

# Adani says high debt not a concern, eyes new sectors

We are evaluating opportunities in coal conversions, defence, water; existing ports, power, mining businesses remain sunrise sectors in a growing economy, says Adani

**BY MAULIK PATHAK**  
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**A**dani Enterprises Ltd is aiming to start production at its \$16 billion integrated mining project in Australia by end of 2020, after facing a four-year delay because of stiff resistance from environmental groups.

In an interview, group chairman Gautam Adani brushed aside concerns about the group's indebtedness and said it was looking at investment opportunities in sectors such as defence, coal conversions and water. He added that the group continues to explore opportunities in the mining sector as it looks at an integrated "pit-to-plug" strategy encompassing mines, rail and the port sector.

"Infra is a capital intensive business. At group level, our long-term debt to Ebitda (earnings before interest, taxes, depreciation and amortization) is at a comfortable level of 3.25:1. Overall, for infra business, we are robustly placed," said Adani, 54.

At the end of fiscal 2016, Adani Power Ltd had a consolidated debt



*Gautam Adani.*

**REUTERS**

of Rs49,130 crore, Adani Ports and Special Economic Zone Ltd Rs19,500 crore and Adani Enterprises Ltd Rs19,298 crore.

For the debt, the group carries, the "corresponding value of net fixed asset is Rs1.25 trillion", said Adani.

The billionaire also said that in a growth economy, even the group's existing businesses of ports, power and mining remain sunrise sectors. "That being said, we are certainly evaluating other sectors that

include coal conversions, defence and water. However, it's too early to say which of these would be the next sunrise sector for us."

When asked about the group's plan in the defence sector, which has recently been opened up to private firms, Adani said that it was in "discussions to enable the Make in India programme but it's too early to... comment." He, however, clarified that the group had no plans to build ships for the defence sector.

Adani has set a target of 10,000

megawatts (MW) of solar power plants and at least 10,000MW of solar parks by 2020. The group is planning to invest \$1 billion in solar manufacturing project in Kutch in Gujarat, besides setting up the world's largest single-location solar plant in Tamil Nadu.

The group is also planning to expand its power business and some of this expansion will be "inorganic", said Adani.

He said the company was evaluating opportunities but a lot of the power projects up for grabs had multiple challenges such as transmission evacuation, rail connectivity issues, no power purchase contracts and so on.

The Carmichael mines in Galilee, Australia, will produce about 25 million tonnes of coal a year in fiscal 2021. The group has invested close to \$4.5 billion in the first phase, Adani said. It is planning to use the coal to fuel its Mundra and Udipi power plants.

Adani also said he sees the ports business—one of the group's most successful ventures so far—to meet its target of setting up 200 million tonnes of cargo handling capacity by the end of 2018, two years before schedule.

**For the full interview, see Page 6.**

# We aspire to be world leaders with our integrated pit-to-plug strategy: Adani

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**B**illionaire Gautam Adani, chairman of the Adani Group, talks about the company's \$16 billion coal project in Australia in an interview after winning a series of court battles that once threatened to derail the controversial mining project. The Gujarat-based businessman also discusses his plans for solar, the next sunrise sectors for the group, compensatory tariff issues for its thermal power plants and the Adani Sagar Mala, a string of ports across the country. Edited excerpts:

**After much delay, your plans to build one of the world's largest coal mines in Australia seems back on track with the recent court rulings being in your favour and the Australian government extending full support to the project. How do you see your Australian dreams unfolding? Also, you have faced similar resistance from environmental groups in India too in the past. What do you find in common in the two?**

After four long years of approval processes and unnecessary struggles in courts, we have finally overcome the hurdles and we hope to take it to our board (Adani Enterprises) for final investment decisions by March. The Carmichael mine, rail and port project includes the development of a world-class mine with phase one production of 25 million tonnes per annum (mtpa) in FY21. This includes 388-km standard gauge multi-user railway line of 60 mtpa capacity and related port expansions. The coal from this mine would be used to fire our power projects in Mundra and Udipi.

The recent successful meeting with Australian federal, state and regional leaders not only enhanced our confidence but also has paved the way for enhancing trade multi-fold between the two nations.

The much-needed infrastructure for the project will open up the Galilee Basin and put Australia in a competitive position in a global sea-borne market. The total life of mine capex is about \$16 billion and we would have invested about \$4.5 billion in the first phase.

Now, coming to the other part, I will tell you that we remain fully committed and



Adani Group chairman Gautam Adani expects the company's port business to clock 10-15% cargo growth in FY17.

ABHIJIT BHATLEKAR/MINT

very confident of the environmental impact studies we commission and all this information is public. Be it India or Australia or any other country, the impact studies we do are world-class and we use consultants of global repute to augment our very strong internal team.

There have been several positive recent court outcomes in Australia that rejected the claims of what are largely activist-inspired appeals and uphold the strong approvals process by the governments in Australia that we have complied with. These activist-motivated appeals are at odds with the strong local community support in the regions the projects are based. So, the court wins provide more confidence around the project time-frames for Adani and meeting demand in India as well as for the supporting communities in Australia.

Just like any other company in our sector, there will always be some resistance for different reasons and it's a part of our business to be able to address these in a transparent and scientific manner.

There are both differences and similarities between activist activities in the two nations. Increasingly these are "political" campaigns with wider objectives and often with funding and support by global NGOs. Regrettably, these campaigns often don't recognize that in many respects, India and Adani are at the forefront of finding the right bal-

ance between our leadership on renewable energy and the fact that our developing economy also needs the affordable thermal energy that many other nations still rely on for their base load.

We continue to look for opportunities in mining sector across the globe as we aspire to be world leaders in the integrated 'pit-to-plug' strategy in our energy vertical. It includes mines, rail and port developments.

**You seem to have got a clear ambition to be a dominant player in the sectors that you venture into, be it ports, power, mining or the more recently forayed renewable energy business. What is the next sunrise sector for you?**

It is important to understand that for a growth economy like India, even our core sectors of ports, power (including solar) and mining remain sunrise sectors, given the sheer potential ahead. All you need to do is to look at China and see what they have done over the past 25 years to be able to realize that the real period of growth for India within our core sectors is still ahead of us. A 7+% GDP (gross domestic product) growth rate and the strong policy advocacy that we are seeing from the government will provide the additional tail wind for companies like us to keep growing our business at

healthy double-digit rates.

That being said, we are certainly evaluating other sectors that include coal conversions, defence and water. However, it's too early to say which of these would be the next sunrise sector for us.

**Solar seems to have taken a top priority for the group in recent times. You have also set up the world's largest solar plant in Tamil Nadu.**

Solar indeed has taken a significant priority and is a great example of how rapidly we capitalize on opportunities. Over the past 18 months, we have built a confirmed pipeline of 2,000MW of solar power, commissioned the world's largest solar plant in Tamil Nadu in a record period of nine months.

We have a target of contributing 10% of capacity in the national target under Jawaharlal Nehru National Solar Mission (JNNSM) of 100,000MW of grid-connected solar power by 2022. Accordingly, we aim to set up 10,000MW of solar power plants and at least 10,000MW of solar parks during this period. One has to remember that ultimately, the speed of learning cycles and the execution experience makes all the difference and at this time, we are doing this perhaps faster than any other player in the world. In Australia too, we have focused plans

to enter the renewable energy sector.

**You have announced \$1 billion for a solar panels and solar cells production facility. What kind of opportunity do you see in solar manufacturing for an Indian company?**

We are in the process of commissioning a 1.2GW, India's largest, integrated solar manufacturing facility, to produce polysilicon, ingots, wafers, cells and modules and ancillary products under Make in India initiative at Mundra (Gujarat) in multiple phases.

One has to understand that under the JNNSM programme, we are talking about establishing a 100GW solar generation capacity by 2022. No country in the world has ever accelerated their solar programmes at the pace this government has set out to do. India is set to become one of the leaders in the world in renewable energy generation in the days to come. Indian solar power market is expected to grow at CAGR of more than 60% for next five to 10 years. With solar tariffs coming in grid parity with that of thermal power and going forward is expected to come down further, future energy demand will be met from the solar projects.

Currently, Indian solar manufacturing is inefficient compared to some global markets due to many reasons like obsolete and inflexible units of existing manufacturers, lack of economy of scale, dependence

**We aim to contribute 10% of capacity under JNNSM of 100,000MW of grid-connected solar power by 2022**

on imported raw material, etc. Large scale, end to end, vertically integrated solar manufacturing facility like that at Mundra will have a significant edge over currently established cell and module manufacturing units in India and can easily compete with world's leading producers. Yes, there will be competition, but one has to recognize that we must have the confidence that the only way we can be a major player in the solar area is to be able to compete across the solar value chain using global benchmarks and therefore we need to use our integrated strategy as a differentiator.

**Moving from solar, tell us what is happening in thermal power projects. The fluctuating coal prices and compensation tariff have been a concern for the company for quite some time now. From the very beginning,**

our goal has been to generate 20,000MW by 2020. Indian power sector has witnessed rapid advancement over the past few years with installed capacity surpassing 300GW and electricity demand reaching 1,100 billion units. India's current per capita power consumption is over 1,000kWh (kilowatt hour) per capita per annum and aspires to reach 2,000kWh per capita per annum by 2024. With current power-generation capacity of around 11,000MW, Adani Power is already the largest private power producer in India. We have always ensured fast-paced execution of projects and implemented the best available technologies and practices that can serve as benchmarks for the power industry.

The company has already got relief from Appellate Tribunal for Electricity, which held in its judgment that changes in Indonesian regulations affecting discounted coal prices under contract is a force majeure event under the PPAs (power-purchase agreements) and asked the central regulator to grant appropriate relief. The matter has been sub judice from last four years and therefore, though coal price is falling, the company has been under severe financial stress due to delay in grant of appropriate relief. Despite a long legal battle, we are honouring our commitments to supply power. Similarly, grant of relief is also pending for the tariff of power supply from Kawai (Rajasthan) and Tiroda (Maharashtra) power plants.

**Are you looking for further expansions or acquisitions in the power sector?**

Yes, we are looking to continue our expansion and I expect some of it will be inorganic. The Indian power sector is witnessing consolidation among the private sector developers. We are looking at all opportunities, brownfield and greenfield projects. A lot of the power projects up for acquisition come with multiple challenges such as transmission evacuation, rail connectivity, no PPA, no domestic coal supply and many more.

**How have things changed in the power sector under the new leadership at the centre?**

The proof of success lies in metrics and I think the numbers speak for themselves. I have already spoken about how solar power has been catalysed by the policy initiatives taken by the government. Average solar tariffs are now at Rs4 per unit and this is a tremendous achievement by any

yardstick or measure and the long-term cascading benefits of this in helping industries getting power to rural areas as well as galvanizing the solar value chain in India will be significant.

**For the group's most successful business, ports, has there been any change in strategy for attaining your previously articulated goal of reaching 200 mtpa by 2020? Also, you have built a huge network of ports across the country, making acquisitions in the east and south. What is the overall strategy?**

With a strategy to serve large Indian hinterland, APSEZ (Adani Ports and SEZ Ltd) has developed and operates 10 ports/terminals across the coastline of India. All our ports and terminals are strategically located, making a string of ports or the Adani Sagar Mala. This network of multi-cargo ports enables us to cater to major consumption and resource-rich regions of India. The addition of the Kattupalli port (in Tamil Nadu) earlier this year to augment our flanking strategy along with its sister Ennore port in Chennai has been yet another success with volumes at the Kattupalli port already doubling since we have taken over operations. Kattupalli has a tremendous location and we plan to convert it to a multi-cargo port to further capitalize on this advantage. In Kerala, our plan to build out the Vizhinjam transshipment port at the southern-most tip of India is on track and this will be yet another strategic port that will draw traffic from the world's busiest shipping routes as well as allow our own country's traffic to be transhipped within our country.

In FY16, we handled a cargo volume of 151 MMT and we are expecting 10-15% cargo growth in FY17. While we are seeing growth in cargo handling at our existing ports, we are also expanding our presence across the Indian coastline. Given the growth rates, we have seen in the ports sector and the progress made over the last few years we will reach our target of 200 mtpa well before 2020, most likely well before the end of 2018.

Currently, we are focusing on timely completion of our LNG and LPG terminals at Mundra and Dhamra, coastal shipping, container transshipment and improvement in operational efficiency by leveraging technology. We are confident that all these initiatives together will help us in reaching our goal.