:** Yes. So I think with the quarter 1 results, where we have Gangavaram challenge. We didn't operate for 36 days in Gangavaram, so that definitely will come -- is coming now and 3 quarters. Also Gopalpur, which will be also coming in. So with the quarter 1 performance and looking at the global trade and Indian trade and Indian -- in the Indian trade, the quarter 1, India grew by 4.3%, and we grew by 8.8%. So as you know, we always keep on saying that we want -- we grow 2x more than the India growth. And if I include Gangavaram and Gopalpur, we should be roughly around 2.5x to 2.6x, which means the next three quarters, we look in a very positive way. which means we are on track to deliver our guidance, which we issued at the time of start of the financial year.

**Pulkit Patni:** Okay, sir. So basically, Vizhinjam and Gopalpur are the new port that will contribute this year in...

**Ashwani Gupta:** Yes, Gopalpur, yes. Vizhinjam, we already received the mother vessel. Since then, we have received a couple of more. As you would have seen that the nameplate capacity for Vizhinjam port is 1 million, but because it's automated, we can go up to 1.5 million. This port will be fully operational starting October. So this year, we will not see the full capacity utilization. But yes, in FY '26, we are expecting the full utilization of the Vizhinjam port for Phase 1, which is the 1 million nameplate capacity. But this year, we will see Gopalpur portfolio in the rest of the year and Vizhinjam after October.

**Pulkit Patni:** Sure. That's helpful, sir. Sir, my second question is on the logistics business. What we've seen is that our margins fluctuate quite a bit. I mean they are on the higher side, but between 25%, 28%, they keep fluctuating. This quarter, if I remember correctly, it's about 25%. What drives this variation in margins for us in the Logistics business?

**D. Muthukumaran:** Pulkit, actually, you summarized it very well when you said that it fluctuates during the year and actually what is important is to see the full year. So that covers half the point that we want to mention. Having said that, in this particular quarter, there are two sort of factors. The first one is the same thing that we explained in the last quarter call, which is -- which will continue for 1 or 2 more quarters, actually. The FCI, some contracts have come up for repricing as per the original contract itself after the 10 years. There is a step-down pricing after 10 years and the step down pricing has actually come into certain things.

So it is part of the original contract, and it is part of the original business model. So it doesn't change anything except the number in terms of returns, it is already factored in. And there is a second factor, which is busy season surcharge, which we have been able to pass on, and you will find the full -- I mean the full effect of that is not in this quarter. And you will find that the next quarter, actually, this issue is sorted and you will find that next year, we'll have a margin which is higher than what we have today.

**Moderator:** The next question is from the line of Mr. Achal Lohade from Nama Institutional Equities.

**Achal Lohade:** Sir, if you could comment on the capex, how do we look at the capex for the current year in which ports and to what extent and in which category?

**Ashwani Gupta:** Yes. So yes, I will just give from the business perspective. As I said before, all the 3 categories we are investing. We are investing heavily on the digitalization because that's where the operational efficiency is brought in. We are starting the world class software Navis in most of our container ports. We are also going to start a port communication system, which is also a totally in-house developed.

And we are also revamping our costs because as I explained in last call, we are getting into the technology platform, which will give end-to-end solution with full integrated logistics, which means from vessel to the berths to the yard, the railways to warehouse, to ICD terminals and to the trucks because we also got into the last mile to get to the customer. So we are investing on technology platform. So that brings operational efficiency.

And the second is the capacity expansion, as you would have seen that we have grown significantly on the West Coast mainly driven by the container increase. And in the East Coast, we have grown significantly, excluding Gangavaram, there also, we are driven mainly by -- mainly by the dry cargo. And in the South, we have grown in container and in the dry cargo. And of course, in the liquid, our -- in Hazira and so on has also grown.

So if you look at our business portfolio today, all the three main commodities, which is container liquid and dry, all three have grown. The maximum growth, which we saw was in container where we really increased our market share by more than 2.5% and that mainly come on the West and in the South. But when it comes to dry, there also we increased our market share, but it is mainly driven by East. Hence, to answer to your question, we are investing in all these ports and the berth related to container dry and liquid.

**Achal Lohade:** Understood. Sir, I just wanted to check, if you look at the volume growth for coal for the quarter, it seems to be reasonably weak. So when we talk about the volume for the full year, how do we look at coal as a segment? Are we looking at a substantial growth? Or it will be all driven by container for this year?

**Ashwani Gupta:** See, I would take it at a much more bigger picture. The bigger picture is about the India growth story, which is driven by infrastructure and energy and Atmanirbhar make in India. So if I look at Atmanirbhar, which is industrialization, this is about containerized cargo. If I look at energy, this is mainly the coal. And if I look at the infrastructure, it's all about steel and so on.

So all the three focus of India is helping us growing the India trade and our strategic positioning of the ports and warehouses and logistics is helping us in growing the trade by 2x. So that's why the business mix for us is so important that if in one of the port, one of the commodity goes up and down, it does not change the whole business portfolio dynamics for APSEZ. That's the first question.

The second question about the coal even if it is not growing, but it is also not flattening. There is a growth, for example, quarter 1, all India import NC coal was roughly 56 and we did 26 out of it, which means we increased our market share by 1%. In terms of [coastal 0:21:35], which is also on the increase, we kept the market share. And most important, the coking coal also we kept our market share. And I think the coking coal all India has grown by 5% to 6%.

So I would say the growth for us is coming from containers, liquid and so on, whereas coal, I would say is the normal growth and in the normal growth, we have a normal market share. So that's why it's not a risk, and it's not a great opportunity for us, which can change our business dynamics in next quarter.

**D. Muthukumaran:** The only other aspect I wanted to add is actually you mentioned at the beginning of your question that this quarter 1 is a muted growth. But actually, I just wanted to draw your attention to the actual volume, which is 8% growth as well as the pro forma volume of 13% growth, which is actually more than the annual volume growth that we have sort of indicated to you. So we are on track. Gangavaram is fully restored. Gopalpur will get added soon as soon as the closing happens, and Vizhinjam will get onboarded. So our volume growth still is on track, if you factor all these things.

**Pulkit Patni:** That's very helpful, sir. If I may ask just a clarification on the stake sale, you said that there were losses and with the stake sale, it's basically valuing at the fair value. I was just curious, if you look at the stand-alone revenue, the income recognized is INR95 crores while in consolidates close to INR600-odd crores. So could you please clarify, is this to do with the equity sales or it is to do with the infra income recognition?

**D. Muthukumaran:** No, no. It has actually to do with equity stake and number one. And number two, the loss that I talked about is not the loss on the transaction of the sale. It is actually during ramp-up period, we have had past losses, particularly high depreciation and interest in the particular unit, which is, again, as you know, part of the model that we do when we do investment -- actually, you have got on to the right part. The stand-alone sales INR95 crores, which is a transaction gain and the INR600 crores in the consolidated difference between INR695 crores as the past losses. According to the accounting standard, the carrying value of these investments will keep going down in the consolidated books because of the losses. So therefore, it had gone down. So when we actually sold it, it is now at INR600 crores profit.

**Moderator:** The next question is from the line of Asmeeta Sidhu from MetLife Investment Management.

**Asmeeta Sidhu:** I do have two questions. So I'll start with the first one. This is regarding a couple of news articles regarding the land recovery situation with the Gujarat state government. Could we just have a quick rundown on some of the history and where we currently are and what the next steps are from the company's point of view?

**D. Muthukumaran:** Sorry, what was the second question? One was around land recovery. What was the second?

**Asmeeta Sidhu:** No. That's the first question. I'll take the second one after this one.

**D. Muthukumaran:** Okay. You're talking about the land recovery issue in Gujarat Mundra Port, correct?

**Asmeeta Sidhu:** Yes, that's right.

**D. Muthukumaran:** Okay. So we have contested. It is actually a frivolous case the way we look at it. So we have contested that and Supreme Court has actually taken action. So to that extent, we'll follow the due process of law to sort of complete this. Otherwise in substance, there is really nothing more than what we already said to the court of law.

**Asmeeta Sidhu:** All right. And the second question I have was just a quick clarification on the earlier mentioned statement about auditor's qualification. So correct me if I'm wrong, was it dropped due to the in-depth audit and legal review conducted by the group?

**D. Muthukumaran:** Yes. So what we have done was actually, we have undertaken an independent review by a lawyer and an accounting firm. And then we had submitted those reports to the auditors and auditors reviewed those reports of that independent review and also taking into account the full context along with this review report. So on that basis, the qualification has been dropped and it has now become an EOM to actually sort of reflect, you know, the significance of the matter. It is no longer a qualification and only an EOM.

**Moderator:** The next question is from the line of Nidhi Shah from ICICI Securities.

**Nidhi Shah:** The first one would be is when do you think Gopalpur would be in full effect? Would we see that in this quarter or would it be the next one?

**D. Muthukumaran:** This quarter.

**Ashwani Gupta:** We are waiting for the final mile and we will see that in the coming quarter.

**Nidhi Shah:** All right. So as to my understanding, the full effect of the revenues would then come from the next quarter onwards, right? That is...

**Ashwani Gupta:** Yes, full effect from next quarter, yes.

**Nidhi Shah:** Okay. And just I know that there have been questions on capex already. But my question would be in terms of -- so for the full year, if you could quantify what would be the capex that you would do in terms of on maintenance? Second is increasing capacity at ports that we've already for dominance that we already have in our portfolio. And third is if we are looking for any inorganic growth. So do you have any, say, quantified numbers on these 3 aspects?

**D. Muthukumaran:** So let me first talk about organic growth. We have guided at the beginning of the year a range of INR10,000 to INR11,000 -- sorry, INR1,500 crores, INR11,500 crores. And we gave a breakup of how the INR11,500 crores will look like. So the port in that is INR7,300 crores. Marine that is INR400 crores, Logistics is INR2,300 crores, and the renewables decarbonization is INR1,500 crores.

In the first year, while we don't publish this number, we are on track. The exact numbers, we don't -- the requirement is roughly INR2,000-odd crores is what we have spent in the capex in the first quarter. So we are well on track for the guidance. And in terms of proportion, it's pretty much the same what we have -- so the best guide on numbers for capex for the year continues to be the page that we have put out in the beginning of the year.

**Ashwani Gupta:** And on the inorganic growth, we keep our financial discipline, which we said we want to be below 2.5. And we finished the quarter with 2.1, so which means we always have this room of 0.4 to keep for any opportunity which comes up, which should bring us in organic growth, either it is in India or it is outside India.

**Nidhi Shah:** Last -- just the one last question that I see that you have -- you have given the guidance for FY'29 you want to significantly increase your one is a rail track and the number of trains that the company is operating. As of now has there been any orders that have already been given for these items and which are the companies that you are generally looking at to trust your business with?

**D. Muthukumaran:** To adjust the?

**Nidhi Shah:** To trust your business with which are the companies that you are probably looking at. So for the rail track and probably the trains that you want what are the companies that you're looking at to procure these from?

**D. Muthukumaran:** [inaudible 31:00] you know that we have already won project which will take a 4 million from the current 1.2 million. This entire 66 project actually 70 projects are under implementation as we speak. These are being sort of in house projects and all construction everything is happening in-house and in terms of the questions on railways. So rail track and trains both actually we have [inaudible 31:34] and as of today compared to last quarter there is no significant order book increase. We expect that outlook to come coming quarters, but right now there is no significant order book increase in the railway tracks.

**Nidhi Shah:** All right. Thank you so much.

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

**Imtiaz:** Thank you and congratulations on a good set of first quarter numbers. I have a couple of questions. The first one is with regards to your 24 – the USD24 maturity bonds. They matured last week on the 24th of July. Could you provide some color in terms of how you funded that 325 million maturity and also if you have any plans to access the U.S. dollar debt capital markets again this calendar year?

**D. Muthukumaran:** So we had cash balance in the beginning of the year. We had stated earlier that actually we will use the current cash balance to repay the balance of 325 million which is what we did last week. So that's how we funded the repayment of last week and we have completed successfully and we have put out a notice that we have completed the redemption. So that is on 325. On the question around whether we are going to access right now there are no plans for us to actually access the markets. And of course the situation is always dynamic, but right now, there is no plan.

**Imtiaz:** Okay. Second question is with regards to your Vietnam project. Reports I have mentioned a USD2 billion investment. Could you give some color in clarity on these investments and timeline?

**Ashwani Gupta:** So as we talked about our international strategy. So after reaching in the great penetration of market share in India and also the geographical coverage across 7,500 kilometers of coastline. Definitely, we want to expand globally and to expand we decided to revitalize the trade route between Southeast Asia, India, Middle East, East Africa, North Africa and in line with that strategy, we have Tanzania, we have Haifa, we have Sri Lanka.

So in line with our strategy, we are exploring the opportunities in Southeast Asia which includes Vietnam. And Vietnam we have not decided anything yet. Of course, as I said before, we are exploring all the opportunities and once we decide definitely we shared with you at that time, but at present it is in the study stage.

**Imtiaz:** Great. Just if I can just squeeze in one more question. You mentioned speaking. You mentioned Haifa and speaking of Haifa the increased tensions in the Middle East, any color in terms of how Haifa Port operations are going?

**Ashwani Gupta:** So I think on the operations side our teams are highly engaged and we are running the port 24 by 7 in terms of availability of the facility. And our teams are there to take care of it. Now the challenge which Haifa Port is having is not because of Haifa Port or not because of the situation in Israel, but it is because of the geopolitical sanctions, some of the countries has stopped the cargo to Israel.

So, for example, in Haifa, we saw the drop of roughly 42% in the dry bulk and 22% in containers. But on the other side because of the situation the car imports in site Israel is increasing significantly. So we capture that market. And our business with the car cargo has grown up by 42%. So the point is there's a shift in the business mix and we are capturing all the mix. That's the first message.

The second message is Haifa Port is safely working with all our teams exposed. And what we see today a drop in the cargo is the consequence of the geopolitical situation. So we have to keep this on the watch and try to mitigate the risk in terms of business whenever it comes. That's what we can say today, but we are continuing with a great enthusiasm because this is a very strategic location for us as a part of our international strategy.

**Imtiaz:** Great. Thank you.

**Moderator:** Thank you. The next question is from the line of Priyankar Biswas from BNP Paribas. Please go ahead.

**Priyankar Biswas:** Congratulations sir for a very strong volume delivery. So first of all, my question is regarding Mundra. So even on a very large base you have delivered a very strong volumes, especially in containers. Now given that there is so much Red Sea related disruptions, so what I wanted to ask is how much sustainable is volume at Mundra is especially containers. And in your guidance that you gave of 460 to 480. So what sort of container volumes are you foreseeing at Mundra?

**Ashwani Gupta:** So I will hand over to Mr. Pranav Choudhary. But before we are keeping our guidance, we are very confident about our guidance because as you saw quarter 1 we did 109 without Gopalpur and without 36 non-operational days of Gannavaram. So we are keeping that and as we said before our main growth in this quarter came by container which is roughly 17.4% growth, whereas our liquid grew by 12%. And Mundra especially brought -- brought significant growth. So maybe Pranav if you could kindly share your views on container business in Mundra?

**Pranav Choudhary:** Yes. Good afternoon. Am I audible?

**Ashwani Gupta:** Yes, very well.

**Pranav Choudhary:** So this continued performance has been very good at [inaudible 38:57] Y-o-Y I think we grew about 23% in Mundra with the overall portfolio growth at about 19% out of a terminal. So from a container perspective I think we always grow more than the economy. That's what has been the run rate for us and the impact of the Red Sea largely has been on the freight and the cost, the freight cost and the time cost. The movement of containers from a time perspective have increased, the freights have increased which has now generally it is expected between the buyer and the seller of the freight or goods.

From a port perspective I think the Indian economy is performing robustly which is shown in the incremental container numbers. Even JNPT actually has grown about 12% or 12.5% within period due to corresponding period. So the impact of Red Sea is there in the sense of incremental difference or flagship of volumes, but generally it's a function of the way economy is performing.

**Priyankar Biswas:** So what sort of full year volumes you expect at Mundra container. So can you be a 9 million TEU stake this year itself?

**Ashwani Gupta:** I think it is too early for us to give a target for Mundra. But for sure, with the pace which we are going, definitely, that could be the consequence. But as you know that we don't give the target volume. But container growth in Mundra is giving us a significant advantage to hit our guidance, even if, as I said in quarter 1, we made 36 non-operation days of Gangavaram.

**Priyankar Biswas:** Sir, just one question from my side, one more. So this is regarding Gopalpur since this is a new asset. So like can you give what is there in your start plan for this asset? Like you have broadly given what can be the FY '25 contribution? So what are you expecting it to ramp up to, let's say, FY '29 or FY '30, so as per your strategy plan?

**D. Muthukumaran:** See, as far as Gopalpur, the main focus for the first 2, 3 years will be for us to actually change the configuration of the asset, make it far more mechanical, far more upgrade rate. And that way, we expect the deficiency will deepen reasonably quickly. In terms of the volume growth. If you take, I mean, 5-year or else 7-year horizon, there is obviously scope to increase the volume there. And that is a very mineral-rich belt. And therefore, actually, volume will grow in tandem with the market. But immediate plan for us, which is very clearly visible is to actually work on the asset configuration and cost extraction -- efficiency, extraction and cost reduction.

**Priyankar Biswas:** So we should observe the EBITDA margin expansion possibly in the next couple of years on this asset. So...

**Ashwani Gupta:** Yes. driving as we do. We bring our ports to the -- to our benchmark EBITDA from -- after we take over. So for sure, we are -- we are targeting to be at the benchmark level of the EBITDA very soon. So already, the port was having 38% to 42% of EBITDA. And now we are expecting to finish with 54%. And as you know, we are working hard to bring it to a normal level, which is between 65% to 70%. So that's what we do with every port, and that's what we are doing with Gopalpur.

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

**Aditya Mongia:** The first question that I had from my side was more on port EBITDA margins, which have grown to about 72%. And I believe if Gangavaram issues had not cropped up, the margins could have been as high as 73%. Wanted to get a sense of what is driving these margins up? Because from our checks, we understand that realization has not meaningfully gone up in the quarter.

**D. Muthukumaran:** Sorry, repeat the last part of the question?

**Ashwani Gupta:** It has reached 72% because realization has not gone up at that rate. So what is the reason of that?

**D. Muthukumaran:** Yes. It's basically like you mentioned, it's cost has gone up by 0.6% compared to the last quarter and the last year's average. So it is actually the creep in the -- in the sort of efficiency because we are handling…Yes. Okay. So it's basically the increase in the sort of efficiency because we have had a throughput. Container volume has gone up, which has also added to the profitability. So basically, it's around cost and price sort of factors.

**Aditya Mongia:** Understood. Also, I wanted to kind of extrapolate this question that. What we see though is that you have a very, very large capacity land bank, if you can call it that way, on the port side, wherein the company doesn't have to invest meaningfully from a greenfield perspective and can still grow maybe 4x, 5x the current capacity. Coupled with your focus on digitalization, do you think this port EBITDA margin over the medium term can potentially reach 75%, 76%. Is that a possibility to come through from a 3-year out perspective?

**Ashwani Gupta:** Thank you very much. Our endeavor is to improve every day, and the figures are the consequence. So I think we are focusing on improving our operation efficiency. And quarter-by-quarter, we will be updating you with the results.

**Aditya Mongia:** Understood. The next question I had was on the Logistics business now. Our reading of the annual report suggests that a lot of capex is happening in that zone for the company. And a meaningful part of that actually is going inside buying land parcels. I wanted to see or engage from your sense, how should we be taking through these kind of investments eventually leading to EBITDA. Will they be retained as land for some period of time? or there is a process on how to kind of go about it?

**Ashwani Gupta:** Yes. Thank you. I think your observation is correct. As we said, we want to be the largest integrated logistics solution company. On the port side, we have already got strategic locations across 7,500 km coastline. On the Logistics, we have 12 MMLPs, we have -- we have warehousing. And at the end, what we want is to offer the full package to the customer for the last mile delivery, which includes the warehousing and so on.

So we are moving ahead in preparation for the future, which includes expansion in our warehousing terminals and so on, so that we are able to efficiently and effectively cater -- cater to the last mile. Having said that, you can always compare our logistics business with our Marine business, where we started it as an incubator and today, we are close to 70% of market share.

So which means all the investments which we are doing on the lands may not be giving us the return in EBITDA in the same quarter. But for sure, these are mid- to long-term investments, which we are doing for the strategic growth for our Logistics business as a part of integrated Logistics solution.

**Aditya Mongia:** Understood. The last question that I had was we've seen this trend that you're kind of growing 2x the market and even more at certain times, at least what we could see that your incremental market share is again 2x of addressing market share. And this has been happening for the past few quarters now, pretty broad-based. Could you give us a sense of what is actually clicking for you? Is it that the competition isn't improving as much as we're imposing improvement at a fast pace? Is it that we are not taking pricing because of the kind that competition is taking? Some more color would be useful for a first point we should be extrapolating these kind of trends incrementally or not?

**Ashwani Gupta:** Yes. I mean the point is expose geographical coverage is our advantage, right? The -- we operate both not as a terminal. We operate port as an ecosystem. That is our advantage. And the third is this ecosystem is being connected to the customer using multi-model. And then last but not really, we are efficient and competitive.

**Aditya Mongia:** So I get that. Hopefully, this trend would sustain incrementally as well. All the very best to you. Those are my questions.

**Moderator:** Thank you. The next question is from the line of Ketan Jain from Avendus Spark. Please go ahead.

**Ketan Jain:** Sir, my question is on your FY '30 plan, where you said that you aim to reach at 1,000 million tons volumes. So if I do the back calculation and use the utilization at 65%, the capacity comes to at around 1,400 million to 1,500 million tons. Is that assumption right? Is that where you want to go?

**Ashwani Gupta:** I think to do -- to do the 1 million -- sorry, the 1 billion, of course, it includes international. And definitely, this includes the capacity -- operational efficiency improvement, capacity expansion and the new projects. Yes.

**Ketan Jain:** So I we -- we can expect a capacity of around 1,200 million to 1,400 million tons by FY '30?

**Ashwani Gupta:** It's very difficult to say today because as you know, that capacity expansion and operational efficiency and the new projects are very fine line. So very difficult to anticipate 7 years before. But yes, port by port, we already have the EC approvals, as you know, whether it is Mundra or in other ports. And in line with the business growth, we will be investing in the respective ports as per master plan.

**Ketan Jain:** My last question is on the recent LOI for Deendayal Port income. If you could throw some color on the capex and the commercial terms of it?

**Ashwani Gupta:** I'll give it to Muthu now.

**D. Muthukumaran:** Yes. So we are expecting a total investment of about close to INR600 crores in that port.

**Ketan Jain:** Okay. And the capacity...

**D. Muthukumaran:** Yes, it's a long-term lease, and we're expecting about 1 million to 1.2 million capacity.

**Moderator:** The next question is from the line of Jayesh Shah from OHM Portfolio Equi Research. Please go ahead.

**Jayesh Shah:** My question is, how do we look at Vadhavan Port, which is coming up as probably one of the biggest port in India next to JNPT. Is that potentially a threat to Mundra? Or do you work along with Vadhavan Port because it is supposed to be public private partnership?

**Ashwani Gupta:** Anything which comes up is bringing the complementary growth to the country. And we should not look at today's India's trade, which is roughly 1,500 million metric tons. If India is growing at 6% to 7% every year with the focus on industrialization, infrastructure and energy, these sectors will grow higher than the GDP, which means India trade will reach, I don't know, more than -- 2,500 million metric tons. So we should look at that. That's number one.

Number two, because of the industrialization, the exports will also grow. So which means anyhow, the capacities will be needed. As you know, that 95% of the trade is done by the Maritime. So we should clearly link with the growth of India, especially on these 3 sectors with the Maritime growth, which means we will need capacities. And at first, we have to see as India, whether we need capacity the answer is yes.

Now in that capacity, who will play which role and definitely, especially in maritime sector, the collaboration between the government and the private players like us have proven that these are very efficient and effective. So we welcome the government initiative on Vadhavan Port. I think it is a great opportunity for India to put it on a capacity expansion map. Now we are always open for any opportunity because this is our core strength. And definitely, we will study the opportunity for the potential collaboration.

**Moderator:** Mr. Shah, does that answer your question?

**Jayesh Shah:** Yes. This is a follow-up question. Is there a public time line as to when this vote is supposed to have this private partnership offers going around?

**Ashwani Gupta:** No, I don't think so there's a public private timeline.

**Jayesh Shah:** Thank you. And next questions…

**Moderator:** Sorry to interrupt Mr. Shah, your line is coming a bit crackled. Could you come a bit closer to the handset?

**Jayesh Shah:** Yes, I am. Is it clear now?

**Moderator:** Now, it's clear.

**Jayesh Shah:** Yes. My second question is on the international operations, which is INR825 crores and INR87 crores of EBITDA. So is 10%, 11% EBITDA normalized EBITDA, what would be a normalized EBITDA when you see normalized volumes at this international ports.

**D. Muthukumaran:** Yes. So we expect that actually the 10% will be there for a couple of quarters, and we are on the path to improvement. So therefore, it will go up, but yes, that will be the sort of good baseline.

**Jayesh Shah:** So say, by a public target of FY '30 that you said 1 million tons, where would international operations be in terms of tonnage and broadly what margin range then?

**D. Muthukumaran:** Approximately 15% to 20% can be the international. And see, I think margin is one aspect. Whenever we sort of invest in any port, we are very clear that actually we need to get our return on capital employed, which is 16% in rupee terms. Of course, we look adjusted for dollars. And as far as EBITDA percent is concerned for us, actually, that is a little bit of a math because it is possible that we could have a lower -- and it will be that we will have a lower EBITDA percentage for international operation, but our return threshold will be met.

**Moderator:** The next question is from the line of Shreyans from Barclays. Please go ahead.

**Shreyans:** I have 2 questions. So after the payment on the $24 bond, which was last week, what is your cash presence?

**D. Muthukumaran:** What is our current?

**Shreyans:** Cash balance after payment of the $2.24 bond?

**D. Muthukumaran:** We are INR9,000-odd crores cash balance today.

**Shreyans:** Okay. And after S&P on positive outlook, what about the rating agencies who didn't pitch, have you been having any conversations with them? Or how do they look at your credit?

**D. Muthukumaran:** See, there are 2 buckets, right, international and domestic. And as was mentioned in the opening remarks by Ashwani, the domestic is already upgraded to AAA as far as international is concerned, only S&P had negative outlook. So they have put us into a positive outlook. So therefore, others actually, we are not expecting any rating action at this point in time. Obviously, we need to remain engaged and continuous structure with them to keep updating them.

**Moderator:** Ladies and gentlemen, that was the last question for today. We have reached the end of our question-and-answer session. I would now like to hand the conference over to Mr. Vikram Suryavanshi for closing comments.

**Vikram Suryavanshi:** We thank the management of Adani Ports and SEZ Limited for giving us an opportunity to post the call and taking time out for induction with the stakeholders. Thank you all for being on the call.

**Moderator:** Thank you. On behalf of PhillipCapital India Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.