"Adani Ports and SEZ Limited Q2 and H1 FY25 Earnings Conference Call"

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MODERATOR:	**MR. ACHAL LOHADE – NUVAMA INSTITUTIONAL EQUITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Adani Ports and SEZ's 2Q FY '25 Earnings Conference Call hosted by Nuvama Institutional Equities.

The 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.

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 "*" then "0" on your touchtone phone.

I now hand the conference over to Mr. Achal Lohade from Nuvama Institutional Equities. Thank you, and over to you, Mr. Lohade.

Achal Lohade: Thank you. Good evening, everyone, and a very warm welcome to everyone. On behalf of Nuvama Institutional Equities, I am pleased to welcome you all to 2Q FY '25 Earnings Call of Adani Ports and SEZ.

We will begin with the “Opening Remarks” from the Management, followed by interactive Q&A session.

With this, I hand over the call to Mr. Rahul Agarwal. Thank you. Over to you, Rahul.

Rahul Agarwal: Thank you, Achal. Hello, everyone, and a very warm welcome to AP SEZ's Second Quarter Earnings Call. We will commence this call with Ashwani's opening remarks.

Ashwani Gupta: Good evening, everyone, and welcome to APSEZ's H1 FY '25 Earnings Conference Call. During the period, we continued to strengthen our value proposition as an integrated transport utility company with unmatched waterfront to last mile connectivity solutions. Our cargo volume increased by 9% year-on-year to 220 million metric tons despite disruption in Gangavaram and loss in volume in Mundra and Tuna due to inclement weather.

We diversified our marine fleet to add a family of 26 offshore support vessels with acquisition of 80% stake in Astro Offshore. Our logistics assets witnessed all round growth in rakes, MMLPs, warehousing, trucks, and agri-silos.

We have recently closed the acquisition of Gopalpur Port along with the planned commissioning of the Vizhinjam Port in quarter 3. We are on track to deliver our full year cargo guidance.

During quarter 2 FY '25, our revenue, EBITDA, and PAT grew by 6%, 13%, and 37% respectively. Our H1 FY '25 revenue, EBITDA and PAT was up by 13%, 21% and 42%

respectively. Our net debt to EBITDA stood at 2x. Based on the momentum we see in the business during the first half of the year, we are well-positioned to hit the upper end of our FY '25 EBITDA guidance.

CRISIL assigned AAA rating to our bank facilities and NCDs. India Ratings also upgraded its credit rating to AAA, and we became the first private infrastructure operator in India to be rated AAA by four domestic rating agencies.

We thank you, and we now open the forum for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question comes from Parash Jain from HSBC. Please go ahead.

Parash Jain: I have two questions. If you can bring all of us to this speed with respect to developments in Sri Lanka, Vizhinjam, your recent acquisitions and also any incremental colors that we can share with high support, then we must appreciate it.

Ashwani Gupta: Thank you, Parash. So, Ashwani here. So, I think the second half, so let me talk about something which is very much limited to the second half, and then I can talk about years to come.

- In the second half, we finalized our acquisition transaction in Gopalpur. So, definitely we are seeing a tremendous opportunity in Gopalpur. Very soon we will be disclosing the volume which we did in October, which are encouraging, which means we are getting a good cargo in Gopalpur after we took over, so which means Gopalpur becomes another feather in our cap and that too capitalizing on the opportunity of natural resources in our East Coast. So, that's the first thing.
- The second thing is Vizhinjam. Vizhinjam is doing better than what we planned, and we see many shipping lines making calls to our Vizhinjam. And while we are ramping up, while we are learning with our automated terminal, we are improving our efficiency and ready to take more and more vessels as and when they come in.
- And number three, as we said that the full operations of the full-length berth is also on the track. So, which means Vizhinjam is better than the plan in terms of realization of the opportunity, and also we have already kicked off the second phase or the final phase where we are going to spend 20,000 crores as we announced on the next expansion of the Vizhinjam. So, which means for us, the first phase is done and now we are switching our gear to the final phase, which is the full development of Vizhinjam.

Then I would like to take to Sri Lanka. So, we welcomed the vessel having the cranes. Cranes are being installed while I am speaking, and Sri Lanka is also very much on track to start the operations next year in quarter 4, and we already started seeing a lot of leads from our customers to start talking about how they want to use our Colombo terminal. So, that's number three.

- Number four, we acquired Astro and we completed the transaction last week. So, which means Astro is another feather in our cap, especially on the marine business. And in Astro also, while we are acquiring, we acquired, we were also acquiring more offshore vessels and we see the new contracts which are coming up on the offshores.
- Number five, surprisingly Haifa is working 24 by 7, very busy port at this moment. I had the opportunity to visit Haifa three weeks before to say thank you to the team who are working under tough circumstances. I personally visited Haifa port, and I was surprised to see the overflowing cargo of the cars. Obviously, the business mix has changed, and more and more car cargos are arriving because of the South Israeli Port not allowed to have the automotive cargos, especially the cars which come from East, especially Japan and Korea and China. So, these all car cargos are resulting in getting into our Haifa port. So, which means all the four ports are doing extremely well.
- And then number 5, Tanzania, as we are speaking, Tanzania is also getting into a ramp up phase and Tanzania is also doing good.

So, that's all, I think, all the five ports which are either acquired as brownfield or started as greenfield, the status as on today.

Moderator: Our next question comes from Asmeeta Sidhu from MetLife Investment Management. Please go ahead.

Asmeeta Sidhu: Thank you, Management, for the call today. I just have a question regarding the recent labor strikes we have seen in the U.S. regarding the ports. Was there any implications that were seen from the ports under Adani or would there have been any implications for the strikes to go on longer than the three days?

Ashwani Gupta: To answer your question very precisely, no, it does not have any impact on us.

Moderator: Thank you. The next question comes from Mr. Achal Lohade from Nuvama. Please go ahead, sir.

Achal Lohade: Just a couple of questions from my end. First, with respect to Gangavaram Port, in the past quarter, the run rate was between 8 to 10 million tons, while we have seen first quarter was impacted, second quarter we have seen the number at around 6 to 8 MMT. So, how do you see this in coming quarters? Do we see absolute normalization or it's going to take some more time? And also, if you could comment on the margin profile going forward.

Ashwani Gupta: So, talking about the overall business, of course, there is always a tendency to look quarter-to-quarter. But you know, maritime is a business, which is of course quarter-to-quarter, but also it is to be seen on annual and two years' and three years' basis. I think quarter-to-quarter, we may have opportunities, we may have challenges. In the first half, we saw a challenge with the Gangavaram. We saw Tuna. We saw Mundra. Just last week we are out from the cyclone Dana, especially in Dhamra. So, these kind of things keep on coming, keep on going, and we have to be just resilient and agile to take care of these challenges.

Having said that, as I said before, the second half is doing, first of all, from the cargo view point, with all these agro commodities, with all these fertilizer commodities which are coming now in the second half, in addition to container cargo, in addition many other cargos and Gopalpur, Vizhinjam, all these coming in addition, definitely we see a good traction in the second half of this year.

So, now when we look at little bit mid-to-long term, this half year also, we grew almost double than what India grew, right? So, which means in the future, we target to do that. How we can do that? If we all believe in the India growth story, which we do believe in, is more focusing on infrastructure, which is primarily cement and steel. We take care of that.

Number two, industrialization, which is container. We do roughly one out of two containers in India.

Number three, energy, whether it is renewable energy or thermal energy, whether it is coal or it is solar panels or windmills, we do it.

And last but not the least, food and fertilizer. We do it.

So, as Adani Ports and Logistics, these four key pillars of India growth story are 100% linked to us, because of which we are confident that with our 15 strategic assets in India and 4 strategic assets overseas, we are going to capitalize these opportunities.

So, what I would say, quarter-to-quarter, first half to second half, in short term, definitely we see the growth. But more than that, in mid-to-long term, we are gearing up to capitalize all these opportunities.

And on the margins, Muthu, would you like to say something?

D. Muthukumaran: See again, I think you asked, I guess, two parts questions. The first one is around Gangavaram and the second part is around the company as a whole. You would have seen that company as a whole, this year port margin is 72.5%, which actually is apparent of what we have been achieving and more than what we have done in quarter 1 as well.

So, as far as Gangavaram is concerned, Gangavaram is also fast recovering. In terms of volume, as you quoted the numbers correctly, we are only 22% down compared to the previous year in quarter 2 and in quarter 3 and quarter 4, we will make up specifically in Gangavanam and company as a whole, as we have been trying to highlight, we are running ahead of the destination.

Achal Lohade: And since we are on the quarter numbers, in terms of realization particularly for the couple of ports, Dahej and Hazira, we have seen that their realizations are actually down almost in teens on a Y-o-Y basis. Is there any particular reason in terms of cargo or anything which you could highlight?

D. Muthukumaran: So, considering the number that you are quoting, I may have to check and come back to you separately, because I don't see that actually in my sheet and in whatever we have disclosed. Do you have a page number reference that you can give as to where you are reading this?

Achal Lohade: So, basically, revenue and dividing by the volume to arrive at the realization, and if I could quote the realization, the realization for Hazira is about 699, Dahej is 620.

D. Muthukumaran: Maybe we can...

Achal Lohade: We will take it offline, no problem.

D. Muthukumaran: Yeah, we can do it offline, but it's actually gone up, right?

Achal Lohade: I will come back to you. Let me take it offline. And this last question if I can with respect to the volume.

D. Muthukumaran: Sorry, just to close out on that, based on publicly published number that we have given out to you also, if you do the division, it should show that actually in both places we have gone up by at least, I mean in double digits, not gone down, but we can take it offline.

Achal Lohade: Sure, my bad, actually it is pertaining to Gangavaram where the realization is lower, but I will take it offline. The real volume is up about 4% for the quarter. So, how do you see? You have said the overall logistics has done extremely well for the quarter as well, but particularly on the real volume, continual real volumes, if you could throw some light as to how we have processed the peers and the outlook?

Divij Taneja: Divij this side. So, what we have started doing new is we have aggressively started moving from road to rail, and this is reflected in the numbers that we are seeing. This is specifically coming in from the Mundra belt. We have taken a lot of cargo that was traditionally moving by road, and we have put them onto our domestic boxes and pushed them across.

Ashwani Gupta: And I am very glad that you have recognized it because in every quarterly call, people have many questions on logistics. And in every quarterly call, we have been saying that our next focus is logistics, to start with group logistics because we have so many group transportation from cement to energy to everything.

So, just to give you figures because you talked about the competition, in the first half, the number one logistics player, who is our main competitor, grew 6%, whereas our rail volumes increased

11%. And as Mr. Divij has explained with our new strategy, our competitor, domestic volume increased by 15% year-on-year, whereas ALL Adani Logistics' volume increased by 47% year-on-year. So, which means the strategy which we explained about last mile connectivity, which is connecting rail, road, ICDs with the ports have started working and we will see the traction in the coming months because of evolution and execution of our strategy.

Rahul Agarwal: And Gaurav, just to close out on your previous query, in this particular quarter, our revenue per MMT was 535 and corresponding quarter last year it was 550. So, we have seen an increase in our overall realization on a Y-o-Y basis.

Moderator: Thank you. The next question comes from Priyankar Biswas from BNP Paribas. Please go ahead.

Priyankar Biswas: So, sir, my first question is since Tanzania has been integrated it seems, can you give us an idea of, let's say, the quarterly volume revenue and profitability of this asset? That's the first one.

So, for Tanzania, I am asking for what was the volumes, the revenues and the profitability for this asset in this quarter?

Ashwani Gupta: We actually give only the volume.

D. Muthukumaran: And the volume for this quarter is actually 3 million tons roughly, I mean, approximately.

Priyankar Biswas: So you do not provide the revenues and profitability for this asset, if I understand it right?

D. Muthukumaran: Not right now, Priyankar.

Priyankar Biswas: The other question is since this just came up in the previous question, you highlighted that the Dhamra Port may have some impact of, let's say, Cyclone Dana because of the landfall that it made close to Dhamra. So, what can be the kind of impact or how much time would it take for us to come back to a relatively normal level of operations, if I may ask?

Ashwani Gupta: So, the impact was for four-and-a-half hours, and there was no physical damage, and there was no human impact. So, four-and-a-half hours already we have recovered. So, absolutely the port is running in great condition now.

Priyankar Biswas: And one more question that I have as this pertains to Gangavaram, what do we understand is that the RINL steel plant that supports some of our volumes over there, that is facing a significant working capital crisis, because of which it's almost kind of non-functional. So, any idea when these volumes can come back, or what is the stage of negotiations active there, so that our volumes can ramp up?

Ashwani Gupta: See, as you know, this has been the historical situation as far as the particular plant is concerned. This is not the first time they are actually facing the working capital crunch. But they actually come out pretty quickly as well, usually in a matter of months or two. So, we expect that actually we will, I mean they will and often times they also get the support sort of from the government and other people concerned, banking etc. So, they come back pretty quickly. So, we expect that this time also they are nearly there, and they should come back from there.

Rahul Agarwal: And Priyankar, just to put things into context, the proportion of cargo from RINL related to the overall cargo in Gangavaram is just about 10%. So, it's not a very material contribution.

Priyankar Biswas: Can you repeat that? You said 10% of the…

Rahul Agarwal: Yeah, of the Gangavaram volume.

Priyankar Biswas: And sir, if I can just squeeze one more in. So, I understand that we have been developing LNG-related assets as well. So, how are we in terms of utilization of these assets, let's say, in comparison with the prime competitor in the country?

Ashwani Gupta: Sorry, in comparison to, what is the last part of the question?

Priyankar Biswas: Competitor.

Priyankar Biswas: The main competitor in the country?

Ashwani Gupta: The LNG terminal you are asking.

Priyankar Biswas: LNG, yes.

Ashwani Gupta: So, see, LNG, the production ramp up is happening or rather the utilization ramp up is happening as planned. You are talking about Dhamra. And in any case, what we have there is actually a take or pay contract.

Moderator: The next question comes from Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Sir, just wanted to understand this volume guidance we have maintained for the full year. So, based on the kind of subdued volumes in some of the months in the first half, so it's a pretty tall ask for the second half. So, how confident we are on this volume guidance? Just some color on that.

Ashwani Gupta: Yeah, I think as I said before, containers we are very much confident. The agro and fertilizers are coming back with the opening up of things. So, we are very confident. In addition to that, we have Gopalpur and Tanzania and so on, which are in addition. So, that's why we re-emphasize today our guidance with the volume between 460 to 480. We are very much confident of achieving that.

Alok Deora: And sir, this logistics business, we have done pretty well on the growth side. But the margins have kind of still been lower than what we were doing last year. So, just wanted some understanding on that, because as we scale up, margins we would expect it to slightly be better or equal to what we were doing previously. So, how are we seeing the margins here or it's more of a support play to the ports business and so margins really don't really matter much in that sense?

D. Muthukumaran: So, we explained in the previous quarter as to why the margins have been going down, and we had also mentioned at that point in time we could see that in quarter 2, the margins should actually show you the increasing trend. So, this quarter we are talking about a margin of 27% as opposed to 25%. I think you are comparing with the Q2 of the previous year and this particular hit on margin on couple of items to name out one, busy season surcharge started in Q3 and Q4 of the last year.

So, therefore, actually, in short, the margins are coming back, and we expect the margin to stabilize to the levels that we actually have seen in the past in the coming quarters. In short, we have been able to pass on the cost increases to the customer. We have done it over a period of time. We haven't done it on day one, but as of today, all the cost increases have actually been passed on. So, you will see that the margins come back to the same level as previous year.

Moderator: The next question comes from Ketan Jain from Avendus Spark. Please go ahead.

Ketan Jain: Sir, my first question is on the growth in volumes. What were the key drivers for our volumes for this quarter, especially containers and at Mundra and Dhamra?

Ashwani Gupta: So, the main growth pillar in this quarter was containers. The ports in the first half, Mundra grew by 17.6%, Karaikal grew by 6.5%, Ennore grew by 36.3%, Kattupalli grew. So, you can see the container handling ports grew much and then most important Dhamra, because of the natural minerals and the coal, grew by 18.6%. So, it's a very well balanced between West Coast, South Coast and the East Coast driven by containers and the dry cargo. And we do believe that this is going to continue because Gopalpur has already started contributing significantly from October.

Ketan Jain: Also for the coal volumes, is it because more of an inland shipment? Is it because of that?

Ashwani Gupta: I think, most important is, if you look at all India growth, coking volume has been flat in the first half, whereas the imported thermal coal has grown by 4.8%, but coastal coal has only grown by 2%, which is very marginal. So, it looks to be this kind of story, but at the end, this is what is the all India cargo. In all this cargo, we have captured the market share. So, we have grown our market share in this, and that's where we are pitching.

The only commodity which has de-grown at all India level is the iron ore which has gone down 10.2% all India level and the fertilizer which has gone down by 24.1%. So, that is something which is all India cargo which has gone down. Iron ore, because of the international pricing, as we all know, and fertilizer, which are very much linked to the government opening of the tenders.

For the fertilizers, now we see the opening of the tenders. So, the cargo has already started coming in, in the month of October.

In iron ore, Krishnapatnam has got a challenge because of the logistics cost, but now Dhamra and Gopalpur is capturing the iron core because of the competitive logistics cost. So, that is why even if all India volume is down on iron ore and the fertilizer, we are going to pick up in the second half of this year.

Ketan Jain: My last question is on capacity expansion. What can we expect in next 3 to 5 years expansion in the current domestic ports, like where are you looking to expand? Where is higher demand relatively?

Ashwani Gupta: So, as you can see in our presentation, we have a very good balance between business commodity mix and the business asset mix, which means across the 7,500 kilometer of coastline, we have the ports, as you know, but because we handle container dry and liquid, all the commodities, so we can easily absorb the risk, and we can maximize the opportunity. This is what we have been doing.

So, having said that, we are increasing our capacity almost everywhere. So Mundra, Hazira, then Kattupalli, then Dhamra. Now Gopalpur we have just acquired, so we are not. We are just refurnishing some of the equipments. Krishnapatnam, Gangavaram, I think everywhere, somewhere we are doing something because we know that we have to prepare ourselves with the growth, which will be 2x than the India growth.

So, as we speak, we are investing in the capacity, and as we have explained in our financial discipline, that we have enough cash being generated from the operations to fund our mid-to-long term capacity. And this capacity, number one, is to sustain the current assets. Number two, to invest in the technology, which is the digital platform we have developed end-to-end. And number three, in the greenfield projects in the future. So, to answer your question, we keep on investing in increasing our capacity. Hope it answers your question.

Ketan Jain: Sir, is it possible to quantify any expansions, like any plans you have, any quantification in terms of capacity in million terms?

D. Muthukumaran: See, I think there are multiple ways in which we can answer this question. First is, one detail that we give every year at the beginning of the year is broadly the CAPEX plan that we have by port, which is there in the investor deck, where we are talking about in this particular year, we are talking about in Mundra, equipment for T3 to expand the capacity, the South Port Rail Head, which is SPRH, material handling system for a new customer.

In Gangavaram, we are doing yard mechanization, and we are actually importing new GSUs there. In Dhamra we are doing railway doubling and birth construction. So, we are giving details of the specific CAPEX plan by port in the investor presentation.

In terms of the birth capacity itself, we see, I can tell you now, instead of a year-by-year, a block of let's say 5 years where we see actually birth will sort of expand in capacity across almost all our ports.

So, it's only a question of which one comes when, but on our overall basis, we will be investing across all our major ports. And if you want to give an order in the next round of expansion, we are talking about potentially a container terminal in Mundra, we are talking about a multipurpose terminal in Dhamra. And as you know, our VLCC terminal in Mundra is sort of getting commissioned soon. Our Vizhinjam Port is getting commissioned soon. Sri Lanka will be getting commissioned. So, yeah, these are the upcoming commissioning and ongoing expansions.

Moderator: The next question comes from Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: The first question that I had was more on the logistics part, specifically varying logistics. I wanted to get a sense of across all MMLPs, where are we getting a lot more market share, leading market shares in this business? And what is driving that market share's kind of improvement? Is it pricing? Is it service levels? What is it?

D. Muthukumaran: Hi, Aditya. So, the market share that we are getting into is not from any other MMLP. This is primarily a conversion from road into rail. As you are aware with the DFC coming in, the ability to double stack is increasing. So, comparable to the road, as the distance gets larger, we are able to double stack and eat into those markets.

Aditya Mongia: So, the second question that I had was this observation that there is a line item in the cash flow statement talking about payment rates or observation of subsidiaries. And this is about 850 crores, this first half was I think 2004 number last year. Last year it was suggested this is more into acquisition of land parcels. I want to get a sense of if there are similar kind of sources this year, or where is the money being invested inside?

D. Muthukumaran: I think you are talking about the number which is 835 crores in the cash flow statement. As we have mentioned there, it is for two purposes. One is acquisition of Tanzania and the other is acquisition of various land parcels. I may have to zoom out a little bit to explain this context.

You may recall when we actually talked about the logistics strategy, we said that actually ahead of the market in anticipation of our new facilities coming in, we are acquiring land across length and breadth of the country, where we have mapped out MMLP and ICDs are coming up and warehouses are coming up.

This follows the detailed study in our strategy as to where there is a market, and clearly, the existing industrial clusters is what we have assumed. We have not assumed any new industrial clusters in the geography coming up. So, our expansion plans in MMLPs and warehouse and ICDs are in and around the existing industrial clusters.

You might remember that actually we have been commissioning MMLPs in the recent past, Nagpur, Virochannagar, we are working on various other across the country. So, we are buying land across, and the land will get bought usually anywhere between 2 to 3 quarters of giving land advance.

Aditya Mongia: And I would assume that these capital new subsidiaries that have been added in this quarter are also linked to this kind of endeavor. Is that fair assessment?

Ashwani Gupta: Sorry, we could not hear the speaker. Could you repeat please?

Aditya Mongia: No, sir, I think let's move on to the next question, I hope I am audible to you. This Tanzania, 3 million tons, is this part of the volume numbers for this quarter for you? And B, what will be the Gopalpur contribution as well as the Vizhinjam and Colombo contributions of second half as per you?

Ashwani Gupta: So, yes, 3 million is part of the 220 that you actually see for the half year, and as far as the Gopalpur is concerned, at the time of acquisition, we have actually told you what the broad numbers of the past is. We will actually see that the numbers of Gopalpur will be along the lines that we presented during the acquisition, so which is anywhere between 800,000 to 1 million tons per month.

D. Muthukumaran: And the Vizhinjam run rate should be around 50 to 60,000 TEUs a month.

Moderator: Thank you. The line for the current participant has been dropped from the queue. So, we will move on to the next question. The next question comes from Nidhi Shah from ICICI Securities. Please go ahead. As there is no response from the line of the current participant, we will move on to the next question. The next question comes from Bharani Vijayakumar from Avendus Spark. Please go ahead.

Bharani Vijayakumar: So, you mentioned about higher rail volumes for logistic business this quarter. So, can you highlight the rail coefficient in major container ports like Mundra and say Hazira and others in this particular first half compared to the same period first half last year?

Divij Taneja: 32. So, roughly at Mundra, 32% as of this year. This includes both the import and the export volumes. Import is slightly higher at about 46%, but it averages out to 32%.

Bharani Vijayakumar: So, how much would it have been last year, sir, same time?

Divij Taneja: It would be roughly around 31% last year.

Bharani Vijayakumar: So, like that, can you say in which other ports that rail coefficient has increased?

Ashwani Gupta: We expect rail coefficient to increase in Dhamra, where we are actually putting in a double line. And the rest of the ports actually, as you know, are rail evacuation at this point in time is not directly owned by us. So, these are the two which is important.

Bharani Vijayakumar: My second question is on this particular quarter's performance on volume. So, we had seen strong volume growth in coal and in ports like Mundra, Krishnapatnam, Dhamra. And this is in light of the overall economy seeing some slow down, like even power generation was lower. There has been some slow down in other parts of the economy. So, in that light, it is definitely a very good performance. I heard you mention that we have done well because we have also taken market share or market share has increased, but can you spend some more time on specifically what is driving this good volume growth in Mundra, in coal, in Dhamra, in Krishnapatnam?

Ashwani Gupta: No, I think I try to answer your question that the India growth is being driven by infrastructure, energy, industrialization and industrialization that too medium-to-high end, capital intensive industrialization and the food and fertilizers. There could be a shift in the trend of each of the commodity, but at the end, because we are into all these four pillars, we are capitalizing all the four pillars.

So, even if the iron ore volume, all India level went down, fertilizer didn't come up, but on the other side, the agri volumes, especially pulses and sugar, they grow by 32%, all India volume, right? When we look at iron and steel, all India grew by 6%. When we look at cement, it grew by 3.9%. When we look at POL products, they have grown by 3.9%. LPG, LNG grew by 15.5%. And the container volumes grown by 12.3%, out of which we grew much more and that's where it is. So transshipment volume in India grew by 63.4%, and now with Vizhinjam, we will get there also.

So what I am trying to tell you here is that we are getting more market share because of our asset and because of our competitiveness from each of the commodity, which is growing either marginal or exponential, and that is a result of that we grew our market share from 26.4% to 27.3% in the H1 FY '25 which is comprising of all the commodities, but also which is comprising of all the ports, all the major ports in West, East and South Coast.

Bharani Vijayakumar: So, if I may squeeze in one last question, our ports' EBITDA margins have grown from 71.5 to 72.3. I think maybe 80 bps increase. Like anything specific driving this because is this driven by realization increase?

Ashwani Gupta: So, basically, in our ports, what is most important is operational efficiency, but also what is also important is the commodity mix. So, more and more we are growing in containers, definitely we have overall EBITDA margin which is better because containers gives us a good return. So, that is the combination of operational efficiency, but also that we are doing more container mix in our portfolio.

Moderator: Thank you. The next question comes from Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: My first question is that if I look at the domestic port EBITDA per ton versus international port EBITDA per ton, domestic port EBITDA per ton is significantly higher. So, could you just explain what the dynamics are here? I understand it is not like all right, but given the EBITDA margins for even Tanzania included now have not materially changed the profile, what are your thoughts going forward? Would this be the new normal?

D. Muthukumaran: Actually, it's a very good question because India is a homogeneous market and all the investment that we make outside India, the market is a bit heterogeneous. It's not exactly sort of comparable, and what is important instead of just giving the metric of EBITDA per ton, what is important is actually what is our value creation journey and are we tracking the value creation journey. So, we would urge that actually you look at that and EBITDA per ton is not comparable.

Sumit Kishore: So, could you give us a metric on ROCE if you compare international?

D. Muthukumaran: ROCE we have 15% return on equity in Indian rupee term as the threshold.

Sumit Kishore: So, international, although it's early days yet for Hazira and Tanzania, but they are above this threshold.

Ashwani Gupta: Yeah, Tanzania is above the threshold. It's a mature market and mature port, and in times to come, we may embark on an expansion journey. So, at that time you need to actually wait for fruition of the CAPEX, but at Sri Lanka also you will be able to see it in the next couple of years. We are on that journey. So, yeah, you have to actually see it at the right point in time as we ramp up and complete the ramping up, you will be able to see the return.

Sumit Kishore: My second question is on the SEZ in port development business. We have seen revenue of only 170 million of rupees for the quarter. I mean, my question is with so much SEZ development over the years, why isn't a recurring income from lease rentals above a certain threshold on a quarterly basis? So, just more from my understanding, why isn't there a recurring lease income?

Ashwani Gupta: You know, we have actually spoken about this in the past. What we want to highlight here is that actually it is not a quarter-by-quarter comparable number. What is important is the fact that we have a land bank in the ports that we have actually talked about in the presentation. We have it in multiple ports, and we will over a long period of time unlock value from here, and it will not be uniform quarter-on-quarter. You will see that in some quarters it spikes up, and in other quarters it remains subdued.

Sumit Kishore: No, sir, I completely appreciate that. So, are the contracts not structured with some periodic payment on a rental basis as well? Because that used to happen in the past. So, is there some change in how contracts are structured?

Ashwani Gupta: Oh, it's a good question. Actually, I could have answered it earlier itself. Point taken. Actually, what you see in this quarter, there is no one-off income. So, all these in this quarter is coming from the fixed contract. So, if there are no new contracts, this money will keep flowing for the next many years to come.

Moderator: The next question comes from Jinesh Kothari from Elara Capital. Please go ahead.

Jinesh Kothari: I have had one question regarding our logistic rail volume. So, you mentioned in your commentary that there is a shift happening from road to rail, but if I see for the particular quarter, the volume numbers are a mere growth of 4%. So, was there any particular commodity that affected this growth in our rail TEU volumes or was it something cyclical in nature? So, just wanted some insight on that part.

Ashwani Gupta: Yeah. So, the main commodity that we have gone after is an agri-based commodity. So, this is primarily a domestic place. So, while you look at the number as say 4%, the circuits are being established as we speak, and the number is bound to increase after that. But to answer your question specifically, it's conversion of road cargo specifically on agri and both, on inbound and outbound.

Jinesh Kothari: And I just wanted to get a sense on the CAPEX part. So, out of the total guidance that we have highlighted for the year so how much CAPEX had we incurred in the first half and the balance that we are aiming in the second half?

Ashwani Gupta: So, the amount of CAPEX that we have spent in the first half is close to 4,400 crores and the guidance stands. So, we are anticipating that we will spend the rest of it in the next two quarters.

Jinesh Kothari: And just to squeeze in the last question, the volume, you highlighted some of the avenues that you are aiming that will compensate the volume growth and future guidance. So, just a ballpark number, if you can provide like Vizhinjam, Gopalpur and the Tanzania in the second half, how likely or how is the quantum of volume that we are aiming from those three, four ports that we are looking to add in the second half?

Ashwani Gupta: See, we told you that actually the sources of volume increase in the second half will happen from both the buckets. Number one, the new ports that we have added in the portfolio, either M&A or CAPEX in Greenfield. And the second bucket being a ramp up of volume in existing ports. As to your question on the first bucket, Gopalpur, we told you 800,000 to a million is what we anticipate in monthly volume. And Vizhinjam, actually, Rahul mentioned, let's say 50,000 TEUs, which is approximately 7,50,000 tons per month of volume. And Tanzania, we told you 3 million for this quarter. So, it's a reasonably representative number.

So, that is actually the volume increase from the three new additions that we see. And Colombo will most likely be commissioned towards the end of the year. So, we will probably not have much to be contributed from Colombo in this. And the balance that we expect volume ramp up is across ports, but fundamentally led by Mundra, Gangavaram and Dhamra maintaining its course and little bit pick up in Krishnapatnam. So, these are the four ports that we expect volume drivers to come from.

Moderator: Thank you. The next follow up question comes from Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: So, firstly, I wanted to ask on the ABPO. So, this quarter, you are seeing that the that the revenues are much, much lower. Is this primarily because this was planned by the company or is this something that that just happened this quarter?

Ashwani Gupta: Sorry, which one?

D. Muthukumaran: Which business you are asking?

Nidhi Shah: ABPO. ABPO business. We are seeing that the revenues are much lower compared to last quarter. What is the reason for that? Is that a planned move?

Ashwani Gupta: Sorry, that particular word is not clear.

Nidhi Shah: ABPO.

Ashwani Gupta: What exactly are you referring, ma'am?

Nidhi Shah: I am referring to the ABPO business. Basically, it's called out in your slide separately.

D. Muthukumaran: Could you give us the slide number, ma'am?

Nidhi Shah: Yes, one second. In the meantime, if I could just ask you another question while I look for it. So, as we know that the Vadhavan Port is coming up in Maharashtra as well as the Murbe Port, do we see that these ports will bring some competition in terms of containers for Hazira and Dighi Port? And also, I understand that Mundra is much further away, but they all share the same hinterland. So, do we expect some kind of competition once these ports come up?

D. Muthukumaran: So, competition is always good, but you know that all India capacity is been increasing. So, by 2047, India is looking for 10 billion tons of capacity. So, anyhow, when Vadhavan will come in, it will give us more opportunity to capture more market share. That's what we are looking in Vadhavan. And Vadhavan is also an opportunity for us, not a risk for us.

Nidhi Shah: Just to come back to the first question, in the, apologies, instead of ABPU, I meant to say SEZ and port development.

Ashwani Gupta: Port development, that's the same thing that we spoke about, which is SEZ income, which actually we spoke in the last question. So, we have two types of income coming from there. One is annuity type of income, which is lease rental. We told you that this year or this quarter, we only have annuity. So, therefore, this is the minimum income that we will get. And every time we complete a development of a port and do a transaction, you will have one off port development.

Moderator: The next question comes from Luke Chua from Pictet Asset Management. Please go ahead.

Luke Chua: Happy Diwali, and thank you for the last question for myself. Just one thing. In the presentation and the release, there was something that I wanted to look at was your net debt to EBITDA. It was number 2 in one of the presentations. But in the release statement, it was, on the TTM, it was 2, right? And you got it 2.2, 2.5x forward looking. And if I take your excellent EBITDA and call it 18,000 crores and above, and your CAPEX, as you said earlier, of 11,000 crores and above, you would draw a lot of free cash. So, if that is correct, then are you not going to use the money to deleverage further? Or the cash would become just dividends going up further?

D. Muthukumaran: Yes, actually, the September net debt leverage number is 2. And we anticipate at the end of the year, this number will be in the broader region that we have guided, which is 2.2 to 2.5. Fundamentally, because two events that have already happened as we report, but post September in the month of October is the acquisition completion of Gopalpur and acquisition completion of Astro. And as you might have observed in this conversation a few moments ago, our CAPEX for the next half is going to be more in the region of 6,500 crores. So, given a higher utilization in H2, we estimate the EBITDA range to be in 2.2 to 2.5.

Luke Chua: No, I understood, but it seems then that if your cash flow conversion is as high as I think the most previous year, you should draw out a lot of cash. Or did I miss something here? Because your CAPEX is going to be 11,000 to 12,000 crores, correct?

D. Muthukumaran: Yes. No, so in case if our cash conversion is more, we have just said that actually, our long-term target for debt is 2.5 leverage. So, we will take appropriate actions, not based on one quarter, but it has to be probably seen consistently over a few quarters before we can take action in terms of equity adjustment, dividend or buyback, et cetera.

Luke Chua: So, I think it's more of a medium-term target there.

Ashwani Gupta: That's correct. It cannot be based on one single quarter number. It will have to be sustained over a period of time, and then we would actually watch it and then obviously calibrate to 2.5 long-term targets based on the expansion plans and acquisition plans that we come up with.

Thanks for the participation. It is particularly appreciated in light of the fact that the festival season has already started. Happy Dhanteras to all of you. Happy Diwali to all of you. We hope actually you have a good festival. Please do reach out to us, particularly Rahul Agarwal. He is the contact manager. We will be very happy to answer any questions that we have not answered now. And we have seen that there are some questions coming up on the board, so please do feel free. We will be happy to answer them. Thank you very much.

Moderator: Thank you. As there are no further questions from the participants. I now hand the conference over to Mr. Achal Lohade for closing comments.

Achal Lohade: We thank the management of Adani Ports and SEZ for giving us the opportunity to host the call. Thank you all for being on the call. Thank you so much. Have a good evening.

Moderator: Thank you. On behalf of Nuvama Institutional Equities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.