'There is a need to rebuild India's infrastructure from scratch'

GAUTAM ADANI, chairman of the Ahmedabad-based Adani Group, who turns 51 on Monday, is getting ready for the next big leap, with investments worth a whopping $15 billion. The $8.7-billion group made news in 2010, when Adani made an audacious move to take over Abbot Port project in Australia for $2 billion. In an interview with **Dev Chatterjee**, he talks about his investment plans, why he is so bullish on India and his closeness to Gujarat Chief Minister Narendra Modi. Edited excerpts:

Critics say your group is riding on the support from Gujarat Chief Minister Narendra Modi. Your support was evident when you were the first to pull out from sponsorship of the India forum after Wharton cancelled Modi's lecture.

We are an infrastructure player and for any infrastructure project, we require a positive policy framework from the governments and support of the bureaucracy, with good governance. During the past 10 years, many infrastructure players, including our group, have witnessed growth because of positive and clear policy framework provided by the Gujarat government. As a pan-India infrastructure player, we have been receiving positive support from the leadership and administration of state governments of Maharashtra, Rajasthan, Haryana, Chhattisgarh, Madhya Pradesh and Odisha, among others, where we operate. It's very important to have the support from the chief ministers for any infrastructure projects. We have also received similar encouragement and support from various governments in Australia and Indonesia because infrastructure projects form the backbone of growth for any economy.

Q&A

GAUTAM ADANI
Chairman,
Adani Group

Your group's high debt of ₹69,000 crore is making investors jittery. How are you planning to manage that?

The promoters have taken over the debt of the Australian project together with its assets. This has reduced a sizeable chunk of debt from the listed entity. APSEZ (Adani Ports and Special Economic Zone) has brought in equity of ₹1,000 crore and more than ₹2,500 crore has been infused in equity of APL (Adani Power Ltd) by promoters. With all these steps, the long-term debt to equity for the group now stands at 2.3:1.

You had earlier announced capital expenditure of another $10 billion. Where are you planning to invest this money?

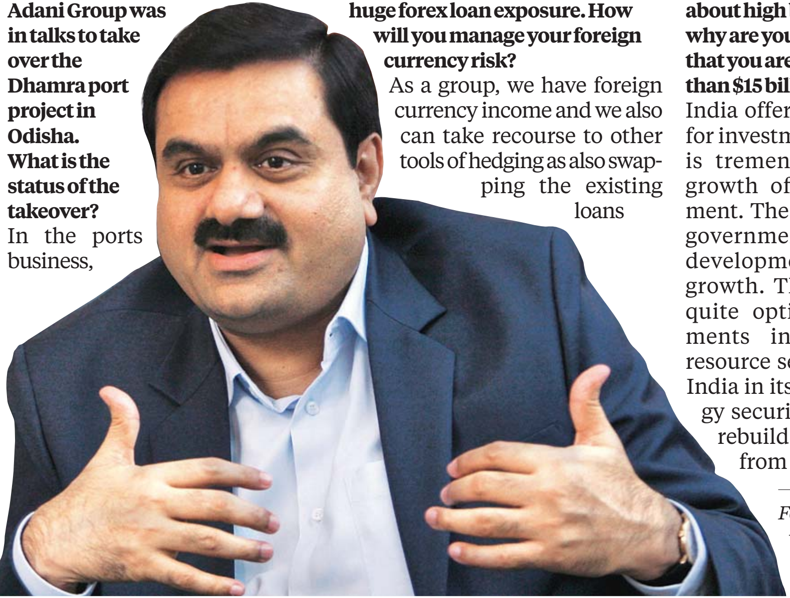
At the group level, including the projects in Australia, we plan to invest nearly $15 billion by 2020 across ports, power, mining and railway projects. With the current projects and the planned investments, we remain confident of achieving our long-term targets in the port, power and mining sectors.

Your investment plans look very ambitious. How will you fund these?

We have strong internal accruals, which allow us to raise matching debt. Internal accruals and debt will be the main source of funds. Also, all the listed entities have high promoters' stake. Diluting some stakes is also an additional source of raising funds, if needed. In the Australian mining venture, of $1.3 billion of equity, we have already invested $900 million. Therefore, beyond $400 million of equity, the rest of the funding would be from debt. Besides, we are also willing to offer 49 per cent equity stake to a strong construction contractor in the Australian rail project of $3 billion. In effect, we have many possibilities and we are working on multiple fronts.

Adani Group was in talks to take over the Dhamra port project in Odisha. What is the status of the takeover?

In the ports business, we have clearly articulated our strategy of achieving pan-India presence through new projects and expansion. While L&T and Tata are yet to take any decision on Dhamra, we are looking at two large-size port projects on the east coast. This plan does not include Dhamra.



The rupee has depreciated a lot since January and the group has a huge forex loan exposure. How will you manage your foreign currency risk?

As a group, we have foreign currency income and we also can take recourse to other tools of hedging as also swapping the existing loans with long-tenure, low-cost funding. We are also planning a foreign currency bond issue. We also believe that the government and RBI (Reserve Bank of India) would take the necessary steps to stabilise the currency.

The Indian economy is slowing, the rupee has lost value, and corporate India is complaining about high bank interest rates. So, why are you so bullish on India that you are ready to invest more than $15 billion?

India offers a huge opportunity for investment. We believe there is tremendous scope for the growth of infrastructure segment. The central and the state governments are focusing on development and inclusive growth. Therefore, we remain quite optimistic. Our investments in Australia in the resource sector would also help India in its efforts to build energy security. There is a need to rebuild India's infrastructure from scratch.

For full interview, visit www.business-standard.com