Adani Ports &Special

Operator: Good day, and welcome to Adani Ports and Special Economic Zone Ltd. Q2 FY27 earnings conference call hosted by Antique Stock Broking. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the 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. Pallav Agarwal from Antique Stock Broking. Thank you, and over to you, sir.

Pallav Agarwal – Antique Stock Broking: Thank you, Yusuf. Good evening, ladies and [inaudible] including Mr. Krishna Menon, the CFO, Mr. Niraj Bansal, the Head of Ports, and Mr. Rahul Agarwal, the Head of Investor Relations and ESG. Today, we will discuss the Q2 FY27 results and the outlook going ahead. I would now like to hand over the call to Mr. Rahul Agarwal, the Head of Investor Relations and ESG. Over to you, Rahul.

Rahul Agarwal – Head of Investor Relations and ESG: Thank you, Pallav. Good evening, and welcome to the Adani Ports Q2 FY27 earnings call. We will begin with opening comments from Mr. Ashwani Gupta, and then we will open the floor for Q&A.

Ashwani Gupta: Good evening, and thank you for your ongoing interest in our business. Following a strong Q1, momentum accelerated further in Q2. Consolidated revenue grew 24% year-on-year to 11,340 crores, while EBITDA increased 23% to 6,807 crores. Importantly, growth is broad-based, with all four engines—domestic ports, international ports, logistics, and marine—delivering strong performance.

The strength and visibility of this growth give us the confidence to raise our FY27 guidance. We are increasing both our revenue and EBITDA expectations by 1,000 crores. We now expect FY27 revenue of 44,000 to 46,000 crores and EBITDA of 26,000 to 27,000 crores. We are also increasing our FY27 capex guidance by 3,000 crores.

Coming to the details, the domestic ports business delivered 13% revenue growth while maintaining an industry-leading EBITDA margin of 72.5%. We are increasing our domestic capacity to 1 billion metric tons, with multiple ports, including Mundra, Vizhinjam, Dhamra, Kattupalli, and Ennore, in various stages of expansion. The recent 18-million-metric-ton expansion at Paradip is a key milestone, reinforcing our east coast franchise and strengthening our access to the mineral and industrial heartland of eastern and central India.

The international ports business delivered its best-ever performance. Revenue grew 71% to 1,839 crores, while EBITDA more than tripled to 878 crores. EBITDA margins expanded sharply to 47.7% from 24.2% a year ago, demonstrating the operating leverage, scale effects, and earnings potential embedded in our international port portfolio. CWIT Colombo achieved a remarkable milestone of handling 2 million TEUs within just 18 months of operations. We are doubling the terminal capacity from 1.6 million to 3.2 million TEUs, strengthening Colombo's position as a key transshipment hub on the east-west trade corridor.

Our integrated shore-to-door logistics network continues to gain scale and strengthen its market position. Q2 FY27 logistics revenue grew 21% year-on-year. After a temporary slowdown in Q1 due

Report is AI-generated and may contain inaccuracies.

to disruptions arising from the West Asia crisis, container volumes rebounded strongly, growing 15% sequentially in Q2. What is particularly encouraging is the rapid growth of our asset-light and asset-zero businesses. Truck revenue increased 28% year-on-year, while integrated freight network revenues more than doubled over the same period. This momentum demonstrates the strength of our integrated shore-to-door model and our ability to capture a larger share of our customers' supply chains.

Our marine business delivered another strong quarter, with revenue growing 57% and EBITDA increasing 32%. This performance reflects the strength of our diversified marine platform, supported by fleet additions, expansion into new geographies, and our strategic entry into subsea solutions. Today, our fleet has grown to 138 vessels, making it one of the largest and most diversified marine fleets globally.

Growth has accelerated while financial discipline has remained intact. We have deployed more than 30,000 crores of capex in the past 2 years while maintaining net debt-to-EBITDA at 1.8x, demonstrating the strength of our business model and our capital prudence.

As we move into the second half of FY27, our outlook remains robust, with diversified growth engines, industry-leading margins, and a strong balance sheet supported by a disciplined approach to capital allocation. APSEZ is uniquely positioned to create long-term value for our stakeholders. Thank you.

Rahul Agarwal – Head of Investor Relations and ESG: Thank you, Ashwani. Moderator, we can now open the floor to questions.

Operator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use a handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora – Motilal Oswal: Hello, good evening, and congratulations on pretty decent numbers. I just wanted to understand a couple of things. One is that there has been strong traction in the logistics business, which was somewhat muted in the last few quarters. What has changed there, and is this kind of double-digit growth sustainable ahead? That is question number one.

Also, if I look at the overall margin, we are back to around 60% at the blended level. However, if we look at the guidance for the full year, we are looking at some moderation ahead, more like 58% or 58.5%. What are your thoughts on that? You have increased the guidance, but even on the revised numbers, the margins come in a notch lower. Are we looking at some pressure on margins ahead? These would be the two questions, please.

Management: [long pause] Hello?

Sorry. Hello, can you hear us?

Report is AI-generated and may contain inaccuracies.

Alok Deora – Motilal Oswal: Yes, yes, please. I hope you got the questions.

Management: Yes, I got the question. Thank you. I think the growth in logistics is very much sustainable, and it is going to improve day by day because we are really executing the strategy that we discussed. What is the strategy that we discussed? We discussed that we are going to use fully integrated multimodal logistics not only to capture Indian trade growth, but also to capture cargo from our neighboring ICDs using, first, trucking, and second, the international freight forwarding business. That is helping us bring more and more cargo to our ICDs. That is number one.

Number two is that, with all the 12 ICDs, Virochannagar, one of the biggest ICDs, and Malur were at a ramp-up stage, and now both are moving toward growth.

On one side, we are seeing growth in ICDs such as Patli and Tumb, among others. On the other side, the new ICDs, Virochannagar and Malur, have also started ramping up. Therefore, you will obviously see growth.

Of course, rail and ICDs are directly linked to trade. However, when it comes to trucking, EXIM, and international freight forwarding, these are all businesses where there is unlimited opportunity in trade and an open playground to operate in. That is where we believe—and believed 2 years ago, when we launched Ambition 2030—that logistics is going to be one of our pillars moving {? forward ?}.

Management: EBITDA margin, I think.

Management: Regarding EBITDA margin, when we provide guidance, we provide it based on a hypothesis. This is not mathematics. Q1 results are mathematics, and Q2 results are mathematics, but the Q3 and Q4 forecasts are not mathematics; they are assumptions. That is why we have given a range for EBITDA as well as revenue.

Please do not divide the figures to arrive at 58.2% or 58.3%. What we can promise you is that, on one side, we maintain very strict cost discipline in our operations, as we do in terms of cost per ton, and on the other side, we capitalize on every opportunity on the revenue side, which you would have seen in the Q2 results. Therefore, it is too early to say whether it will be 58.2% or 60.2%. Please wait until Q3 and Q4.

Alok Deora – Motilal Oswal: Sure. Just a follow-up question. While the guidance for revenue and EBITDA has been increased, the capex number has also been increased. What is the specific reason for that? Also, are we scouting for any international acquisitions, and what has been the status there? Could you throw some light on that? Thank you.

Management: [hesitates] First, the increase in capex does not include any international capex. Even organic capex—I am not talking about inorganic capex—we have not included, or rather, we have not estimated, any capex that we will incur in the increase. This increase in capex is mainly in India, where we are accelerating projects because we clearly see the potential.

Where do we see the potential? We see the potential in Mundra, where, in Q1 and Q2, we were running at close to 90%, 91%, and 92% on average, because some of the terminals were running at more than 100%.

Report is AI-generated and may contain inaccuracies.

When we had the disruption in the Middle East, especially in transshipment, where we had to store the cargo to support the maritime industry and the country, we saw that disruption at our port. On the other side, we had CT5, which we are starting in a few weeks from now. We definitely missed the opportunity to have the additional capacity that we will be launching very soon at CT5.

Based on that prediction and the fundamentals of Indian economic growth, we are accelerating our capex investments in Mundra, Dhamra, Hazira, and the other ports, mainly Mundra, Dhamra, and Hazira, and of course Vizhinjam.

As you may recall, a couple of months ago we launched EXIM operations at Vizhinjam, and the traction has been extremely good. Of course, we are waiting for the whole port ecosystem—the highway, the railway, and so on—to come into place, but the traction is really good. That is why we are accelerating capex in India to anticipate that growth. We are already seeing the growth, and we are just waiting for CT5 to start operations.

Alok Deora – Motilal Oswal: Are there any international acquisitions that you can indicate are on the radar, or anything that we are looking to close?

Management: We continue to evaluate international acquisitions. We have more than 20 opportunities around the world that we are evaluating today. However, as I shared in the previous call, our acquisition criteria are very clear.

The first criterion is that any acquisition we undertake should contribute to the top-line as well as the bottom-line growth of APSEZ, and the growth should be at least equal to or greater than APSEZ's growth. That is the first fundamental.

The second criterion is geopolitics and macroeconomics. The third is funding and financing in that market. The last is the leadership team or partner in that market. If we meet all four criteria, we will definitely proceed. As I said, we are evaluating around 20 international assets around the world.

Alok Deora – Motilal Oswal: Got it. Thank you, sir. That is all from my side.

Management: Thank you.

Operator: Thank you. The next question is from the line of Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade – Nuvama Institutional Equities: Good evening, sir. Thank you for the opportunity. Congratulations on an excellent performance. I have two questions. First, if I look at the EBITDA margin for the international business, it has expanded from 41-42% in the last two quarters to 47.7% in this quarter. Could you call out what has driven this, how sustainable it is, and whether we can expect further margin improvement? Some guidance on this would be great.

Management: The main contribution is coming from Colombo, and Australia is also doing well. The reason it is coming from Colombo is that it is a fully automated terminal.

On one side, we are achieving the revenue that we anticipated. On the other side, the volumes are much higher than expected for two reasons. Number one is the overall trade cargo, and number two

Report is AI-generated and may contain inaccuracies.

is the efficiency and customer satisfaction that CWIT is able to provide compared with its competitor in the Port of Colombo.

I have talked about revenue, and I have talked about volume. The next and most important factor, which is also linked to the increase in volume, is the operational excellence that CWIT has already achieved because of its high level of automation and the excellent team we have there. That is why we are able to handle more volume with the existing setup, but at a lower cost.

That is why the realization at CWIT is becoming a new benchmark for us with the automated container terminal, and it is going to be sustained. It may increase because, as we move to 3.2 million TEUs, there will definitely be a greater economies-of-scale effect.

Management: Just to add to that, Achal, the proportion of Colombo in aggregate revenue will also increase as CWIT Phase 2 starts getting commissioned, and that is obviously coming at a higher margin. Therefore, there is potential upside there.

In addition to the consolidation of Australia coming into effect and CWIT, we have also had very good throughput in Tanzania. Tanzania delivered its highest-ever container volume during Q2. That has also been a positive for us.

Achal Lohade – Nuvama Institutional Equities: Perfect. Sounds great. The second question I had is whether it is possible to get some sense of the impact of INR depreciation on India port EBITDA. What kind of impact would we have seen on a year-on-year basis, and what kind of delta would we have seen in terms of the percentage of revenue?

Management: Achal, obviously, it has had an impact. However, we do not break revenue down into those individual components. It has obviously had a positive impact on our overall revenue composition.

Achal Lohade – Nuvama Institutional Equities: Got it. Just one last question, if I may, with respect to the SEZ. Earlier, it used to be an annual run rate of around 500 to 600 crores. How should we view where we are with respect to the SEZ, because increasingly we do not discuss it as much? Could you provide some clarity on the status of the different locations? Is there anything meaningful that we can expect over the next couple of quarters?

Management: That is a great point. In addition to domestic ports, international ports, and logistics, we now have a total of 31 P&Ls, so SEZ definitely receives less attention. However, it is one of the important pillars.

In the last 2 quarters, we did not focus particularly on the land, but this remains an area of focus. First of all, we want to capitalize more and more on Mundra, which we are doing, including by building warehousing and so on. We are also considering capitalizing more on what I would not call an SEZ, but more of an industrial zone, especially in Krishnapatnam and Dhamra, where we have land parcels available and hope to get more cargo because of the industries.

You are right that the SEZ was kept at a low profile over the last 2 quarters, but that does not mean that we have forgotten it. We are just looking for the right opportunity to establish industries there.

Report is AI-generated and may contain inaccuracies.

Achal Lohade – Nuvama Institutional Equities: Got it. If I am allowed one further question, you have incorporated a subsidiary in Oman. Could you comment on this particular geography?

Management: As I said, we are evaluating more than 20 assets globally. Country by country, the feasibility study requires a different kind of setup. That is why we opened the subsidiary, and it is simply part of the feasibility study we are conducting. Nothing has been decided.

It is the same as the feasibility study we conducted in the UK. We are conducting feasibility studies in Europe, the US, and everywhere else. Nothing has been decided today, but this is certainly part of the 20 projects that we are studying around the world.

Achal Lohade – Nuvama Institutional Equities: Got it. Great. Thank you. I will come back in the queue. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Paras Jain from HSBC. Please go ahead.

Paras Jain – HSBC: Thank you, and hello, {? Ashwani ?}. I have two questions, if I may. First, following on from the discussions around international expansion, is it fair to say that, as you explore opportunities across the world, you are also becoming cargo-agnostic in terms of your acquisition targets, or will they still be predominantly container-focused? Also, is it fair to understand that those 20 targets are primarily in developed markets, as you articulated earlier?

Management: Thank you. We have a slightly different way of looking at international assets. In India, we know exactly what we want to buy, how we want to buy it, and how we are going to fix it. This means that we know exactly that, if the EBITDA is X, we can make it 3X in 2 to 2.5 years. This is what we have demonstrated, whether it is Krishnapatnam, Gangavaram, or now Karaikal, among others. That is the know-how we have.

However, when we are talking about going abroad, especially to developed markets—to answer your question, yes, we are looking at developed markets—we have to view the acquisition from the perspective of a value-driven economy and not exactly a GDP-driven economy. If we have to create shareholder value in a value-driven or inflation-driven economy, then the way we look at it is somewhat different.

Here, we are not looking to turn around an asset from A to 5A. We are not looking at the asset first. We are looking at the commodity business profile first and at the opportunity that this commodity will have in the future in that particular economy.

Coming to the answer to your question, our strength is containers. Therefore, the first thing we look at is where there is an opportunity driven by containers, because container trade will always continue to grow because of commoditization, industrialization, and other factors.

Setting up a container terminal with full automation in a developed country, where efficiency and effectiveness are important, is our strength, based on Colombo and Vizhinjam.

Report is AI-generated and may contain inaccuracies.

Second, we are also considering liquid terminals. As I said earlier, ports today may be a gateway to the economy, but tomorrow ports will be gateways to the energy transition, not only in India but all over the world. Liquid terminals are once again an area where we are very strong. As you know, Hazira is India's largest one-stop terminal for liquids. We handle more than 140 types of liquids.

That is why, when we go overseas, we look at the commodity perspective first, then we come to the asset, and then we assess the return profile of the acquisition. I hope that answers the question.

Paras Jain – HSBC: Yes. Now that the Associated British Ports transaction is done and dusted, I am not sure how much you want to share, but there was an article that Adani Ports was interested in it. You never accepted or denied it, but could you share anything about whether you looked through this asset and what factors ensured that you did not pursue it?

Ashwani Gupta: As I said, we keep assessing and evaluating opportunities, and yes, we did evaluate AB Ports. However, it did not fit within our criteria for return on capital. This is what I have been repeating since the first day: we do not want to undertake an acquisition simply for the purpose of doing an acquisition. We want to undertake acquisitions that are meaningful and that provide a return greater than or at least equal to the return APSEZ is generating today. When we conducted the study, it did not fit our shareholder return profile.

Paras Jain – HSBC: Perfect. That is very helpful. One last question, coming back to the India business. For one reason or another, because of the cyclone and the disruptions in the last few quarters, the portfolio has grown more slowly than the underlying growth of the domestic business. Do you see that trend continuing, or do you think that, on a business-as-usual basis, we will gradually regain a couple of percentage points of market share in Indian domestic cargo volumes?

Ashwani Gupta: You are right, Paras. There have been some disruptions, but I would say these were all one-time events. The fundamentals are in place. I think we are already coming back. You saw the growth in Q2, especially in the key commodities.

This question may come up from everyone, so let me give you some precise answers. First, we look at containers. In Q1, if we all remember, we discussed how we helped the industry store containers 28 kilometers from Mundra Port in a 100-acre area to support the maritime industry, support the country, and so on. Obviously, we did this through manual operations. It had some impact on productivity. It was not only Mundra; we saw congestion at all the ports in India and also abroad.

Then we entered April, May, and June, when we started seeing the impact on productivity. As Mundra was running at 91–92%, we definitely saw that impact in Q1.

Then, in Q2, starting in July, we started clearing that backlog, and trade reopened, especially for the transshipment terminals. We saw that, even in August, we handled more than 800,000, and the way we are operating this month is also very close to that level. That is what is happening with containers.

There is no impact on Vizhinjam; it is performing extremely well. Ennore is performing extremely well. Gangavaram is performing extremely well. Hazira is doing okay.

Report is AI-generated and may contain inaccuracies.

The second commodity we have to consider is liquids. We have gained significant market share in liquids.

If we look at dry cargo, I would identify three commodities. The first is iron ore. Iron ore was affected by a structural decline because exports were banned following one unfortunate incident involving a vessel. Exports of iron ore were stopped, which is why iron ore exports at Dhamra were impacted.

The second commodity I would identify would be steel, or coking coal. We are doing well there because, with the contracts we have, the customers and the increase in steel consumption have helped us achieve growth in coking coal.

The third commodity is coastal coal. Coastal coal is not easy to assess in terms of market share because the data is not structured in the same way. In EXIM, we can always capture the data, but with coastal coal there is a loading port and a discharge port, and it is very difficult to say who is gaining or losing market share.

What we are trying to do is bifurcate it, because coastal coal is the future, and maximum growth will definitely come from coastal coal. We now have to look at the market share at the loading ports. If you look at that, we have achieved the maximum growth, much more than India's growth, at the loading ports.

When it comes to discharge ports, loading ports are linked to mines, so it is very easy to get the coal loaded at our ports. However, when we discharge the coal and look at ports such as Karaikal and similar ports, they depend on the discharge to power plants in their catchment areas.

If the power plants are not in the catchment area, we will gain market share at the loading port but not at the discharge port. That is definitely a structural issue that may arise.

We are now working on how to implement an RSR, or rail-sea-rail, strategy for coastal coal to maximize the opportunity, because we are achieving an extremely high share at the loading port compared with the discharge port. That is what I would say about coal.

If you put everything together, Paras, as of today, October 20, we are already seeing double-digit growth in domestic volumes. As you rightly pointed out, it was a short-term correction that resulted from, first, the Middle East crisis; second, some of the decisions relating to the ban on iron ore; and third, the coastal coal movement that emerged at the last moment because of the urgency to feed power plants and maintain energy supply in the country.

Paras Jain – HSBC: That is very helpful. Thank you, Ashwani, and have a great evening.

Ashwani Gupta: Thank you.

Operator: Thank you. The next question is from the line of Manish Somaiya from Cantor. Please go ahead.

Manish Somaiya – Cantor: Good evening, everyone. Congratulations on a strong quarter. A lot of my questions have been answered, Ashwani, but perhaps you could remind us of the timeline for

Report is AI-generated and may contain inaccuracies.

the Vizhinjam stake sale. I am not sure whether we have already discussed it, but could you help clarify the timeline?

Ashwani Gupta: We do not control the signing date, but we control the process. The process is definitely progressing well, and as we said, it will be completed within the timeline that we communicated in our investor relations meeting. We are in the process, and it is progressing very well.

Manish Somaiya – Cantor: I wanted to come back to international ports and also touch on marine. In international ports, I think you mentioned that the margin improvement was largely due to the ramp-up at Colombo. As I look at the 47.7%, which I believe is a record margin on the international side, how should we think about that in the context of normalized margins going forward?

On marine, I see that the margin was down sequentially. Could you help us bridge the gap and explain the factors that affected it?

Ashwani Gupta: I will start with marine. I think in marine we have Astro, which is our offshore vessel business. It is directly linked to vessel utilization.

Because the Strait of Hormuz was closed, we had contracts that we could not service. For example, in Mozambique, we had a contract, but the vessel had to cross the Strait of Hormuz, which it could not do. We had roughly seven or eight vessels on standby. We had the business and the contracts, but the vessels could not sail.

On the other side, we had war insurance as well as fixed costs. Although the fixed costs and war insurance were paid, they were on a cost-to-cost basis. That is why, at the end, it resulted in a deterioration of the EBITDA margin.

This happened mainly in July and August. We have already started seeing a better margin from September because vessels are now getting passage through the Strait of Hormuz from time to time and are able to travel to West Africa and other destinations where they need to be.

Therefore, in marine, the issue was mainly the Strait of Hormuz and vessel utilization, which is now recovering. The basic fundamentals of the business operation already exist, which are revenue versus cost.

Regarding international operations, Manish, I think we have to wait. As I always say, we have to see more quarters to provide a robust answer on what the ideal EBITDA percentage should be for each entity.

In India, it is very easy to generalize and add up all 15 ports based on their commodities. If a port handles more containers, we know exactly what to expect. If a port handles more liquids, we know exactly what to expect. If a port handles only dry cargo, we know exactly what to expect.

However, when we go abroad, Australia is completely different from how we operate in Haifa, Israel. The way we operate Haifa, Israel, is completely different from how we operate Colombo.

Report is AI-generated and may contain inaccuracies.

Give us one more quarter to provide a precise answer, or at least two more quarters after Colombo is fully settled at 3.2 million TEUs. Australia is already settled, so you can see that Australia's EBITDA margin will remain broadly constant, plus or minus 1% or 2%.

Haifa, because of the war or disturbance situation, is maintaining its current performance. I do not think it will improve, and I do not think it will decline further. Tanzania will remain constant, but Tanzania may see some variance because we will start building the 100-meter extension of the berth. We may see an impact on volumes until we complete the 100 meters.

As for Colombo, we are moving toward 3.2 million TEUs. Please wait another 2 quarters, and I think you will have the answer. However, I would sincerely say that we will not generalize international ports as having one EBITDA margin, because all four geographies are different and the way we conduct business in each is different.

Manish Somaiya – Cantor: That is very helpful.

Manish Somaiya – Cantor: Lastly, when I look at your updated guidance for the full year, what are the biggest upside or downside risks to the EBITDA guidance relating to volumes, realizations, and so on? Could you help us understand how you are thinking about the second half? Thank you.

Management: Thank you, Manish. It is very simple for me because we did a bottom-up analysis; it is not a top-down analysis. We are already more than 50% through the year.

Now we have CT5 starting, and it is already secured in terms of volume and revenue, and we know the cost. Colombo already started on October 1. I was there and personally signed many contracts with the shipping lines. We know exactly what the revenue and volume will be in Colombo. We also know exactly what CT5 will deliver.

These are the three main ports that will drive the performance in the second half.

As we are already more than halfway through the year and have additional business coming up, we had to be clear in providing that guidance. I have already explained the capex increase.

There are also some new businesses that we started in September, and we will see their impact in the second half.

The EXIM yards that we started earlier this year are now approaching their peak. We have also started a new business involving empty yards. Very soon, we will integrate the warehouse with the empty yard. These new businesses will also bring additional revenue and EBITDA in the second half.

Manish Somaiya – Cantor: Very helpful, Ashwani. Congratulations, and I wish you the best. Also, happy Diwali to you and the team in advance. Thank you.

Management: Thank you, sir. Happy Diwali to you as well.

Manish Somaiya – Cantor: Thank you.

Operator: The next question is from the line of Aritra Banerjee from Nomura. Please go ahead.

Report is AI-generated and may contain inaccuracies.

Aritra Banerjee – Nomura: Thank you for the opportunity, and congratulations on a very good quarter. My first question is regarding the guidance upgrade. We have also upgraded the capex guidance for FY27. Does that mean there is a possibility of achieving the FY31 targets earlier than the stated timeline, given that we are front-loading the capex as well?

Management: [laughs] That is a great point. We are creating capacity because we see the potential. We clearly see the potential in Mundra, Vizhinjam, and Colombo. [off-mic discussion] I cannot answer the question, but if the way we are working continues, perhaps we will finish the 1-billion-ton capacity a little before 2031. That is what I can tell you.

Aritra Banerjee – Nomura: Understood. The second question is regarding the Vadhavan Port project that is underway, the HAM project. Could you provide any indication of when we can expect an announcement regarding the winner? If we win the project, how would the revenue recognition work?

Management: It is too early to say. There was just a bid for the reclamation and nearshore development. We do not know when it will be awarded. There is no visibility for us.

The only thing we know is that the start of the first something is targeted in 2028 or 2029, but beyond that we have no idea. We are simply following the bidding process that was issued specifically for reclamation and nearshore development.

Aritra Banerjee – Nomura: Understood, sir. One last question regarding the Mundra power plant. Now that Section 11 has been extended until December 24, how much incremental benefit do you see coming from Mundra this year because the Tata Power plant is able to operate?

Management: You can already see that, in this quarter, both plants were running at peak. What you saw in this quarter will continue in Q3 and Q4.

Management: Aritra, CGPL was shut down in Q3 and Q4 last year. We will have the benefit of those volumes coming through in the remaining 2 quarters of this financial year. Therefore, there is upside on a like-for-like basis.

Aritra Banerjee – Nomura: Understood, sir. If I could squeeze in one last question, regarding our market share in pan-India volumes, it has not been increasing over the past few quarters and has remained at a marginally declining level. What would you say are the one, two, or three factors that can help us increase our market share at the pan-India level? Could you provide some color on that?

Management: We answered that question earlier. What we saw in the first 2 quarters was not a normal situation. Containers were impacted because of the Middle East crisis, and dry cargo was impacted because of policy and other factors. You can already see that recovery started in October.

One observation I would make is that you should conduct a deep dive into market share, especially the denominator, and compare it on a like-for-like basis with the same quarter last year.

You will find a lot of cargo at the all-India level that is STS. This STS occurred because the Strait of Hormuz was closed and larger vessels could not pass. Therefore, many feeder and smaller vessels

Report is AI-generated and may contain inaccuracies.

were used to transport the goods that could not pass through the Strait of Hormuz. Those vessels were all handled through STS at the anchorage.

I am not sure whether we should count that STS in all-India market share because it was temporary and one-stop. We know exactly how much it was at the all-India level. If I exclude it, our market share is very strong. However, data is data, and I have to respect the data that is published. Internally, we know where we stand in terms of market share.

I would request that you also conduct a deep dive into the real all-India cargo data, viewed from the perspective of pure maritime cargo that comes to the jetty, is handled at the port, and is then evacuated from the port either as transshipment or as EXIM cargo into the hinterland.

Aritra Banerjee – Nomura: Understood, sir. Very helpful. Thank you for answering my questions. All the best for the coming quarters, and happy Diwali in advance. Thank you.

Management: Thank you, sir. Happy Diwali to you.

Operator: Thank you. The next question is from the line of Vishal Mehta from IIFL Capital. Please go ahead.

Vishal Mehta – IIFL Capital: Thank you for the opportunity. Congratulations on a good set of results. My first question is regarding Mundra. There was some news about local strikes involving yard operators and transport agencies following your announcement about inaugurating the empty yard. Did this disrupt Mundra operations? What was the impact, and how are operations now?

Management: Thank you. I think we have to go to the root cause of the problem. The root cause was that the safety and security of the cargo, as well as the city, were being compromised by all these empty yards that had come up and were mushrooming across more than 900 acres outside our port. This means that there was a port operation in addition to our port operation, to put it that way.

We received an advisory to address it, and we did so in a very transparent and collaborative way. We had a productive meeting with CFSs and empty-yard owners and made them realize that it is good not only from a safety and security perspective, but also from a cost-efficiency perspective, for the empty yards to be inside the port premises. It would definitely improve productivity as well as end-to-end turnaround time because everything would be inside the port.

Finally, we reached a good agreement with them, and we opened an empty yard across 120 acres. These 120 acres are already full. We are now planning to add another 200 acres to expand the empty yard. The CFSs and partners are very happy because we are providing all the services inside the port. That is number one.

Number two is the integrated warehouse, which is important for devanning containers. This is also what we said we would build. It will provide an end-to-end facility to customers, especially CFSs.

To answer the question, yes, it started with a challenge, but it ended with an agreement and a handshake, with the understanding that the win-win situation is to have the facilities inside the port and move forward.

Report is AI-generated and may contain inaccuracies.

Having said that, we are always open to supporting our partners. This discussion is already ongoing because we respect what they have contributed to us over the last decades in helping us grow the cargo.

Last but not least, operating the empty container yard with integrated warehousing ourselves again goes back to our fundamental strategy: we want to capture more and more cargo by providing end-to-end services. This is one of the profitable businesses—an empty yard with integrated warehousing.

Vishal Mehta – IIFL Capital: That clarifies it. My second question is on Vizhinjam Phase 2. We are now operating at full capacity there as well. Has there been any advancement regarding commissioning Phase 2 in parts? Is there anything that you can share?

Management: We said we would deliver it by December 2028. We will.

Vishal Mehta – IIFL Capital: Lastly, on the Australian asset, when we announced the acquisition, we discussed the potential for an increase in realizations through contract renegotiation. Have any contracts come up for renegotiation, and have we been able to successfully reset the realizations? Is there any update you can share?

Management: Yes, it is ongoing, and one has already been completed.

Vishal Mehta – IIFL Capital: Sure. Thanks a lot.

Management: Thank you. Thank you.

Operator: Thank you. The next question is from the line of Koundinya Nimmagadda from Jefferies. Please go ahead.

Koundinya Nimmagadda – Jefferies: Hi, sir. Thanks for the opportunity. I hope I am audible. My first question is on transshipment volumes. Just double-checking: is the share of transshipment at Mundra back down to 20-23%, or is it still elevated?

Management: I think it has dropped somewhat because, as you would have seen, JNPT gained share in transshipment. First, we wanted to focus more on EXIM because it gives us higher realization, and second, we were waiting for CT5 to start. I think that, after CT5 starts, it will return to the normal transshipment mix, which is around 20-22%.

Koundinya Nimmagadda – Jefferies: Understood, sir. My second question is on the domestic business. Sorry for harping on this, but if I look at the market share, it has been hovering around 27% for nearly 2.5 years. When do you see this volume-driven or disproportionate growth for you returning? If you could also connect that with the capacity addition plans and discuss whether the contracts for the incremental capacities have been placed, that would be helpful.

Management: Let us see Q3 and Q4. We are very confident that we will increase our market share. However, once again, I would request that, because all of you are much more expert than we are, you conduct a deep dive into market share and try to eliminate the one-stop cargoes that came to India because of the Middle East crisis.

Report is AI-generated and may contain inaccuracies.

Management: They will not come again to be handled through STS at the anchorage or even beyond the anchorage. In Q3 and Q4, we will definitely see the increase.

Koundinya Nimmagadda – Jefferies: Sure, sir. My second question, if I may ask, is on the international expansion plans. You did provide certain checklists before evaluating the assets. My question is slightly different. As you have evaluated close to 20 assets now, what are some of the learnings, and how is the competitive intensity? From the media, we understand that there are some marquee assets available in the Middle East, Oman, and so on. I am trying to understand how you are assessing the market.

Management: The learning we have, especially when we go to developed markets that are not GDP-driven economies but value-driven economies, is that most of the assets are held by financial investors.

For financial investors, the timeline is between 5 and 7 years, which means their expectations regarding the return profile are different and unique to financial investors. When we go as a strategic investor, our time horizon is 30, 50, or 70 years. Therefore, our return profile is completely different, driven by capital deployment for growth from that asset.

As a strategic investor with a medium- to long-term perspective, we have to compete with financial investors whose time horizon is 5 to 7 years. Therefore, you can understand that the return-on-equity expectations of a financial investor and a strategic investor are completely different.

This is where I think we have strength as a strategic investor, and this is where we have to look for commodity-driven assets where we can justify value creation as a strategic investor.

Therefore, a strategic investor is not in the race, but we have to do a rally. A financial investor is always in race mode.

Koundinya Nimmagadda – Jefferies: Got it, sir. Lastly, is there any update on the [laughs]—hello? Is there any update on the concession agreements from GMB?

Management: It is progressing very well. You already saw the comfort letter issued to Pipavav. It is in process, and you will hear from us very soon. They are definitely ahead in the process.

Koundinya Nimmagadda – Jefferies: Sure, sir. Thank you very much, and all the best.

Management: Thank you.

Operator: Thank you. The next question is from the line of Baiju Joshi from Macquarie. Please go ahead.

Baiju Joshi – Macquarie: Hi, sir. Thank you for the opportunity. I have two questions. My apologies if you have already addressed the first one. It is on non-Mundra volumes, which are flat year-on-year and broadly flat quarter-on-quarter. Could you provide some color on how you expect the second half to play out for non-Mundra ports and what the key factors to watch in this segment are?

Report is AI-generated and may contain inaccuracies.

Management: For non-Mundra ports, I would look at the commodities because the ports are linked to them.

Kattupalli handles containers, and you can already see the increase there. Ennore also handles containers, and you can see the increase there. Hazira handles liquids, so it moves at its own pace.

Then we have the dry-cargo ports, which are mainly Gangavaram, Krishnapatnam, Karaikal, Dahej, and Dhamra. On one side, we have iron ore, and this has started picking up, so iron ore should be okay.

I am not counting fertilizer, agricultural cargo, and so on, which are seasonal products. Steel and coking coal will continue to grow. Given the demand for energy in India, coal demand will increase.

I think coastal coal is the key success factor for the next 2 quarters and the years to come. That is why we have a very specific focus on coastal coal. Because we have both loading and discharge ports, it will add much more value to our business. That is and will be our focus in the coming quarters, because we have to capture the growth in coastal coal.

Baiju Joshi – Macquarie: Understood, sir. Thank you. Secondly, on logistics, I wanted to know your views on steady-state margins for the segment. Trucking and international freight network operations are scaling up and now account for more than half of your overall contribution. How are you thinking about steady-state margins in this segment?

Management: We are very much in line with our plan. As I promised, we are performing better than our competitors. Obviously, we will not compare IFN margins with Mundra Port margins. However, the margins we are generating in IFN with zero capex are state-of-the-art. We are also bringing volumes to our ports and ICDs. That is an additional advantage of IFN.

Baiju Joshi – Macquarie: So, should I understand that the margin should hold up?

Management: Yes, it should remain around that level.

Baiju Joshi – Macquarie: Thank you, sir.

Management: The reason is that there is no capex and the only cost is manpower. We are not operating machines or incurring fuel costs and so on, which would otherwise create concern regarding EBITDA. It is only manpower cost, so the margins will always remain similar.

Baiju Joshi – Macquarie: Thank you, sir.

Operator: Thank you. Ladies and gentlemen—

Management: I really want to say a big thank you. Your confidence in APSEZ has been extremely helpful. The way you all ask questions helps us think. I would also say that, at times, your questions and feedback become one of the most important pillars when we build a strategy, evolve from a strategy, or change our strategy.

I would really appreciate it if, in the future as well, you continue challenging us, asking us questions, and giving us feedback. I am pretty sure that, with that, we will take APSEZ to the next level

Report is AI-generated and may contain inaccuracies.

together. Thank you, and I wish you a great festive season, beginning with Diwali. Thank you.

Operator: Thank you, sir. On behalf of Antique Stock Broking, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

Report is AI-generated and may contain inaccuracies.