

# Business India

THE MAGAZINE OF THE CORPORATE WORLD

July 8, 2012

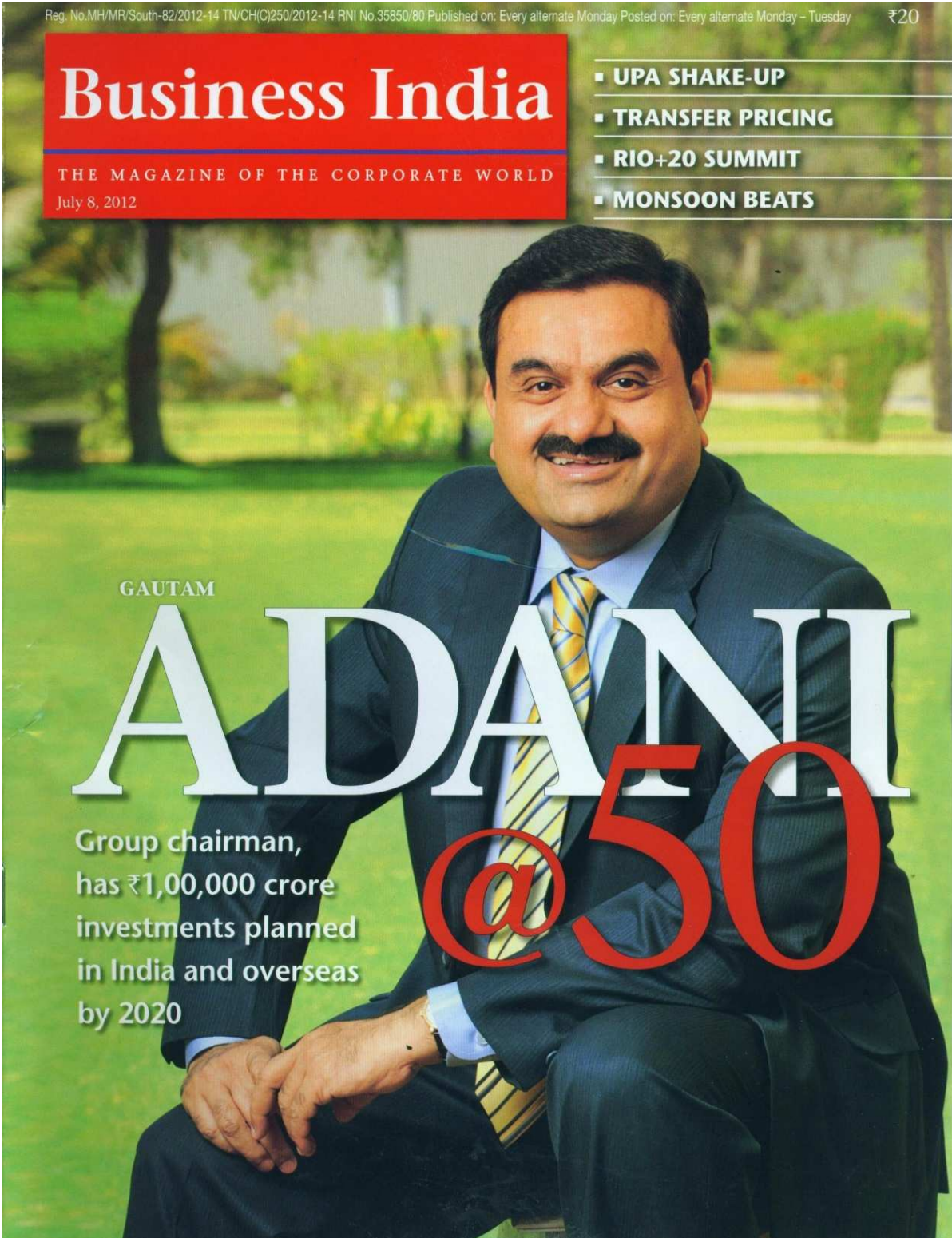
- UPA SHAKE-UP
- TRANSFER PRICING
- RIO+20 SUMMIT
- MONSOON BEATS

GAUTAM

# ADANI

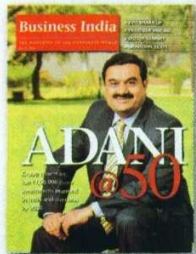
Group chairman,  
has ₹1,00,000 crore  
investments planned  
in India and overseas  
by 2020

# @50

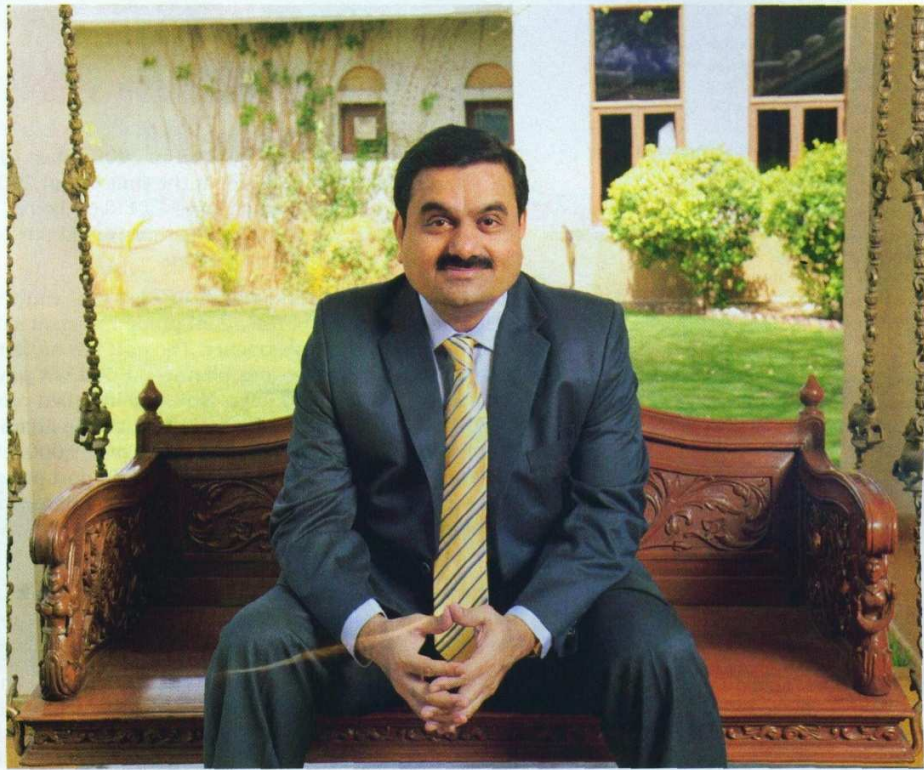


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**Gautam**  
**Adani@50**

After transforming his group from a trading outfit to a pan-India integrated infrastructure entity, Gautam Adani now cherishes global ambitions



COVER PHOTOGRAPH BY  
SANJAY BORADE



SANJAY BORADE



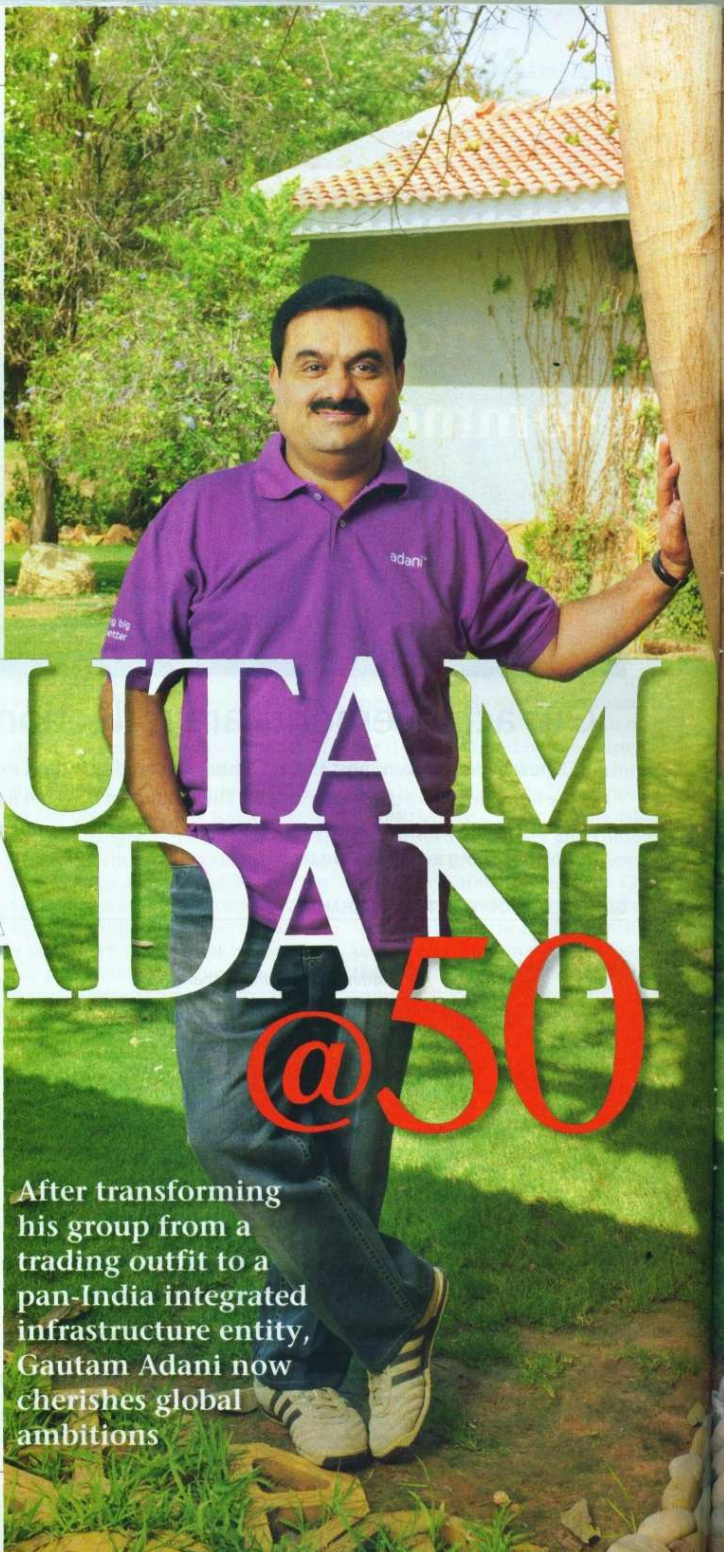
Cover Feature

**G**AUTAM ADANI, chairman of the Adani group of companies, who celebrated his 50th birthday on 24 June, could not have asked for more from life. Amongst the youngest multi-billionaires in India, he is ranked in the group of the top 10 wealthiest persons in the country. Over the last three decades Adani has promoted companies that have created world class infrastructure assets. Adani Enterprises Ltd (AEL), the group's holding company, is the largest coal trading company. Adani Power Ltd (APL), with a combined capacity of 4,620 MW, is the largest thermal power producer in the private sector. The Mundra Port of Adani Ports & Special Economic Zone's (APSEZ) in Gujarat is also the largest private sector port in the country. And Adani Wilmar, the

edible oil refining company, is one of its biggest brands.

One is not sure if Adani took some time off on his birthday to dwell on his past or mull his future – with a view to take stock of his achievements, mistakes and unfinished agenda. Chances are that Adani, a self-confessed 24x7 workaholic, would have had neither the inclination nor the time to dwell on such issues – 50 is just another number, he would have said in a nonchalant manner. A down-to-earth person, Adani does not believe in wearing an attitude on his sleeve like several other billionaires. A man of few words, he retorts in a similar fashion, 'It is just a number', when asked about his wealth or the market cap of his company.

AEL is currently valued at close to ₹25,000 crore – just a shade above APSEZ, valued at ₹23,000 crore. Adani Power, the youngest entrant in the



# GAUTAM ADANI @50

After transforming his group from a trading outfit to a pan-India integrated infrastructure entity, Gautam Adani now cherishes global ambitions



group despite having shrunk to less than half its value on listing, is still valued at a little over ₹10,000 crore. Adani Wilmar is not listed. Nor are some of his other entities. The cumulative market cap of all his listed entities is roughly ₹58,000 crore – a little over \$10 billion. Over the last one year, the group has witnessed an erosion of more than 50 per cent in its market cap, which at its peak was ₹1,25,264 crore in 2010-11. This, however, does not perturb him much. Markets set their own benchmark in valuing an enterprise usually based on their near-term perception of its performance.

Adani has his own rationale in creating assets and is not overtly swayed by the values assigned by the markets. Nor does he plan to raise more equity in the near future. He takes a longer-term view of infrastructure (see box on markets). Undeterred by the uncertain business environment, both globally and domestically, Adani is doing what he knows best – acquiring and building assets in pursuit of his growth plan.

His 2020 vision envisages generating 20,000 MW of power, mining 200 million tonnes of coal across geographies, handling 200 million tonnes of cargo across all his ports, and owning 20 cape-size ships. The total investment required for these projects is ₹1 lakh crore (\$20 billion); of which \$14 billion was invested till March 2012. Other projects in energy, ports & logistics and resources (including mining) will require an additional \$6.7 billion (see chart). The unstated agenda is to complete the transformation of a regional power-maker into a pan-India powerhouse and ultimately become a player to reckon with in global markets.

Adani has always been known to think big. “Gautambhai is dynamic and quick in taking decisions,” says Rasesh Shah, chairman, Edelweiss group. Shah, who has contributed to the growth of several entrepreneurs, adds that Adani meticulously plans out a strategy and makes all efforts to execute the same in double quick time.

Adani dislikes being compared to Dhirubhai Ambani, who created



the Reliance empire in his lifetime, though he admires him. However, one common trait running through them is their ability to think big and seize opportunities, instead of waiting for the right one. Ambani did so in the ‘control’ era, while Adani is regarded as a beneficiary of the new liberalised policies, in place since the early 1990s.

Adani’s appetite for growth has been matched by his ever-expanding dreams. “He is a big risk-taker, besides being highly adept at spotting opportunities ahead of others,” says Nimesh Shah, founder, Fortune Financial Services, a Mumbai-based investment broking house. Adani’s first business venture was diamond trading, which he started after gaining two years experience in a Mumbai-based diamond firm at the young age of 19. At the time he made his first million, he just wanted to be the

biggest diamond merchant.

The story of his comeback to Ahmedabad to help his elder brother who had taken over a plastic business is well known – as is the subsequent setting up of his own trading firm, Adani Exports, with his younger brother Rajesh Adani. What followed was an enviable growth pursued by Adani Enterprises.

**Turning point**

The real growth story of the group took shape with Adani’s idea of developing a port. The original idea was to develop a captive port for AEL which, at that time, was trading in textiles, agro commodities, chemicals and coal. The idea took concrete shape when the Gujarat government decided to seek private partners to develop ports. AEL gained government approval in 1994 to set up a captive jetty at Mundra. Gujarat Adani Port Ltd (GAPL) was incorporated in 1998 as a joint venture with Gujarat Port Infrastructure Development Company Ltd.

Seeing the huge potential offered, Adani quickly changed the idea into developing a commercial port. Getting into infrastructure, however, required a different set of talent and people with a different mindset. Malay Mahadevia, whole-time director of Adani Ports, was inducted to develop the port in Mundra from conceptualisation to commissioning.

Mahadevia’s entry into the company too was providential. A qualified dentist who had known Adani

**APSEZ - port projects**

	Capacity (MMTPA)	
	Current	Proposed
<b>Indian ports</b>		
Mundra	165	240
Dahej	20	20
Goa		10
Hazira		75
Vizag		7
<b>Global ports</b>		
Abbot Point	50	50
Dudgeon Point		90
<b>Total capacity</b>	<b>235</b>	<b>542</b>



as a neighbour in Ahmedabad since 1974, he approached the industrialist one morning to inquire if he would help set up a dental college. Adani, in turn, asked whether he would like to build a port instead. It wasn't long before Mahadevia found himself within the group, toiling away on a mega port facility. Perhaps Adani vibes well with dentists, as his wife, Priti, is one too! She now chairs the Adani Foundation that runs schools and imparts vocational training to residents in the vicinity of Adani facilities.

Gautam Adani had a vision. Mahadevia recalls that this coastal town was then only known for salt and spice trading and for tie-dye and block-print textiles. "When Gautambhai and I came together on site visits when this place was just a dust-blown expanse, he scanned the area and decided where the berths would be created, where the navigation channel was feasible, where the railway siding would be laid out and where the supportive infrastructure would emerge," says Mahadevia. "All the while, others only saw scrubland here!"

Gushing with pride over the success of his friend, Mahadevia adds,



Rajesh Adani: integrated model works

"I see him as a one-man institution, having his own natural style of functioning and learning from his wide global exposure picked up in AEL." Devang Desai, group CFO concurs. "He has the rare ability to see things at micro and macro levels, taking measured levels of risks before deciding

to venture into a new project."

Capital was still scarce and while development was planned in stages, the first phase of the port development itself envisaged an outlay of ₹400 crore to develop a 300-acre plot (of a total of over 6,000 acres of semi-marshy wetlands, which he got at a throwaway price from the government). This development cost was funded largely by IFCI and Exim Bank.

Even during the development phase, "Plans to link the ports with the hinterland through pipelines and building railway lines for the fast movement of goods to and from formed part of the initial integrated plans," recalls Rajesh Adani. Being a man in a hurry, and reluctant to wait for outside contractors, Adani chose to float his own construction company to develop the site. Till date this unit retains its independent status, not being part of any listed entities. Mundra Port, with a four-berth, multi-commodity terminal and a two-berth container terminal, went into commercial operations in 1998.

#### Transition

Even as trading and ports became the growth drivers, Adani forayed into

## Bonding with investors

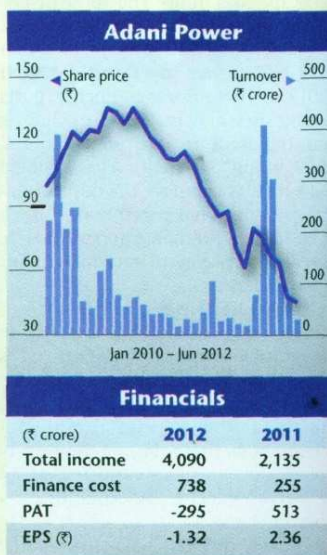
The Adanis bond well with investors. The first issue of the group, in September 1994 offering 1.25 million shares at ₹150 each (amounting to ₹150 crore), was oversubscribed by more than 25 times. With this fund infusion, AEL grew dramatically and its turnover surpassed ₹1,000 crore in 1996. Clocking a CAGR of 43 per cent over the next five years (with a 39 per cent bottomline growth), shareholders in the company saw their wealth swelling by multiples, thanks to a liberal bonus policy followed by Adani.

Mundra Ports & SEZ, now APSEZ, in which Adani Enterprises holds over a 77.5 per cent equity, came out with an IPO of 40 million shares priced at ₹440 in November 2007. The issue saw a record 116 times over-subscription. A 10 per cent equity dilution saw the company raising ₹1,700 crore and being valued at ₹17,000 crore. Today, despite depressed

conditions, the company is valued at ₹23,000 crore.

Adani Power, another subsidiary of Adani Enterprises (70.25 per cent), which raised ₹3,000 crore offering shares at ₹100 each in 2009, was oversubscribed 21 times. The price of these shares has slumped to ₹45, thanks to the problems faced by the sector. One view offered by analysts was that power players including Adani had probably taken too high a risk by inking long dated PPAs at fixed tariffs, without ensuring captive supplies at fixed prices. A lower quantity of coal imports from Indonesia and higher prices saw Adani Power reporting losses in 2012. Depreciation for the new projects only accentuated these losses. The tide, however, is expected to turn by 2015, when coal supplies from Indonesian mines and Australia commences.

Fears that APSEZ might end up





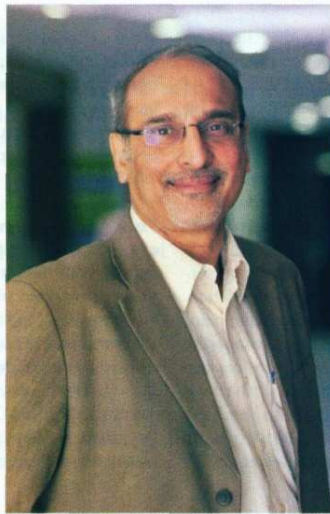
which have ventured into the power sector, Adani Power has also suffered losses in the face of mounting problems of coal availability. However, the company's integrated model and its ability to source coal from multi-locations, especially from its mines in Indonesia and Australia, would be a differentiator compared to others. The total investment in power projects is expected to go upto ₹45,000 crore by 2013.

#### Australian mines

The Australian move marks the beginning of a new chapter in AEL's history. If all goes according to plan, it will herald the group's entry into the league of global players.

In 2011, Adani ventured into Australia buying Linc Energy's coal tenements in the Galilee Basin for \$2 billion. The original bridge loan was provided by State Bank of India and Standard Chartered Bank. The bridge acquisition debt was subsequently refinanced through a non-recourse Australian and US dollar project debt provided by The Bank of Tokyo-Mitsubishi UFJ, Commonwealth Bank of Australia, Mizuho Corporate Bank, National Australia Bank, Oversea-Chinese Banking Corporation, Standard Chartered Bank and Westpac Banking Corporation.

Jignesh Derasari, CEO of Brisbane-based Adani Mining, says the group will invest \$6.5-7 billion in Australia over the next three years in the coal mine, the Abbott Point port project, and a 450 km railway line that will connect the two. This will also involve doubling the port's capacity by 2015 from the present 50 million tonnes per annum. It is a structured deal by which Linc gets \$500 million



Desai: funding unlikely to be a problem



Derasari: Australia beckons

in cash and a \$2 a tonne royalty for the first 20 years of production. Galilee is Australia's single largest tenement, with a resource of 10.4 billion tonnes of coal. The part-open pit and part-underground mine will be the country's largest and one of the largest in the world. Its output will be tripled to 60 million tonnes by 2019 after production starts in 2014.

The Adanis are also exploring the acquisition of Dudgeon Point, another port nearby, where they propose to establish a yearly throughput capacity of 90 million tonnes. Adani Mining and Dudgeon Point Project Management were selected as the preferred developers of Dudgeon Point in 2010, following a public process, and construction is expected to commence by 2013. Its cost, including the cost of acquisition, is estimated at \$8-10 billion. The project will include new coal export terminals, with a combined capacity of up to 180 million tonnes per annum, six rail loops and train unloading facilities, and offshore wharf facilities for up to eight ship berths.

Funding for the phased development in the future would require equity dilution to rope in investors. While funding from Indian banks would be costly, given the high interest rates, Adani would be open

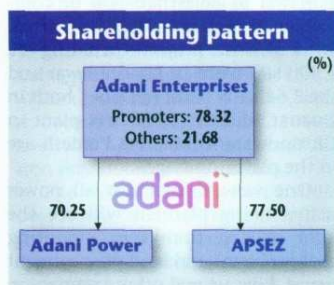
to funding from Chinese banks, say analysts. They would be willing to lend a fair amount of equipment, including boilers and turbines, which have been sourced from China by the Adani group.

#### Derisking power project

Adani will be using the coal to fuel its own power plants, and also for trading, mainly in India, where volatility in domestic supplies and international pricing has markedly affected power generation. Others would buy from him, as he can assure long-term contracts at stable prices.

In March, the company signed five agreements to supply imported coal with public sector NTPC. As Indonesia is one of the world's two foremost exporters of coal (the other being Australia), AEL signed an agreement in January 2011 with the regional government of Sumatra Selatan and the government-owned coal mining company of PT Bukit Asam Tbk, to set up a 'rail and port project'. The \$1.65 billion project will be executed by AEL subsidiary PT Adani Global over four years and will involve the construction of a 250 km railroad linking the coal mining area of Tanjung Enim to Tanjung Carat, where the port will be set up.

PT Bukit Asam has conferred coal





edible oil refining since most of India's oil is imported. A JV was formed with Wilmar to set up a refining and packaging unit at Mundra in 1998.

Later, Mundra Special Economic Zone (MSEZ) was set up when the government decided to push for SEZs. GAPL was merged with it to form Mundra Port & Special Economic Zone (MPSEZ), to reflect the evolving nature of business. A 57 km private railway line was commissioned by Adani from Mundra to Adipur in 2001, which was integrated with the national rail network a year later. APSEZ also holds equity in Kutch Rail Co, an Indian Railways project that aims to shorten the distance between Mundra Port and the northern hinterland. Inland container depots have been established around the port and the SEZ expanded to 135 sq km to make it the country's largest multi-product SEZ, designed to generate employment for 400,000 people.

Two single point moorings (SPMs) for crude handling became operational in 2005, conveying oil to refineries in Panipat (Haryana) and Bhatinda (Punjab). As they are loading buoys anchored offshore, SPMs are capable of handling very large crude carriers (VLCC), where no

alternate facility is available. There is scope to add two more SPMs as cargo increases.

MPSEZ's IPO of 40 million shares made in 2007 to raise ₹1,700 crore (10 per cent of the post-paid capital) got an overwhelming response from investors with the issue getting over-subscribed by 116 times (see box on markets). Finally, in line with its vision to go multi-location, the Adani group rechristened MPSEZ Adani Ports & Special Economic Zone (APSEZ) in November 2011.

Mundra Port also handles car exports, with both Maruti and Nissan shifting their business to Mundra from the increasingly congested JNPT Port off Mumbai. The Adanis established their port after selling their Mundra International Container Terminal (MICT) to P&O Ports (now DP World) for \$197 million in 2003. The port's 22nd berth was completed in March, extending the quayside to a total 5.5 km. "The alongside draft is 18 metres – the deepest in the country – which can handle 300,000 dwt," says Unmesh Abhyankar, COO, APSEZ.

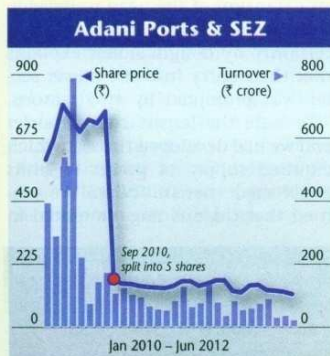
**To be numero uno**

The Adani group is focussed on emerging as India's largest port operator by



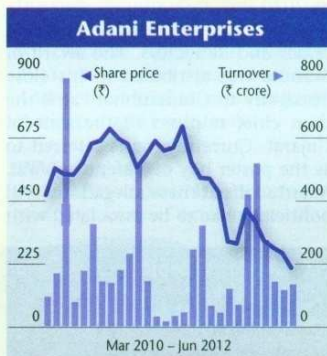
Mahadavia: ensures no teething problems

aiming to handle 200 million tonnes of cargo by 2020. Adani Petronet (Dahej) Port, a JV, operates a port in Dahej, 63 km from Surat, to handle dry bulk and break bulk cargo, while Adani Hazira Port, 25 km from Surat, is under construction and will operate all non-LNG terminals at Hazira



Financials		
(₹ crore)	2012	2011
Total income	3,209	1,937
Finance cost	480	167
PAT	1,102	918
EPS (₹)	5.5	4.56

Consolidated. Source: BSE



Financials		
(₹ crore)	2012	2011
Total income	39,304	26,405
Finance cost	1,825	634
PAT	2,020	2,826
EPS (₹)	16.72	23.28

Consolidated. Source: BSE

subsidising Adani Power are also weighing heavily on investors and getting reflected in its price. On the positive side, APSEZ is expected to benefit from the surge in crude cargo, following the recent commissioning of the HPCL Mittal refinery in Bhatinda. Prahudas Lillader, a Mumbai-based broking house, has estimated an additional crude cargo of 5 million tonnes annually for APSEZ, following the commissioning of this refinery. APSEZ would also benefit from higher coal imports in 2013, they say.

However, with the group developing infrastructure projects that have a long gestation, investors are worried about the growing debt on the books of the three companies. Gautam Adani says that he will bring down the current 2.5:1 debt equity ratio shortly. Adani does not want to raise funds from the markets in the short run. Talks are that he would be looking eastward: China and Singapore, to meet his ambitious funding needs. ♦



## "I believe in destiny"

A few days ahead of his 50th birthday, **Gautam Adani** spoke to **Daksh Parikh** and **Sarosh Bana** at his office in Ahmedabad, about his plans and strategies, going ahead

### In hindsight, do you feel that the takeover of Australian mines is challenging?

I like challenges and resolve to work harder once the decision to go ahead has been taken. Mere money-making is no longer our aim; taking on challenging work is. One of our internal beliefs is also to align our business with the

interests and requirements of our nation. Our plans in Indonesia and Australia are part of this belief.

### You will be taking on a huge debt to develop the asset. This could put your group at risk...

Debt in any infrastructure project is a given. When you are moving fast, you need

to have access to more and more funds. One should not worry about debt if the project parameters are sound. However, we are cautious on our debt programme. We are targeting to bring down our debt:equity ratio to 1:1. I do not get tensed up over the debts and servicing. The assets will pay for themselves.

### A risk-taking appetite tends to diminish with age. Will you be able to maintain your scorching pace of growth?

One tends to become wiser with age. I always see every decision as a learning experience. The pace of growth will depend on opportunities and, as long as our strategy is intact, I do not see any problems going ahead.

### What made you get into power?

Our entry into power was on two counts. We are the largest coal importer and we had

Port, owned jointly by LNG majors Shell Gas BV of the Netherlands and Total Gaz of France. Adani Mormugao Port Terminal, a special purpose vehicle created by APSEZ and AEL to execute a concession agreement with Mormugao Port Trust, is developing the second coal terminal at Mormugao Port on a DBFOT – design, build, finance, operate, transfer – basis to handle up to 7.5 million tonnes of coal per annum. It is expected to be ready by next year.

APSEZ has also chalked out other growth plans. It has been selected by the Visakhapatnam Port Trust to develop its 6.5 million tonnes per annum coal import terminal by 2014-15. The group also received a letter of intent in February earlier this year from Kandla Port Trust to set up a dry bulk terminal at Kandla Port, on a build, operate, and transfer basis. It was awarded a 30-year concession on the grounds of being the highest bidder on revenue-sharing basis. The 20 million tonne dry bulk terminal is projected to add 40 per cent to APSEZ's total dry bulk capacity, when it becomes operational by 2014-15 and will attract fertiliser, coal and iron ore, among other cargoes.

The existing Kandla Port handles over 40 per cent of India's fertiliser throughput, but it is not fully mechanised, as the APSEZ terminal will be. APSEZ's move to Kandla port is seen

as an effort to further gain a presence in coal trade. Developing a presence across the ports from Kandla, Mundra, Dahej, Hazira and Mormugao is a part of the company's strategy to become the single biggest port owner/operator in the western region. Currently, APSEZ is ranked fourth on an all-India basis. Their combined investment, including investments made till date in ports in India and overseas will go upto ₹35,000 crore by 2020.

Adani has had his fair share of critics and detractors. The award of Mundra was attributed to his close proximity to Chimanbhai Patel, the then chief minister of the state of Gujarat. Currently, he is referred to as the poster boy of Narendra Modi. Adani scoffs at these allegations. "All politicians like to be associated with

development. Projects need government support," points out Adani. "And we have strong relations with the governments. So, our projects are set up in record time." Adani has also been fully exonerated after the tax raids and investigations launched by various authorities in early 2000.

### Power play

While the entry into commercial ports could in a way be looked at as an extension of the need to develop a captive port, entry into power was certainly by design. Adani explains that their entry into the power sector was prompted by two reasons. "We were the largest coal importer and we had developed the SEZ, which required supply of power to units established therein. When we realised that there is huge potential in

#### Coal mining project - Australia

Carmichael Coal Mines	Queensland
Reserves (Bn MT)	10.4
Peak capacity (MMTPA)	100
Exp. comm. of production	2014
End use	Captive/trading



#### Coal mining project - Indonesia

Bunyu Island	
Reserves (MMT)	180
Peak capacity (MMTPA)	11
Current capacity (MMTPA)	7 *
End use	Captive





developed the SEZ, which required supply of power to units established in SEZ. When we realised that there is a huge potential in a stand-alone business of power, we envisaged a 660 MW power plant at Mundra in 2006. In two years, we decided to increase the capacity to 4,620 MW. There is an eight-nine fold capacity increase, which is now operational.

#### Are you also looking at hydro power projects?

We are definitely looking at it. From India's point of view gas is costly, coal is cheap. While

hydro may be the cheapest, it involves a long gestation period. Wind and solar are still costly and availability is a bit difficult.

#### With the power sector getting overcrowded, where do you see the industry's future?

I personally feel that the sector will undergo consolidation. From the private sector point of view, I do not envisage the survival of more than four-five players. This is despite the huge need for power to feed the growing needs of the nation. I feel we are better equipped

as we are fully integrated as far as coal mining, shipping and ports are concerned. We also have areas near the ports and, as more sites open up, we will be amongst the top survivors in this segment.

#### Your group seems to be close to Gujarat government. Will this impede your pan-India plans?

No. If you really ask me, I don't think this is an issue because we are working closely with the governments of Maharashtra, Rajasthan, Odisha and Haryana too. Any project big or small requires government

support; otherwise you cannot survive in India. We have strong relations with the governments and have a credible face, which makes authorities stand by us at any given point in time. We get strong support from the state governments, whether it is a bureaucrat or a politician. This is one reason our projects are set up in record time.

#### What about non-core assets?

We have already hived real estate from Adani Enterprises, which will now concentrate on the coal business. ♦

a stand-alone business of power, we envisaged a 660 MW power plant at Mundra in 2006."

In line with his ambition to scale up, the group decided to increase the capacity to 4,620 MW within two years. "Adani has become India's largest power generation company in the private sector, with the commissioning in March of their ninth unit (660 MW) of the Mundra power facility," says Ravi Sharma, then CEO, power business, APL. With four 330 MW and five supercritical 660 MW units, the Mundra plant is the world's largest single-location coal-fired power plant in the private sector. "China, Poland and Taiwan have three thermal power plants exceeding 5,000 MW, but they are all state-owned. Even NTPC, India's largest power producer, has no installed capacity over

4,000 MW in a single location.

Adani has replaced Tata Power, at least for the time being, as India's largest independent power producer (IPP). Tata Power's installed thermal capacity totals 4,447 MW. In February, the first of its five 800 MW supercritical boiler units (of its ₹17,000 crore, 4,000 MW, ultra mega power project in Mundra) achieved full load. Tata Power, which is close to Adani Power's complex, sources its coal imports through Mundra Port and it is confident that the remaining four units will become operational by March 2013 – 17 months ahead of schedule. Adani Power funded its power project through a debt equity mix.

#### PPAs in place

Adani Power has signed long-term power purchase agreements (PPAs)

with Gujarat and Haryana for the sale of 80 per cent of the electricity generated, while the remaining 20 per cent will be sold on a merchant basis. The PPAs signed with the state governments envisage sale of power at ₹2.34-2.94 per unit.

Adani has ventured into renewable energy by recently operationalising its 40 MW solar power project at Bitta, in Kutch. Adani is also contemplating an entry into hydro power. "We have acquired one asset in Himachal Pradesh; but, somehow it has gone into litigation," mentions Gautam Adani.

Most IPPs have major expansion programmes and Adani Power envisages attaining a combined capacity of 9,240 MW by next year. Vineet Jain, executive director, Adani Power, says his company's 3,300 MW plant at Tiroda in Maharashtra, will be commissioned by July 2013, while its 1,320 MW thermal station at Kawai in Rajasthan will be completed in August 2013 (see chart). Work on other projects including the 3,300 MW plant in Bhadrashwar and the 2,640 MW plant in Dahej, both in Gujarat, and the 1,320 MW plant in Chhindwara in Madhya Pradesh are in the planning stage.

One view is that not all power plants being planned will see the light of day, thanks to mounting coal problems and land procurement issues. Like several other companies,

Coal mining projects in India				
Projects under MDO	Chhattishgarh		Orissa	
	Parsa Kente	Parsa	Machhakata /Mahanadi	Chhendipada
Beneficiary	RRVUNL	CSPGCL	MCCL	UCMCCL
Block area (sq km)	27.67	12.52	20.43	21.91
Capacity at peak level (MMTPA)	15	5	50	40
Exp. comm. of production	2012	2014	2013	2014

RRVUNL- Rajasthan Rajya Vidyut Utpadan Nigam Ltd. CSPGCL- Chhattishgarh State Power Generation Co Ltd. MCCL- Mahagunji Collieries Co Ltd. UCMCCL- UCM Coal Co Ltd.



purchase rights to PT Adani Global with a minimum offtake volume of 35 million tonnes from its mines that have an annual production capacity of 60 million tonnes. This concession has an initial validity of 30 years from the date of signing the agreement and can be extended mutually. The Indonesian company will sell 60 per cent of its coal to Adani at a government-notified price, the balance to be used as contract carriage for Bukit Asam.

Adani Global also has coal mines of its own in the East Kalimantan and Central Kalimantan provinces of Indonesia. It is assessing the feasibility of developing a 2,000 MW coal-fired power plant in Central Java.

Having acquired vast coal mines in Indonesia and the Australian state of Queensland, Adani now plans to mine the coal, freight it from the mines – by railroads that he is building – to ports that he has acquired in the two countries, and transport it by ships that he owns.

The coal that he hauls to India will be offloaded at his own port in Mundra, blended with Indian coal beneficiated in his own washeries, and dispatched via his own rail network to fire his own thermal power plants. The trucks serving the port ply on his road links and may well be tanked up with compressed natural gas dispensed from his CNG pump



Jain: powering up by 2013



Sharma: surpassing NTPC

stations. Electricity from his power plants will be evacuated by his own transmission lines. Mundra port today caters to 17 per cent of India's coal imports and will have a share of 25 per cent at its peak.

Besides Indonesia and Australia, AEL has also forayed into mining in India. As a designated mine developer and operator (MDO) on behalf of state utilities and as the largest integrated coal manager for IPPs, the group has acquired four mines in Chhattisgarh and Orissa with 5.10 billion tonnes of mineable reserves. The mines will reach a yearly combined capacity of 110 million tonnes once they all start production by 2014. Adani says his group will not be mining any resource beyond coal at least until 2015. Adani's investment in mining projects is likely to be in the vicinity of ₹13,000-15,000 crore.

The group now has administrative offices in Ahmedabad, Mundra, Mumbai, Gurgaon, Bilaspur and Bhubaneswar and globally across Brisbane, Jakarta, Singapore, Dubai and Shanghai. The move to diversify to other states and also expand its geographic footprint in India and overseas is seen as a sound strategy by analysts. "AEL is well positioned to benefit from its presence in two of the fastest growing infrastructure

sectors – ports and power," says Deven Choksey, CEO, KR Choksey & Co, a Mumbai-based broking house.

"It has demonstrated good execution capabilities and diversification across geographies, including Australia and Indonesia," he adds, pointing out that AEL will be generating an estimated ₹6,600 crore in cash flows, which amounts to nearly 24 per cent of its market cap. For 2014, cash flows are estimated at ₹9,500 crore, which accounts for 40 per cent of its current market cap. This will provide comfort to lenders, he says. In comparison Reliance Industries' cash flow is estimated at ₹31,000 crore.

**Integrated model**

Besides cash flows from existing operations, the company is further sitting on a land bank in the APSEZ. As much as 1,840 hectares was recently notified in January 2012 which, analysts feel, could be monetised during 2015-17, once the Mumbai-Delhi corridor is put in place.

All new projects that fit into the integrated model of the group are being looked at now. With this in view, the group is seeking to scale up its own shipping fleet, primarily to freight its coal, but not only for dedicated use. It already has three Korean-built, 175,000 dwt cape-size vessels

Adani Power play			
Projects	Location	MW	Cost (\$ bn)
Mundra	Gujarat	4,620	4.60
Solar	Gujarat	40	
<b>Total</b>		<b>4,660</b>	
Projects under implementation			
Tiroda	Maharashtra	3,300	3.46
Kawai	Rajasthan	1,320	1.56
<b>Total</b>		<b>4,620</b>	
Projects under planning			
Bhadreshwar	Gujarat	3,300	
Dahej	Gujarat	2,640	
Chhindwara	MP	1,320	
<b>Total</b>		<b>7,260</b>	
<b>Total capacity</b>		<b>16,540</b>	



Mundra: showcasing Adani's prowess



named MV Rahi, MV Vanshi and MV Anya, which are deployed to carry cargoes such as coal, iron ore and grain. There are plans to acquire 20 ships by 2020.

With a view to diversifying its portfolio in the energy sector, the group is contemplating a foray in the E&P sector, as also getting into coal gasification. The Adanis also have a JV (65:35), Adani Welspun Exploration Ltd (AWEL), with Mumbai's Welspun group, to undertake oil and gas exploration. AWEL has won exploration blocks in the Cambay and Assam-Arakan basins and, in Mumbai offshore, close to Tapti fields. It has two more concessions in onshore Thailand and another in the Gulf of Suez, Egypt.

Gautam Adani is keen on exploring underground coal gasification (UCG) as well, but says this business has not been cleared environmentally as yet. "Unless it is proven, we won't jump in to it," he says. In the meantime, AEL has signed an MoU with Australia's Carbon Energy Ltd to set up a 75:25 joint venture to explore opportunities in the UCG assets in India. UCG is a process of converting unworked coal into combustible gas that can then be used as a fuel for heating, power generation, and manufacture of hydrogen, syngas or even diesel fuel.

While building mega power

projects in Mundra, Adani has come to know the importance of transmission of power. This saw him foray into power transmission. The first project, of a 400 kV and 430 km double circuit transmission system, from Mundra to Dehgam, has been realised, with two more in the implementation stage.

#### Funding and execution

Adani has recently commissioned the first private sector high voltage, direct current (HVDC) transmission system in the country, with the setting up of its 960 km DC line from its Mundra power plant to Mohindergarh in Haryana. This project will ensure flow of power from Mundra to the northern markets.

Given the plethora of projects both in the planning and execution stage across geographies, one would have expected Adani to work under continuous levels of stress. But this is not so. Mahadevia and his other colleagues find him unflappable in the most trying of circumstances. He was kidnapped from Ahmedabad in 1997 by terrorists and released only after the ransom had been paid. Adani came back home as though he was returning from a stroll and went about his daily routine with nary a ruffle. He had a second miraculous escape from the Taj Hotel, which was

besieged by terrorists in the 26/11 attack. Adani was amongst the last survivors to escape through a little-known exit. "I believe in destiny," says Adani, who also attributes his success to *kismet*.

At 50, Adani is certainly in a sweet spot. His integrated model of development through the three chosen verticals of ports & logistics, resources and energy is certainly paying off. Making the Australian project work will be a big challenge for the group. And it will be more so, as Adani's skills in developing the mines, ports and constructing the railway sidings will be put to test. However, age is on his side and he has no dearth of well-wishers and backers willing to fund the project.

While stock markets seem to be sceptical, raising funds for the projects across various sectors will not really be an issue – especially pension funds looking for sustainable and steady returns. The development is being done in stages. Given his impeccable track record in execution in India and, to a limited extent, in Indonesia, global funds will back his projects. Adani at 50 is unfazed. He is confident that the bulk of the 2020 projects will be met ahead of targets and that, by his next birthday, he could well be looking at 2025 plans.

◆ DAKSESH PARIKH and SAROSH BANA