

**Title: Small ports could drive big growth for Adani Group**

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Mundra Port BSE 1.72 % in Gujarat is often referred to as the "crown jewel" of the Adani Group, but this pride of place is set to see tough competition as smaller ports in the group begin to get the limelight.

Adani Ports and SEZ, the country's largest private port operator, has added other terminals at other ports in the country over the last few years — Hazira and Dahej, for instance. Terminals at Marmagao, Kandla and Visakhapatnam are expected to start contributing soon. Although contribution of these newer ports is expected to be less than 10 per cent of the total cargo the company handles this year, a senior executive at Adani told ET that by 2020, this share is expected to top 25 per cent at more than 50 million tonne.

Some analysts, too, back the view that the company's other ports could be the growth drivers. "We expect the next leg of growth for Adani Ports to come from the 'other' ports, complementing Mundra, which we expect to continue reporting robust growth," said Vibhor Singhal, analyst at Phillip Capital. Aided by better infrastructure, Mundra has reported stellar growth, overtaking Kandla Port and Jawaharlal Nehru Port at a time when other ports in the country are facing capacity constraints. Helped by Mundra Port, the company reported consolidated net profit of 451 crore for the third quarter, up 25 per cent. The port, founded in 1998, handled about 75 million tonne of cargo in the first nine months of the current fiscal, beating rivals by a wide margin. While many analysts are betting on Adani Ports being able to win more projects across the country, its expansion is unlikely to be easy, given the overcapacity in the southern Indian hinterland and uncertainty regarding several mining projects in eastern India.

**"What they did in Mundra cannot easily be replicated elsewhere in India. Success in Mundra was based on the success of industries in the hinterland. They also had land available in Gujarat and a ready customer base," said Anand Sharma, a director at Mantrana Maritime Advisory.**

Some analysts pointed out that the group does not enjoy similar political support outside Gujarat. This, along with problem of land availability in Odisha, could make expansion challenging. Aam Aadmi Party's Arvind Kejriwal has alleged a land nexus between Adanis and BJP's Prime Ministerial candidate Narendra Modi. He says that the Gujarat government gave away crucial agriculture land to industrialists, including Adanis, at cheap prices. Adani has set a cargo-handling target of 200 MT by 2020.

Experts say the company can achieve this much earlier if it is able to seal the Dhamra port deal with Tata Steel-BSE 0.82 % and L&T soon. With the impending acquisition of Dhamra Port in Odisha and a new terminal in Ennore, the company will be able to grab a larger pie of the trade on the east coast.

"We expect the total cargo handled by Adani Ports to increase from 87 mt in fiscal 2013 to 170 MT in 2016, driven by 26 MT of incremental cargo at Dahej, Hazira, Vizag and Mormugao ports," said Phillip Capital's Singhal. "If we also include Dhamra port, the company will handle 188 MT of cargo in 2016."

Adani Ports has been working on closing the Dhamra Port deal for more than a year now. A deal is likely to be announced soon. "We believe Dhamra Port has the potential to generate more coking coal volumes from SAIL, as well as from expansion plans that are on stream for Tata Steel and SAIL-BSE 0.16 % on the eastern coast," said Nitin Arora, an analyst with Emkay Global-BSE 3.08 %.