



Adani Ports and Special Economic Zone Limited
Q1 FY26 Earnings Conference Call
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MODERATOR: MR. BHARANIDHAR VIJAYAKUMAR – AVENDUS SPARKS

Moderator: Ladies and gentlemen, good day and welcome to Adani Ports and SEZ Q1 FY '26 Earnings Conference Call hosted by Avendus Spark. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bharanidhar Vijayakumar from Avendus Spark. Thank you and over to you, sir.

Bharanidhar Vijayakumar: Thank you. Good evening, everyone. On behalf of Avendus Spark, I welcome you all to the 1Q FY '26 earnings call of Adani Ports and SEZ. So, representing the company, we have Mr. Ashwani Gupta, Whole-Time Director and CEO, Mr. D. Muthukumaran, CFO, Mr. Pranav Choudhury, CEO, Ports, Mr. Divij Taneja, CEO, Logistics, and Mr. Rahul Agarwal, Head of Investor Relations and ESG.

Now I'm handing over the call to the management over to you, Rahul.

Rahul Agarwal: Thank you, Bharani. Good evening, everyone, and a very warm welcome to the Earnings Call. We will begin this call with opening remarks from Ashwani and then we will open the floor for Q&A. Ashwani, over to you.

Ashwani Gupta: Good evening, and thank you for attending the Earnings Call. I'm excited to share with you APSEZ's remarkable performance this quarter, which truly showcases our robust execution capabilities and reinforces our commitment to strengthening our integrated transport utility proposition.

Specifically, I would like to highlight three aspects of our performance this quarter. Firstly, the international port saw 22% revenue growth, with EBITDA margin improving to 21% from 13% last year. Haifa Port delivered its highest-ever quarterly revenue and operating profit this quarter, led by 29% growth in cargo volume.

Secondly, our logistics sector revenue doubled to Rs.1,169 crores. This was driven by trucking and international freight network services, both high return on capital employed businesses. Furthermore, we enhanced the EBITDA margins across our other logistic businesses from 27% last year to 29.6%.

Thirdly, the marine business also saw significant growth and margin enhancement. The revenue surged 2.9x to Rs.541 crores, propelled by fleet expansion from Astro acquisition and new vessel purchases. Our diversified marine fleet now stands at an all-time high of 118 vessels.

Year-on-year, marine EBITDA margin improved from 40% to 55%. Domestic ports handled 6% higher cargo volume and increased market share to 27.8% from 27.2% in Q1 FY25, while delivering a higher EBITDA margin. S&P Global has revised its ratings outlook to positive from negative while reaffirming the BBB rating.

This demonstrates our strong P&L as well as a strong financial discipline to keep the net debt to EBITDA 1.8x. We continue to focus on capacity expansion. During the quarter, we commenced our operations at the Colombo as well as at our new export berth in Dhamra. Additionally, we have started construction of Phase 2 in Vizhinjam and Colombo as well as two new berths in Dhamra.

The remarkable growth across three engines of our integrated transport utility proposition Ports, Logistics and Marine positions us strongly for sustainable growth and ensures we remain within our FY '26 guidance range. I thank you and we will now invite you for the questions.

Rahul Agarwal:

Thank you, Ashwani. Moderator, we can start by opening the floor for questions.

Moderator:

Thank you very much, sir. We will now begin with the question and answer session. Anyone who wishes to ask questions may press star and one on your touchstone phone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use only handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. You may please press star and one to ask questions. The first question is from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah:

So, the share of the -- basically the domestic volume has grown in absolute terms by about 6 million tons. If we remove the Vizhinjam and the fact that the cargo has sort of bounced back at Dhamra, we don't really see much of, say, sorry, at Gangavaram. Cargo has bounced back at Gangavaram. There is no growth in other assets in domestic. That is the first thing. Second is that even in the international, what is the breakup for the 7.2 that we are reporting?

Moderator:

Sorry, sir, you are not audible. You were not audible, sir.

Ashwani Gupta:

Can you hear us now?

Moderator:

Yes, sir.

Ashwani Gupta:

Okay. Now, thank you. Thank you for the question. So, I will go first with the easiest one, which is the international. So, international, Haifa has done 2.9 million metric tons. Tanzania has done 3.5 million metric tons. And the Colombo has done 1.4 million metric tons. So, you are 7.7 as international contribution. So, that is the answer to your international thing.

Now, on the volume. So, I do appreciate that we can eliminate Vizhinjam. We can eliminate Gangavaram. We can eliminate Dhamra. But we do have to appreciate that the strategic location of all our 15 ports and all the commodities from container to dry cargo to liquid enable us to absorb many fluctuations in the global trade. So in the last quarter, there were two things which happened, which had, let me say, a negative impact on our overall volume.

And as you know, that Mundra still brings a significant amount of volume share in our total domestic cargo, right? So, last year, we talked about 200 million metric tons, right? Now, when we look at Mundra, what exactly happened is the biggest impact which came in Mundra is because of the geopolitics.

And some of the nights when we had to close the Mundra because of the blackout. And I think you understand exactly what I'm talking about, right? The second thing is because of the restrictions which was made by the Indian government for a certain country as a consequence of Operation Sindoor, also disturbed the shipping line routes because Mundra is the last call of port before our neighboring country.

So, definitely when we disturb the trade traffic, it takes time to adjust. And it happened in May. It started improving in June. And in July, already we have seen that the container volume in Mundra has come back, is coming back, and we are 10% more than what we did in June. So, that is more on the container and specifically in Mundra. So, that's the first thing.

The second thing is when you talk about Dhamra, Dhamra is dry cargo. And in the dry cargo, in Dhamra, the biggest drop we saw was iron ore. This is not about performance. This is about, again, the total trade. However, we gained the market share in iron ore by 2.1%. But the overall commodity business dropped, which is, again, a consequence of the international business conditions.

However, we offset this drop by the coal. And that's why we started a new berth and we decided to invest in two new berths in Dhamra. And then finally, the Gangavaram, which had an unfortunate incident last year, has come back and picking up well. So, what I would say that with these two or three reasons, definitely we saw a drop in quarter one.

But from July itself, if you would have seen our numbers, we have started recovering it. So, that's what I can say. I am very happy because we are here with all the team. Very happy if you have very specific questions in moving forward.

Nidhi Shah:

So, just touching upon Mundra. If you look at the overall data for Indian ports, right, overall Gujarat volumes, which is including, say, your Kandla in Gujarat, overall, the drop in volumes is not very significant. Whatever drop in volumes that we are seeing in those volumes is sort of reflecting how much drop we have. So, broadly, my assumption is that volumes have not fallen at any other ports in Gujarat. Would that be a correct assumption? And why is the case then like that only for us?

Pranav Choudhury:

Yes. Hi, this is Pranav. As Ashwani ji was mentioning just a while back, Mundra is on a shipping route for all the services of the shipping lines, which call in India as the last port of call. It basically means significant volumes of the neighboring country get dropped or picked up there as a transshipment cargo out of Mundra.

So, if you actually see on a gateway cargo, that means on an Exim cargo, we have actually posted a handsome growth, about 4% or so. But the resultant negative growth is coming because of the transshipment cargo or transshipment boxes not coming in at Mundra, going to two reasons, which Ashwani ji mentioned.

The embargo imposed by the country on the boxes originating from the neighboring country. And second, the disturbance on the shipping route, which this geopolitical issue caused. So, that's the main reason that dropped the transshipment cargo, which we are now seeing picking up back.

- Nidhi Shah:** All right. If I could just ask one last question on the logistics. What are some of the key growth drivers that we're seeing for the improvement of logistics revenues, not only, YoY, but also QoQ?
- Ashwani Gupta:** So, I think logistics, we are growing in each and every vertical. So, logistics is a big business vertical. And in logistics, we have, first of all, I will go by the sequence. So, we have rail, then we have the ICDs, then we have the trucking, and in between, we have the international freight forwarding. So, Mr. Divij Taneja, who is the CEO for ALL, would explain. But once again, each and every business vertical of logistics is increasing.
- Divij Taneja:** Hi, Divij here. So, just to add to what Ashwani ji said, so apart from what was on the rail and terminal side, there is also a strong growth on the trucking and on the forwarding. But what we would like to specify is that we are now moving into a more integrated model. So, you will see improvement on the bottom lines as well. And this is what is driving the growth, where we're leveraging infra, both hard and soft, to get us into these territories. So, moving forward, we're expecting a same rate, if not stronger rate of growth.
- Nidhi Shah:** All right. Thank you so much.
- D. Muthukumaran:** Yes, hi. This is Muthukumar. Let me take this opportunity to actually sort of answer this question at a slightly higher level. I want to draw your attention to page number 17 of the investor deck. It has got a ton of details. I mean, we tried to break the monotony of reading. Instead of a table, we have actually given in different forms. There are lots of information in that page.
- We have given the total revenue, which has gone up by 105%. And EBITDA has gone to INR212 crores. We have given the breakdown by business as to how much it has grown in the last 1-year. And then we have also given sort of the EBITDA percentages of the respective business, trucking, international freight network, and the rest of the logistics business, which actually traditionally was the core business in the logistics vertical.
- And for your sort of detailed analysis, we have also given a few notes. And I do draw your attention to actually read that page a little bit in the sort of detail. With time spent, please do revert to us with any questions you may have after that as well.
- Rahul Agarwal:** Thank you, Nidhi.
- Nidhi Shah:** Yes, thank you.
- Moderator:** Thank you. The next question is from the line of Priyankar Biswas from JM Financial. Please go ahead.
- Priyankar Biswas:** Yes, thanks for taking my question. So my first question is, like, I see that there has been some moderation in the EBITDA margin at Dhamra port. So any specific reason behind this?
- D. Muthukumaran:** No, there isn't any particular reason or there isn't any sustaining reason. These are just sort of seasonal variations. And in this particular quarter, from volume perspective, we have got a

healthy incoming volume on coastal coal. And there has been a little bit of a fluctuation that you normally see in sort of every year.

And you can see it historically also, iron ore fluctuates. So in this quarter, we had a lower iron ore volume. And that is the reason why actually sort of the EBITDA margin is what it is. But if you take a full year perspective, we expect all these temporary fluctuations to be smoothened out.

Priyankar Biswas:

Okay, sir. And if I may just go into, so far for 1Q and if I include the July volume as well, which you disclosed yesterday, I think, it seems to be trending slightly below the FY26 guidance on a monthly run rate basis. So can you give the moving parts, like how we would catch up to at least the lower end of the guidance?

And also, if you can add one more thing is like, see, despite this volumes being slightly lower, the EBITDA is still very much tracking your overall guidance, like INR22,000 crores. So what is -- so if you can just explain the dynamics behind it, how should we look for the full year?

Ashwani Gupta:

Yes, okay. I think on the volume front, we have two reasons. The first, I explained already about Mundra and in July, you would see that container is 10% higher now. So we are recovering back. Hope you listened to my detailed explanation about the volume situation in Mundra. So that will be for sure recovered.

The second one is, if you know that this year, the monsoon arrived a little bit earlier. So we should be and the total energy demand in quarter one dropped by more than, the utility went down by minus 1.5%, right? So the utility generation. And this was mainly because of the monsoon early arrival.

And if you see hydro, just because of monsoon early arrival, hydro went up by 13%. So in quarter two, definitely we are seeing the energy demand coming back. So when energy demand comes back, definitely the coal comes back. So that will give the answer for the coal. I think rest all the commodities are in line. We don't expect much change in the iron ore. I think it will be still sluggish. We are not expecting, we are not counting on it.

But our focus moving forward is on having container volume as well as the coal. But in addition, this is all based on commodities. But we also have the ports, which are really doing good. We see the port Colombo, which is doing much better than what we expected.

We see Vizhinjam, which is doing much better than what we expected. We see Gangavaram, which is doing better than what we expected. And I think with all these ports and the commodities, we believe to be within the guidance. And as you can see our numbers from yesterday, it's not impossible for us to make -- to aim for that target.

Now the second question comes to the EBITDA. I think at first you would have seen the EBITDA percentage of domestic ports. And this is what we have been saying again and again. That our focus is three. Number one, to increase the market share. Number two, to increase the revenue per ton. And number three is to optimize the cost per ton.

And I think you can analyze that from our P&L. That we are progressing very strongly in a very robust manner on all the three indicators. And the consequence of this, you will see the increase in the EBITDA margin in percentage. Having said that, that was when we were only a port company and we were focusing on the EBITDA in percentage.

Now when we transformed our company from a port company to an integrated transport utility company, we are addressing the various business segments. So whether it is logistics, in logistics we have rail, we have ICDs, we have trucking. In marine, we have onshore, we have offshore and so on. Now here, we don't have to compare the EBITDA percentage with the port percentage which we have in APSEZ. We have to compare the percentage with our competitive -- competition peers.

So if we are doing in logistics close to 29% excluding trucks, which means we are better in the market. If we are doing close to 50% in marine, we are better in the market. Obviously, when we consolidate all these business verticals, including sub-business verticals at APSEZ level, definitely the mix of logistics and marine is increasing, but the percentage EBITDA is less. So definitely the overall mix in terms of percentage, it is decreasing.

However, the absolute term, it is increasing. So that's why our absolute numbers are not, and not I repeat and I think in every quarterly call I am saying so, our financial numbers are not linked to cargo volume only now. So we have the other things which are and which are driven by all the other business verticals which are coming up. And that's the answer to the INR12,000 crores.

And as Mr. Muthukumaran said, if you see slide number 17 on the investor deck, you will come to know that our absolute amount of revenue is growing. However, EBITDA is also growing, but not in the same proportion. You will see the marine also in the same. So hope it answers your question.

Priyankar Biswas: Yes, sir. That was very comprehensive and thanks for that. And if I can just squeeze one more in. So on the logistics business, so what is your eventual target ROCEs for the business? And if you can just add like what would be our share in the real market?

D. Muthukumaran: As far as ROCE is concerned, Priyankar, we have told you that actually our return on equity expectation is 16% in rupee terms. So we expect that we will surpass that amount quite significantly with a good margin once the logistics business grows to a size in time to come. So on a weighted average cost of capital basis, our threshold is 10%. But we expect sort of significantly higher number of return as we stop gestating this business

Ashwani Gupta: And the overall strategy for running our logistics business is a hybrid model. And this hybrid model is a combination of asset heavy and asset light, which will give a higher and a very balanced return on capital employed. So rail and ICDs could be asset heavy, whereas trucking, the international freight network services, these are very asset light. So combination, we want to deliver the return on capital much more than what is in the market today.

Priyankar Biswas: Thanks, sir.

Rahul Agarwal: Thank you, Priyankar.

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

Achal Lohade: Yes, good evening, sir. Thank you for the opportunity. Sir, congratulations for great performance on the margin front, the domestic margin, 74.6%. Just wanted to check on Vizhinjam, the 89% margin, is that a new normal given the automation what we had and the scale of what we are going to see there? Should we assume this is a new normal margin? Because I see that is one of the triggers for the margin improvement in the quarter as well as going forward.

Moderator: I'm sorry, sir, we are unable to hear you.

Ashwani Gupta: So, no, thank you. I think we are, I think our CFO is going into the numbers. Please wait.

Moderator: Sure, sir. Thank you.

Rahul Agarwal: Achal, why don't you go on to the next question? We'll just reply to the first one, but if you have another one. Please go ahead.

Achal Lohade: Yes, sure. The second question I had you did explain for Mundra, so if I look at just the commodity mix in case of Mundra, right, you did explain the weakness in the container part. How about the other cargo? We've seen the other cargo like in case of dry cargo, it's down like 30% YoY. For the last two quarters, we have seen the pain in case of Mundra port for the other cargo.

So, in general, if you could -- I know you've clearly highlighted about the guidance for the full year, but just trying to get some more deeper understanding on particularly Mundra port, like other cargo is also down some 21% YoY. If you could talk a little bit about what is playing out. Yes.

Ashwani Gupta: Yes, yes, yes. No, I think you nailed the question. Thank you very much. You know that Mundra, you have one side, which is container, right? On other side, we have the dry cargo. Of course, we have liquid and so on. But I think let's talk about dry cargo. And in dry cargo, let's talk about the coal. And then coal is linked to the overall energy demand of the country.

So at first, as I said, in quarter one, FY26, the total demand in the country went down by 1.5%. And especially the generation of the thermal power was 8%. I repeat, 8% less. So minus 8% was the thermal power. However, the renewable energy went up by 25%. Hydro went up by 13%, and the nuclear went up by 11%.

So let's first start from the country level. Then we come to the coal. How was our performance in the coal? So for coking coal, where we absolutely see the demand in the infrastructure, our market share went up by 9.8%. In coastal coal, our market share went up by 3.1%. But yes, in terms of import and export, we went down.

Now, what is Mundra? Mundra is two thermal power plants, right? So you have Adani Power plant and you have the Tata Power plant. Both the plants use imported coal. So when the imported coal is going, when the energy demand is going down, when the imported coal is going

down, definitely the port where we have the maximum exposure to the import coal will have the impact

So this is the impact which we have seen in Mundra, which because of the energy demand coming back and moving forward, should be recovering. However, as I said, our main focus is always, always and always on the container business. That's why we are investing heavily in the expansion for the container berth capacities. And that's the answer I would give if you talk about Mundra, dividing container as well as the dry cargo.

D. Muthukumaran: If that answers the question, I can go to your first question.

Achal Lohade: Yes. Ashwani ji, sorry, I'm harping on this. I clearly understood that's a very, very sound explanation for us in terms of understanding the coal part of it. But if I look at the other cargo, which is basically ex of coal container, that is still like 9 million tons?

If I look at the number out of 48 million tons, 31 was container, 8 million tons was liquid. I'm just curious to know that 21% drop in the other cargo. That's largely you're saying it is largely driven by coal. But if I remove the coal, it's around 30% YoY from 2.7 to 1.9?

D. Muthukumaran: Are you asking company aggregated or are you asking?

Achal Lohade: No, no, no. Only for Mundra. I'm just asking for Mundra port. 2.7 in 1Q FY25 went down to 1.9. Dry cargo I'm talking about, sir. X of coal.

Pranav Choudhury: So, Achal, this is Pranav. So from a coal perspective, I don't know what number you're referring to, but from a coal perspective, we have seen a drop of about 20%-odd in Mundra in quarter-to-quarter basis. Now, as Ashwani ji was mentioning, largely a function of the coal, largely a function of electricity demand in the country.

But the two specific power plants that we have, which are the major importers of coal at our terminals, one of them, to be very precise, one of them actually had taken a large position on the import at the year beginning. So when we opened the year, they were running with a large import stock already. To that extent, their import arrivals in the first 2 months were a little slow.

And the second user, second importer, which we're talking about the second big power plant, they're actually, it's out in the media. They are actually going under a Section 11 issue today where the plant is shut down for the want of permission from the CERC. So I think that too has actually -- they are kind of transitional in phase right now, but we have seen volume from the first user picking up.

From the second user, I think we're hoping that situation will get set right in a month or so when the volume will start picking up. Another contribution to the dry cargo in Mundra is fertilizer, in a big volume. So fertilizer, of course, the government's import season started late. Now we've seen from this month onwards an avalanche of fertilizer arrival. So you will see that number leveling up in the next quarter. So I think if you look at, if you would look up half year to half year position, you would see a better number there.

- Ashwani Gupta:** So last year we did 51.14 million metric ton. And this year in this quarter, we did 47.96 million metric ton. The coal has gone down from 8.7 to 7.14. So that's 18%. And this is exactly the story which we tried to explain.
- But the liquid has gone up from 0.59 to 0.68, which is 14% increase. The crude from 7.45 to 7.51. So that's 1% increase. But if you look at containers, 31.71 to 30.72. So this is minus 3% growth when we have minimum double-digit growth. So definitely this is the challenge, which we faced in quarter number one. And we are focusing on it. And you see July, which is 10% higher than June.
- So, and in containers also we have two. One is EXIM and the second is Transshipment. And this is exactly what we are focusing on. RORO from 0.04 to 0.05. And definitely as Pranav explained, that we have the fertilizer, which comes into others. So if I would say, where we have to focus and demonstrate the growth, which we have been demonstrating month-on-month, quarter-on-quarter, it is container, container on container, focusing on EXIM as well as Transshipment.
- D. Muthukumaran:** And also actually just to contextualize the answer, see your question comes from non-coal dry cargo.
- Achal Lohade:** Yes.
- D. Muthukumaran:** Which is actually 5%. Sorry, could you hear me?
- Achal Lohade:** Yes, yes, sir. Please go ahead.
- D. Muthukumaran:** Yes. So, which actually contributes 5% to the total volume of Mundra. And there the variation is instead of 5%, it is 4% this time, okay. So it's a 1% variation to the total volume. So, which also has been explained, is because of late arrival of fertilizer that should catch up. So, we don't expect this to be any significant reason for any deviation. It will anyway be met.
- Achal Lohade:** Got it. Sir, if you could explain the first question.
- D. Muthukumaran:** Yes.
- Achal Lohade:** In terms of percentage.
- D. Muthukumaran:** Yes. Vizhinjam actually includes INR92 crores of government support, which was part of the original package. That will come for the first four quarters of the operations, which actually will go and sit in the EBITDA for the first four quarters. So you need to actually to see from the operations, you need to remove that 92%. And that gives us a healthy 45% sort of around EBITDA margin and that is in the sort of very initial stage of our operation. So we expect this to ramp up over a period of time to catch up with the regular margins that we see in our ports business.
- Moderator:** The next question is from the line of Parash Jain from HSBC.
- Parash Jain:** My one question is more with respect to your long-term goal of achieving a 1 billion ton of cargo. And with that regard, after the injection of Australian asset, is it fair to say that bulk of

the incremental volume growth would be domestic? And in that case, can you tell us what's in your mind with respect to brownfield expansion in your existing terminals versus possibility of a new acquisition or a greenfield development in the region?

Ashwani Gupta: Thank you, Parash. So I think we keep our 1 billion metric done by 2030, out of which we said that hypothesis is that we will do 150 from international. As we speak...

Parash Jain: Yes.

Ashwani Gupta: In 2025, we have the visibility to hit 146 million metric ton with four ports, including Australia. But as we speak, we have seen the significant growth in Haifa. We are seeing significant growth in Colombo. It may not be a surprise that instead of 150, we may think of doing more than 150 in international. And seeing what happens because of geopolitics, maybe we can think of challenging our domestic cargo.

So what I'm trying to say is all these roadmaps are subject to, let me say, minimizing the risk and maximizing the opportunity. So if you ask me today, I see much more opportunities in container in India, but also I see many opportunities in the overall trade and cargo internationally where we are located. So that's the first thing.

The second thing, we are going ahead with the capacity expansion, A, on the containers, because containers will always be driven by the country's priority to do the industrialization, which is driven by Make in India, which results in EXIM cargo, which is container. B, more and more commodities are being containerized. So that will also give the advantage to containers. So hence, the first priority is to invest in the capacity expansion in containers, whether it is Mundra or it is Hazira or it is Gangavaram or it is Vizhinjam or it is Colombo.

The second priority, which we are giving on our capital allocation is the RSR, which is Rail-Sea-Rail. So if we are seeing that in the energy, there are two things which are changing. The first which is changing is the transition from the thermal to renewable. So this we are fully well positioned, because we transport solar, we transport wind and so on and so on. So more and more it is going there, it will not impact our overall cargo mix.

The second is the coal. So if imported coal is replaced by the coastal coal and coastal coal, that too gives an opportunity of Rail-Sea-Rail, gives us the opportunity to have twice the coal loading and unloading, because loading is done by us and unloading is done by us also at our port in the different coast. So that's why we decided to invest in Dhamra, which is one of the main opportunities to capture this RSR. And obviously all the ports where we have unloading, for example, Gangavaram and Karaikal and so on, we are investing. So that's the second thing.

The third is also, I can say, linked to energy or the chemical industries, which is also on the growth path. And here we are investing in our tank farms. And where are the tank farms? We have the tank farms where are the industries, which means Hazira. So we decided to expand Hazira. We have Kattupalli, and you would have seen the recent announcement that we signed a contract with the PCBL, which is for carbon black. And we will start Dhamra with the development of the ecosystem, starting with the tank farms. So these are our priorities when it

comes to ports, container, then I'm talking about coastal coal, and then I'm talking about liquid. Of course, we have many more to go. That's the one part.

The second investment which we are doing is the logistics, which is, as I explained, asset-heavy and asset-light, combination of both. But in logistics, we are investing more on the technology platform, because we know that technology platform will help us in sweating our assets. And that's where, when we had this discussion in ICD Tumb, we tried to demonstrate our end-to-end technology platform.

Then the third one is the marine. In the marine, we are investing in buying the existing vessels who have got mid- to long-term customer contracts. Because right from the first day, we are talking about double-digit much higher than the threshold of return on capital employed. And this is what our capex allocation for that. So this is, I would say, mid- to long-term ports, logistics, and marine.

The fourth investment which we are doing are in the land where we believe that there will be a potential to do the logistic part. So if I talk about Vizhinjam, we know that five years, 10 years down the line, there will be a EXIM cargo. It will not be only a transshipment cargo because the gateway to the Kerala and the surrounding states is Vizhinjam port only.

So that's why acquiring the land to build the logistic parts and so on is also our fourth priority for that. So this is about, let me say, the ports, logistics and marine. Then if we go international, once again, greenfield is our last priority because the return will come much after. In international, we are looking for either brownfield where we have to do a little bit of capex or zero capex but a great revenue and a great EBITDA.

And this is why we went for Australia to have the assets, especially the regulatory assets, in a stable country, in a stable economy, with a growth trajectory and with a minimized zero capex. So this is what is our investment strategy and this is what we are working on pillar-by-pillar.

Parash Jain:

Absolutely. That's, I think, very, very clear. Just one thing, with respect to greenfield opportunities in India and your thoughts on Vadhavan?

Ashwani Gupta:

So, thank you. So, in India, anything which comes up, we'll go for it. Of course, it has to make business sense, but we -- even if the business sense is average, we'll go for it because that's where we want to put -- we don't want to miss any opportunity in any one of the port along the 11,000 kilometers of coastal line, whether it is a bigger port or a smaller port. So we'll go for it. Because a necklace with one port missing, sometimes it's difficult, right? So we want to go for it.

Now, I think Vadhavan is a great project. We already started studying and we are in the project study stage. I do believe that this will be a next level of the port in India, and I think, we all have to make it successful. All what we -- which we are talking about, the way this port is being planned, the way it will be executed, it may take some years, and I think, it's worth working on this project to take.

By 2047, India wants to have the 10 billion metric ton of capacity. Now, the 10 billion metric ton can only come by making these kind of big, giant greenfield projects, and Vadhavan is one

of it. If India wants to do 10 billion metric ton, obviously, with 33% market share target by 2047, we should be having more than 3.5 billion metric ton. So definitely, we can't have 3.5 billion metric ton if we are not party to this big capacity expansion at India level. So that's what I can say today, and when time will come, definitely we'll give you more details.

Moderator: The next question is from the line of Alok Deora from Motilal Oswal.

Alok Deora: Hi. Good evening. So most of the questions have been answered. Just one question. So, the first quarter volumes have been -- in terms of run rate, has been below the full year guidance, so which -- and since we have maintained the guidance, it would mean that we expect much better volumes in the remaining eight months or so?

So, in terms of revenue and EBITDA run rate, we are still on track. So is it fair to assume that we would kind of do more than the guided numbers or we are seeing some sort of maybe a realization or a margin kind of coming down in the remaining part of the year? Because if I look at the last year also, we kind of missed on the volume guidance, but we kind of beat the EBITDA guidance. So just some color on that, please.

Ashwani Gupta: Yes. I think the key message from quarter one results is not a surprise for anyone because right from the first day we are saying that, please, we are not linking the financial numbers with the cargo volume because we are transforming our company from port volume handling company to an integrated transport utility company.

So definitely our financial models needs to be updated, but financial models needs to be updated means, I think, we need data quarter-on-quarter and this is what our Muthukumaran has just said. We are disclosing our data, especially on the new business verticals, so that we all can get accustomed to this kind of financial model and make a model which is a good mix of port cargo volume, logistics, considering asset-heavy and asset-light, and the marine, which is a totally different business. And then combination of these three business financial models can give us a sort of trend that what is the link of these three in our overall absolute financial numbers.

D. Muthukumaran: Let me add some detail -- let me add one level of detail there. That's the bigger picture. So to highlight for your benefit, last year our volume miss, we highlighted during our Q4 analyst call as well that it was basically, if we gross up for the Gangavaram volume, we would have actually achieved the annual numbers that we talked about.

So the best possible estimate we came up with, and we are in the range, and we think the same for this year as well. So we think we are in the range as far as the volume is concerned. So we are able to predict one year in advance with reasonable clarity. So we are trying to use that advantage to come to a number which is as close to a reality as hopefully we will achieve.

Alok Deora: Sure. Just one last question. We have mentioned in the July monthly update that there could be some spillover of the impact of the weather conditions in August as well. So what kind of impact we are looking at? It could be similar to July impact or it could be even worse than that. Any thoughts on that?

D. Muthukumaran: No. So what we meant was basically in the very last week of July, there were some delayed arrivals of ships in two of our ports, major ports. So we are hoping that that will be recouped in August. So whatever didn't arrive in July, some of them will arrive in August and we will recoup. So it...

Alok Deora: Got it. Got it.

Moderator: The next question is from the line of Manish Somaiya from Cantor Fitzgerald.

Manish Somaiya: Congratulations again on a very strong quarter. Two questions for the team. One pertains to logistics. Obviously, very strong growth, and maybe this is a bit of an unfair question, but I guess, what is the competition not doing well in the marketplace that's allowing you to gain such a strong growth and share in logistics?

And the second question pertains to Ashwani. Obviously, outside of the short-term noise that we see, it's very clear, at least to me, that you're on a strong path to your targets in 2030. And I guess from my perspective, I would love to at least get some understanding of how you're thinking as you think about the next five years. So call it the 2035 plan. So if you can help us with those two questions, that would be fantastic.

Ashwani Gupta: Wonderful. No. Thank you, Manish, and thank you for your support. Let me say the first thing, which is logistics. And I do remember many questions appeared six months, one year, when we wanted to focus on logistics. There are two things which we are doing differently than our competition.

The first is we are starting with technology platform. Technology platform is the only way to sweat the assets, right? Because it has got capability to accept all the diversities which happens in the multimodal transport. So we can't match rail with a truck using a manual coordination. Rail and truck can match with warehouse, with all the touch points in the cargo handling if we have a technology platform.

So that's the first thing which I would say. And this technology platform, we have done it in-house. It is a startup inside the organization which has scaled up and is now working well. And I think next time when we will have the demonstration, we will demonstrate now this technology platform is run only and only by young data scientists or artificial intelligence. So that's the first thing.

The second thing which we are doing differently is either it is technology or it is people, or it is technology and people both. And we believe that technology and people both are key success factors in logistics, because we are recruiting fresh people, undergraduates or senior high school. We are training them. We are teaching them driving. We are supporting them to get the driving licenses.

We are giving them air-conditioned accommodation. We are giving them uniforms. We are giving them food. We are respecting their quality of life. So these are the two things which we are doing which are eliminating the differences in the multimodal transport in logistics in a highly unorganized and unstructured segment in our country. Now, this was the first answer.

The second answer is how do we see 2035? As far as the global economy grows, global trade will grow. As far as global trade will grow, India with INR 5 trillion economy and heading towards a INR7 trillion economy by 2035, the global trade will grow. 95% of the global trade by volume is done by maritime and by value I think 75% or 76%.

So as far as global economy is growing, global trade is growing, maritime is going to grow. So there is no reason. There could be plus minus adjustments because of some noise. But trade will always happen. Trade used to happen 3,000 years before. Trade is happening today. Trade will happen tomorrow also.

Now, the question is our capability and capacity to absorb the risk in this external noise and our capability to maximize the opportunities in this global noise is our key success factor moving forward. Now, how we are preparing this key success factor is to cover each and every touch point in this trade so that the noise can be absorbed in any one of the touch points.

So if I have a noise, let me say, with one line coming from one route from one geography, definitely I have other geography to maximize it, right? Because definitely that route can be changed to another route. But if I am there on the other route, I will maximize the opportunity. So risk on one route will be an opportunity for me on the other route. So this is what about ports.

In the logistics, exactly the same. Using trucking, I am touching the customer, right? By 2035, I am pretty sure that end-to-end, which is waterfront to the customer gate, we will be handling each and everything. And as we know, Manish, in the US it happened before, but now in India also it is happening.

How many of us have three to four small packages from e-commerce every day? And I am pretty sure there are so many customers in India who are waiting for their containers without having the visibility when it will arrive. And the way we are progressing, that customer can see when they are with. So this will be a wow factor for our customers and because of freight forwarding and so on and so on.

Now 2035, we can also think of Haifa belonging to us. So the first mile and the last mile, including all multi-modal is with us. And then we are not only controlling from waterfront to last mile, we are also controlling the first mile to last mile, including the hinterland logistics. And I would say that would be the next which we should challenge for. Hope I was able to give the answer.

Manish Somaiya: Yes, Ashwani. Thank you so much for that clarification. Good luck again.

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

Pulkit Patni: Thank you for taking my question. I've got three of them. So first is Panipat refinery expansion. When should we expect us to see the benefit of those in volumes?

D. Muthukumaran: Panipat expansion is actually that of IAVL. We don't do a line by line consolidation. We do a joint venture consolidation. So when it shows up, it will show up in the share of JV, which will be two years to three years from now.

Pulkit Patni: Two years to three years from now. Okay. My second question is, since you've shown the breakdown of logistics across various sub-segments, and our margins are for the last two quarters at 18%, where should these margins stabilize as the mix changes further towards trucking as a segment? So just for modeling purpose, what should be the steady state margins for that business?

D. Muthukumaran: So can you repeat the number you said? The question I understood. You put a number on there. What was that?

Pulkit Patni: Yes. 18% margin for the last two quarters you've been...

D. Muthukumaran: Yes.

Pulkit Patni: Generating in logistics. Where should we pencil that number on a steady state basis?

D. Muthukumaran: So we think actually we should creep up in this margin in times to come and we should get to a number of anywhere between 35% to 40% in three years, four years. And what is more important to look at is actually you need to go one level below that, because you will see in the current mix of our business, only other logistics, which is core logistics, traditional logistics, needs capital. The other two businesses that we have now put in there does not need capital. So you may have to find out as to how the ROCE will grow.

And the other point is actually it's a little dynamic world. In two years, three years from now, I think there is still an opportunity for us to go deeper in the business and deploy our capital and grab more market in the chain -- in the value chain. So it's a little dynamic situation out there. But what I can tell you is that in the next two years, we will start crossing our threshold ROCE.

Pulkit Patni: Sure, sir. That's clear. So my third question is GSA has stepped aside as Non-Executive Chairman. Anything -- any particular reason for that or anything that we need to know in that regard?

D. Muthukumaran: Just to be sure, Pulkit, he has not stepped aside as Non-Executive Chairman. He has come in as a Non-Executive Chairman.

Pulkit Patni: Yes. Yes. Okay. Sorry.

D. Muthukumaran: Yes. So he was Executive Chairman. And this is one of those pending things that we needed to do in our internal high bar on corporate governance. So what we wanted to do is that actually he was Executive Chairman in two companies, AEL and Adani Ports. So just to say that right, so he has become a Non-Executive Chairman in this company.

And in terms of -- in terms of the management depth, this company has had a lot of depth in the last couple of years. We have now got an MD. We have got CEO, Ashwani who is sitting here. And we have also got unit CEOs and business CEOs. So management depth has been added. This was a long-planned transition and sort of there has to be a moment for it to be done. So this is a moment.

And finally, the other relevant point to note is that he is still the Chairman of the company. So nothing changes in terms of the long-term strategy and guidance. So that will continue. And his oversight depth might change. But sort of key matters will continue to be sort of guided by him. So it's in series of -- in a journey that we have. This is one important question.

Pulkit Patni: Sure. Very clear.

Moderator: The next question is from the line of Ketan Jain from Avendus Spark.

Ketan Jain: Sir, I just had one question. I just wanted to check with you on the coal import volumes from Tata Power and Adani Power, if you could provide them for this quarter compared to the previous quarter year-on-year?

D. Muthukumaran: So we don't give that level of detail, to be honest. It will be a little sort of too much of a depth. But we can give you a directional answer. Sorry, go ahead. In the quarter that has gone by, whatever we have seen in the coal volume, there have been a lot of discussions that have happened.

But a very, very narrow point of what you had asked, Mundra coal, it's a dynamic situation. But on the one side, there is a minus coming in from the imported coal. But we expect as a company for the coastal coal to compensate significantly. And that is why you have seen the company as a whole, we have grown in the coal as well.

Ashwani Gupta: I think we should give you the very straight answer. So don't expect much on the coal volume in Mundra. Expect much on the containers, which is main. Because coal volume in Mundra is mainly dominant by the imported coal. So please consider more containers in Mundra, liquid, of course, and the other dry cargo.

However, what will be the miss in Mundra because of imported coal will be recovered for sure by the coastal coal in our other ports. And that is the advantage we have got, and that is what we always keep on saying, that because of strategic positioning of our assets in the South Coast, West Coast and East Coast, as well as all the commodity capability to handle, gives us this opportunity to minimize the risk and maximize the opportunity.

Ketan Jain: Understood, sir. Fair enough. I understand that how coastal coal cargo -- coastal volumes of coal will offset the lower imported coal. And I understand that you won't be able to give me specific numbers. But if you could just provide the growth rate or de-growth in terms of the percentage for the imported coal by Tata Power and Adani.

D. Muthukumaran: We can revert to you on that.

Ashwani Gupta: We will -- Rahul will get back to you.

Ketan Jain: Sure. Sure, sir.

Moderator: The next question is the last question for today, which is from the line of Asmeeta Sidhu from MetLife Investment Management. Please go ahead.

- Asmeeta Sidhu:** Hi. I just have a question regarding the rating. So as you mentioned, S&P has reverted you to positive. Any discussions had with Moody's and Fitch regarding their reversion or still status quo?
- D. Muthukumaran:** Sorry, I didn't hear. Did you get the question? Did anybody hear what was the question?
- Management:** No. It's okay. You already had an outlook change from S&P. Is there any progress on Moody's and Fitch rating?
- D. Muthukumaran:** We are in constant touch with them. And of course, if there is any particular development, we'll be sort of publishing that.
- Ashwani Gupta:** We are doing our job by envisioning what APSEZ will be five years down the line. We are execute -- we have articulated that vision into the strategy. We are executing the strategy and quarter-on-quarter we are delivering the numbers. And the consequence is that we have a very strong P&L with the financial discipline of net debt to EBITDA, which is 1.8x.
- And with the quality of assets we have and the expansion we have, we definitely feel that all the rating agencies are recognizing that progress and believe in our progress. And rest, we leave it to them to rate us and come up with the results. And one of the results we saw last night, which was S&P. Thank you for your understanding.
- D. Muthukumaran:** So on that note, I'd like to actually close this call. Yes. On this note, I'd like to end this call. Thanks for the participation. We have overrun a little bit. This, I think, is only good news that there is some active interest to ask some questions and understand. Look forward to actually any clarification questions that you may have. Please do feel free to reach out. And we'll see you in the next quarter. Bye for now.
- Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Avendus Spark, that concludes this conference. We thank you for joining us and you may now disconnect your lines.