INTERVIEW WITH NICK CLEGG OF META

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INDIA TODAY GROUP

THE RIDE-HAILING MARKET MAKEOVER

GAUTAM ADANI
CHAIRMAN AND FOUNDER, ADANI GROUP

## THE MAKING OF ADANI 2.0

PUTTING THE HINDENBURG FALLOUT BEHIND, THE ₹2.62 LAKH CRORE ADANI GROUP IS REBUILDING ITSELF BRICK BY BRICK

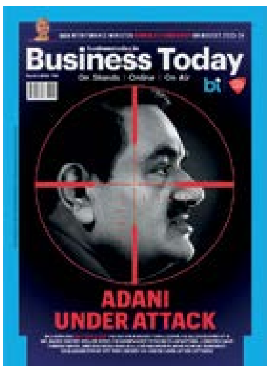
INTERVIEW WITH RAJIV JAIN GQG PARTNERS INVESTOR OF OVER $4 BN IN THE ADANI GROUP

DL (DS)-04/MP/2022-23-24, RNI No. 53481/92 ■ FARIDABAD/145/2023-25 BPC Faridabad ■ Date of posting: Tue, Wed & Thursday

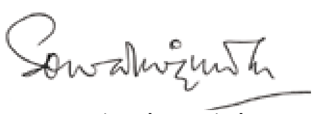
# Rebuilding Adani Group

If there is one quality about Gautam Adani that those who know him agree on, it is that he is a fighter. The 61-year-old Adani's ability to take adversity head-on has been in ample evidence over the past few months. Ever since a report in January by US-based short-seller Hindenburg Research alleged stock manipulation and other wrongdoings, knocking $100 billion off the group's market capitalisation, Adani has been busy staving off multiple problems. When *Business Today* did a cover, 'Adani Under Attack', in its March 5, 2023 issue, it seemed the ₹2.6-lakh crore Adani Group would find it near impossible to get itself out of the rut as its stocks continued to get hammered and foreign banks and rating agencies came up with negative views on it. Our March cover story, however, said that while Adani faced the biggest crisis of his career, the group's businesses like ports and airports generated predictable cash flows and had serious assets on the ground. What was required was a calibrated approach to growth and a systematic deleveraging exercise.

Cut to August 2023, and Adani appears to be succeeding in getting his beleaguered group out of the crisis. While a Securities and Exchange Board of India probe into the allegations is ongoing, the group is working overtime to ensure it balances its growth ambitions with its capex plans, even as it deleverages key companies and cleans up their balance sheets. It has reduced net debt in Adani Enterprises, Adani Power and Ambuja Cement, and redeemed promoter pledges. Though it has pared its growth plans in some cases, the ambition of having a massive infrastructure play riding on the India opportunity appears to be intact. Group CFO Jugeshinder Singh tells *Anand Adhikari* who wrote the cover story in this issue: "We invest for an intergenerational period, upwards of 30 years. We have not even completed the foundation of our growth." While strategic course corrections are being made, the group's long-term vision remains unchanged.




Elsewhere in this issue, *Binu Paul* gets you the story on the big shift taking place in the ride-hailing industry, till recently dominated by Ola and Uber. Ever since the pandemic dealt a body blow to the business, these players have shifted to a profitability-driven strategy, which has led to the slashing of driver incentives while fuel costs and commissions caused a hit for the drivers, leading many to leave the platforms. Alongside, sensing an opportunity, new players like the all-electric BluSmart, inDrive and Drife have entered the sector, giving customers affordable alternatives. This apart, *Surabhi* analyses the latest *BT*-C Fore Business Confidence Survey numbers, where the Business Confidence Index has hit a five-quarter high. However, the survey finds enough reason for caution despite the optimism as muted global growth remains a concern. BT



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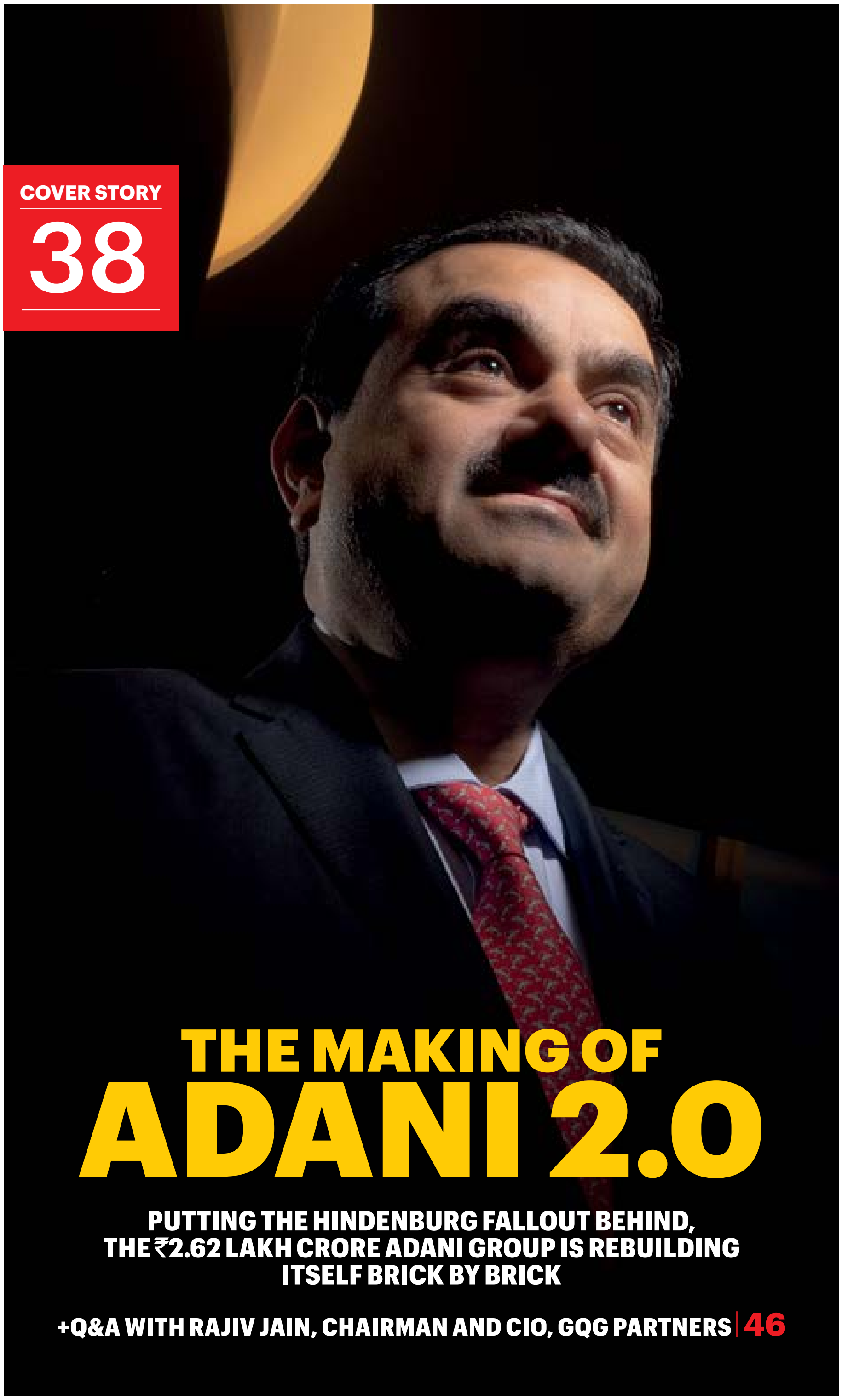


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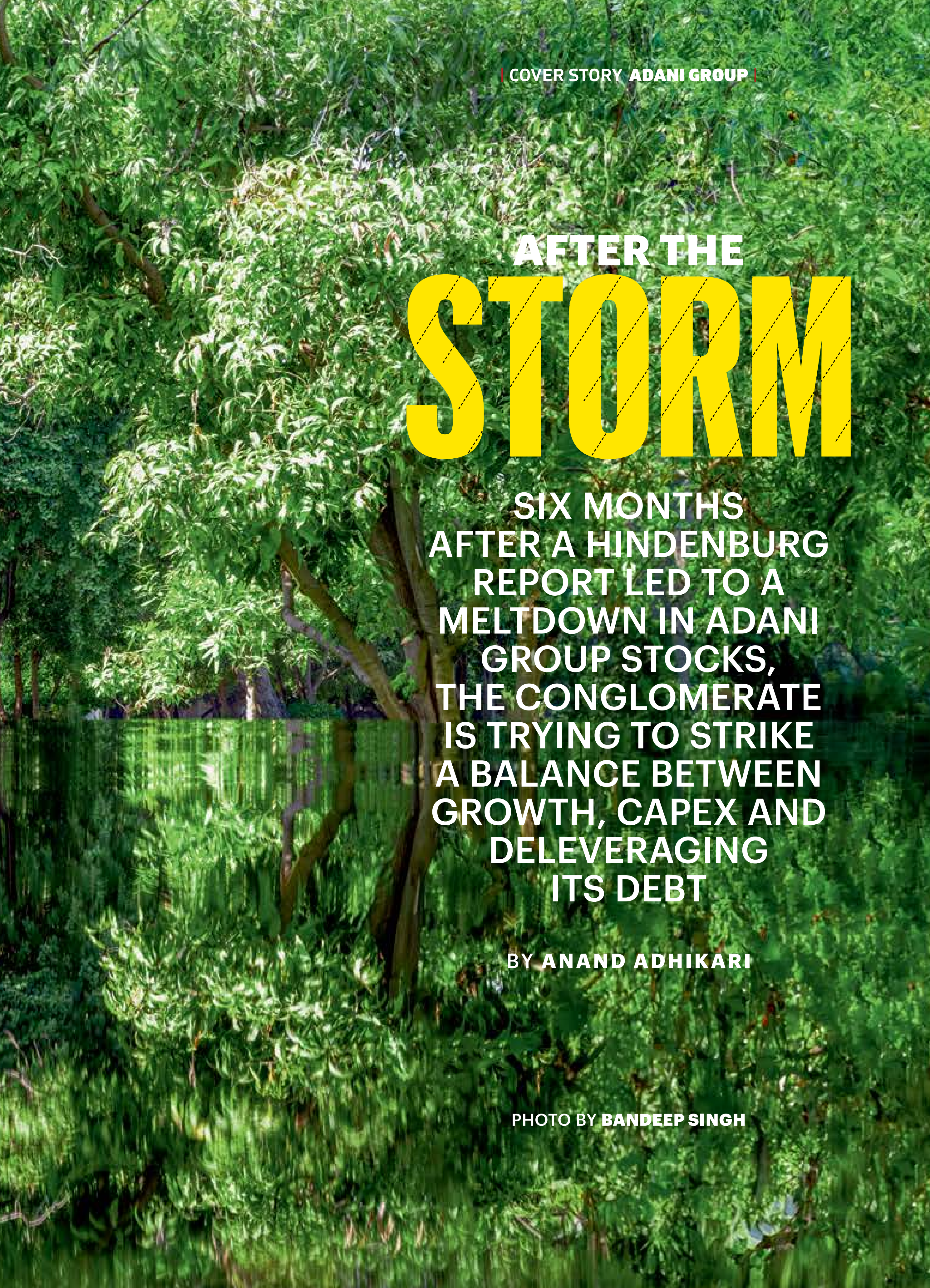
**EYE ON INFRA**
Gautam Adani,
Chairman and
Founder, Adani Group



# AFTER THE STORM

SIX MONTHS AFTER A HINDENBURG REPORT LED TO A MELTDOWN IN ADANI GROUP STOCKS, THE CONGLOMERATE IS TRYING TO STRIKE A BALANCE BETWEEN GROWTH, CAPEX AND DELEVERAGING ITS DEBT

BY **ANAND ADHIKARI**

PHOTO BY **BANDEEP SINGH**

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**GAUTAM ADANI, 61,** loves business jargon. Just a few months ago, the billionaire, caught in the cross hairs of the US-based short-seller Hindenburg Research, stumbled upon a new term, 'permacrisis'. The term, which refers to a prolonged period of uncertainty, was chosen as Collins Dictionary's word of the year in 2022. It describes the turbulent and uncertain nature of that year, and perhaps also the situation the Adani Group's Chairman and Founder finds himself in—as he navigates the mother of all existential crises of his three-decade entrepreneurial journey.

## THE BIG DELEVERAGING

**Equity dilution gathers steam at Adani Group**

**$1.87 BILLION**
PROMOTERS SOLD SHARES IN THE SECONDARY MARKET TO PE FIRM GQG PARTNERS

**$2.15 BILLION**
PREPAYMENT OF MARGIN-LINKED SHARE-BACKED FINANCING BEFORE THE MARCH 2023 DEADLINE

**$700 MILLION**
PREPAYMENT OF DEBT TAKEN FOR THE AMBUJA CEMENTS ACQUISITION

**3.27x**
NET DEBT-TO-EBITDA RATIO, DOWN FROM 3.81x IN FY22 (LESS THAN 3x IS CONSIDERED GOOD)

**2.02x**
DEBT SERVICE COVERAGE RATIO, UP FROM THE 1.47x IN FY22 (A MINIMUM OF 1.5-2.0 TIMES IS IDEAL)

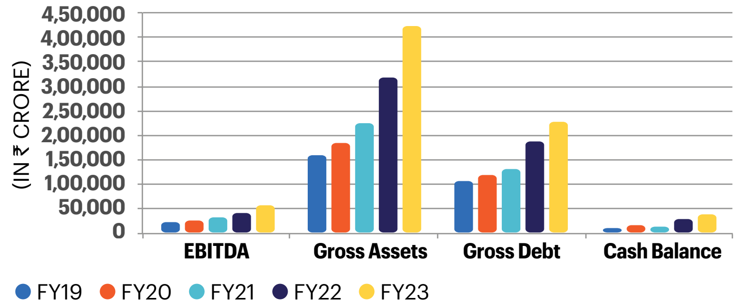
**$130 MILLION**
APSEZ COMPLETES THE BUYBACK OF BONDS OUT OF THE $650 MILLION MATURING IN 2024

**NOTE** FIGURES FOR 2022-23; **SOURCE** INVESTOR PRESENTATIONS

Though the challenges still linger—sparked by a Hindenburg report alleging accounting fraud, stock manipulation, and routing of funds through foreign shell companies, all of which the firm has refuted—there is some breathing space. The group, which has a top line of ₹2.62 lakh crore and had lost over $100 billion in market capitalisation at one point, is gradually charting a new course by rebalancing its growth ambitions, slowing down on big-ticket acquisitions, deleveraging, and strengthening its balance sheet. The Adani family recently divested stakes in four group companies to raise $1.87 billion (₹15,500 crore) from global private equity firm GQG Partners. In addition, three companies have board approval to raise funding of $4 billion over the next 12 months. "There will be more equity dilution if they plan to grow at the same pace as earlier. It's a Catch-22 situation. If growth slows down, the valuations will correct further," sums up Ambareesh Baliga, a seasoned observer of the markets. But the group has been diluting equity since 2019 when global players like TotalEnergies, Qatar Investment Authority and Abu Dhabi-based IHC group invested a total of $5.79 billion.

## FINANCIAL HEALTH CHECK

**Rising assets and profits will help the Adani Group pay off debts**




**NOTE:** FIGURES ARE FOR ALL LISTED COMPANIES OF THE ADANI GROUP; RECENTLY ACQUIRED AMBUJA CEMENTS' NUMBERS HAVE BEEN INCLUDED IN FY23 DATA **SOURCE:** INVESTOR PRESENTATIONS

## REGAINING STRENGTH

**While three listed Adani Group firms have reduced debt, four have raised more debt since September 2022**

| COMPANY NAME | EBITDA# (₹ CRORE) | CASH BALANCE# (₹ CRORE) | NET DEBT (₹ CRORE) | | NET DEBT TO EBITDA (x) | |
|---|---|---|---|---|---|---|
| | | | SEPTEMBER 2022* | MARCH 2023 | SEPTEMBER 2022* | MARCH 2023 |
| ADANI ENTERPRISES | 10,575 | 5,652 | 29,406 | 22,124 | 3.66 | 2.09 |
| AMBUJA CEMENTS | 4,368 | 11,912 | 27,519 | 21,004 | 3.06 | 2.33 |
| ADANI POWER | 14,427 | 2,861 | 33,865 | 32,702 | 2.12 | 1.81 |
| ADANI ENERGY SOLUTIONS** | 6,101 | 4,152 | 27,993 | 27,785 | 4.67 | 4.55 |
| ADANI TOTAL GAS | 924 | 372 | 763 | 1,000 | 0.88 | 1.08 |
| ADANI GREEN ENERGY | 6,390 | 5,571 | 40,892 | 42,097 | 5.54 | 5.61 |
| APSEZ | 14,435 | 9,830 | 35,817 | 40,187 | 2.58 | 2.78 |



*TRAILING 12 MONTHS CALCULATION; #TILL MARCH 2023; ** FORMERLY CALLED ADANI TRANSMISSION; NET DEBT IS GROSS DEBT LESS CASH BALANCE; RUN RATE EBITDA CONSIDERS ANNUALISED EBITDA FOR ASSETS COMMISSIONED AFTER THE START OF THE YEAR; AMBUJA NUMBERS ARE CONSOLIDATED WITH ACC **SOURCE** MARKET PRESENTATIONS

"Over the next 20 years, Adani portfolio companies and promoters want to raise $50 billion of equity... We want to invest close to $500 billion in core infra as a base case. We will run this programme of equity for the next two decades," says Group CFO Jugeshinder "Robbie" Singh.

But the new equity is coming with higher dilution. Besides, there are hard choices being made. For instance, the group recently exited the financial services business; it is now focussing on its core infra model, plus adjacencies. "We invest for an intergenerational period, upwards of 30 years. We have not even completed the foundation of our growth. For instance, we are setting up a ports business to be able to handle and move cargo equivalent to what India moves today as a country. We have to remain strategically patient," explains Singh.

Market watchers are taking note. Stakeholders Empowerment Services (SES), a proxy advisory firm, terms the Adani Group's debt concerns as overstated. Rohit Chawda, acting CEO at Taurus Mutual Fund, agrees. "The current challenging period will only drive the company to make more prudent investment choices, and corporate gover-

## CAUTIOUS APPROACH

- DB deal to acquire 1,200 MW power plants in Chhattisgarh for ₹1,200 crore was not pursued
- The group has also scrapped the Macquire deal to acquire toll road projects in Andhra Pradesh and Gujarat for ₹3,110 crore
- Adani Power Maharashtra terminated an agreement with Orient Cement to set up a cement grinding unit
- Exited financial services business
- Has gone slow on petrochemical ambitions
- No aggressive bidding for Concor, linked to overall APSEZ's deleveraging ratio
- Green sea port ecosystem in Vietnam is now a longer-term commitment
- Healthcare on radar, but not an immediate investment

## WHAT HASN'T CHANGED

- No credit agency, in India or abroad, cut any of the portfolio companies' ratings, but some did change the outlook
- Bank credit lines opened for new debt; raised close to ₹20,000 crore so far; $750 million credit line under discussion
- No jumping the ship by management or board of directors
- New institutional investor GQG Partners pumped in more than $4 billion
- LIC remained an investor despite huge sell-off in stocks
- Acquisitions continue, but at a moderate pace



nance standards will improve even more," he says.

"Our balance sheet, assets, and operating cash flows continue to get stronger and are now healthier than ever before," Gautam Adani had said while sharing the group's operational performance with shareholders in July. His bet is on infrastructure assets, which generate stable revenues and contribute over four-fifths of the group's Ebitda. A proxy for cash flow generation capacity, Ebitda shows the group's core operating performance. (*See box Financial Health Check*.) Florida-based GQG, the group's top backer—which is located just 1,000 miles away from Hindenburg's New York headquarters—is estimated to have invested more than $4 billion in Adani Group companies, including from the secondary market. Rajiv Jain, Chairman and Chief Investment Officer of GQG Partners, advises the Adanis to not deleverage too much. "This is the time to go full throttle," he says. (*For the full interview, turn to page 46*.) How is Gautam Adani keeping all the balls in the air? Let us find out.

### Funding in Focus

Adani Enterprises Ltd (AEL), the group's holding company that withdrew its ₹20,000-crore follow-on public offering earlier this year, is back in the market with a ₹12,500-crore equity raising plan. "Of the several projects underway, two of the key ones include the Navi Mumbai Airport and the copper smelter [in Gujarat's Mundra]. Both are on schedule. The Navi Mumbai Airport is preparing for operational readiness and airport transition by December 2024," Gautam Adani had announced to shareholders.

Then there's the data centre business AdaniConneX, the expansion of which is on track. In June, Adani-

**ACCORDING TO GROUP CFO JUGESHINDER SINGH, BY 2025 THE CONGLOMERATE AIMS TO GET ITS PORTFOLIO INTO A POSITION WHERE CURRENT CASH IN THE BANK AND FREE CASH FLOW ARE GREATER THAN ANY DEBT MATURITY REQUIREMENTS**

# REPAYMENT SCHEDULE

(IN ₹ CRORE)

| FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | FY33 |
|---|---|---|---|---|---|---|---|---|---|
| 11,796 | 32,374 | 16,614 | 43,944 | 17,057 | 7,313 | 25,470 | 10,601 | 9,778 | 5,418 |

**SOURCE:** ADANI PRESENTATION

# MONEY IN HAND

| FREE CASH FLOW | CASH BALANCE | TOTAL |
|---|---|---|
| ₹37,538 CRORE | ₹40,351 CRORE | ₹77,889 CRORE |

DATA AS OF MARCH 2023 **SOURCE:** ADANI PRESENTATION

**"There will be more equity dilution if they [the Adani Group] plan to grow at the same pace as earlier. It's a Catch-22 situation [for them]. If growth slows down, the valuations will correct further"**

**AMBAREESH BALIGA**
STOCK ADVISOR



ConneX secured $213 million in financing from over half-a-dozen foreign banks. This money will be used for data projects in Chennai (with 17 MW capacity) and Noida (50 MW). It has acquired land for data centres in Navi Mumbai and Visakhapatnam, while the Noida and Hyderabad ones are almost 30 per cent complete.

Adani Road Transport, meanwhile, remains on the sidelines of bidding for projects. The company claims that the 64-km Ganga Expressway Project in Uttar Pradesh has achieved financial closure. In June, the company with a roads portfolio of ₹40,000 crore decided to walk out of Macquarie's ₹3,110-crore toll roads project deal.

AEL's biggest bet is green hydrogen (through AEL subsidiary Adani New Industries Ltd, or ANIL), where it is setting up an ecosystem—from generation of green hydrogen, downstream products (ammonia and urea), to manufacturing of supply chain products like wind turbines, batteries, and electrolysers. CARE Ratings says the company has decided to defer the large-scale capex plan in green hydrogen till market and investment appetites have revived. There has been a downward revision in capex plans to optimise capital. "[But overall] we remain on target. ANIL is nearly mid-way through completing our integrated manufacturing facility for green hydrogen," says Singh.

## Balancing the Energy Mix

Today, Adani Green Energy Ltd (AGEL) has the largest operating renewable energy portfolio with 8.1 gigawatt (GW) of capacity, with a target of 45 GW by 2030. It plans to add 3 GW of capacity this year, matching last year's addition. It has lined up a capex of ₹14,000 crore, while in July the AGEL board cleared a proposal to raise ₹12,300 crore of equity share capital. "[The] Adanis are efficient; for example, they get paid in 60 days versus 260 [days] for a competitor. Given their efficiencies, it is our view that the company will generate higher returns," says GQG's Jain.

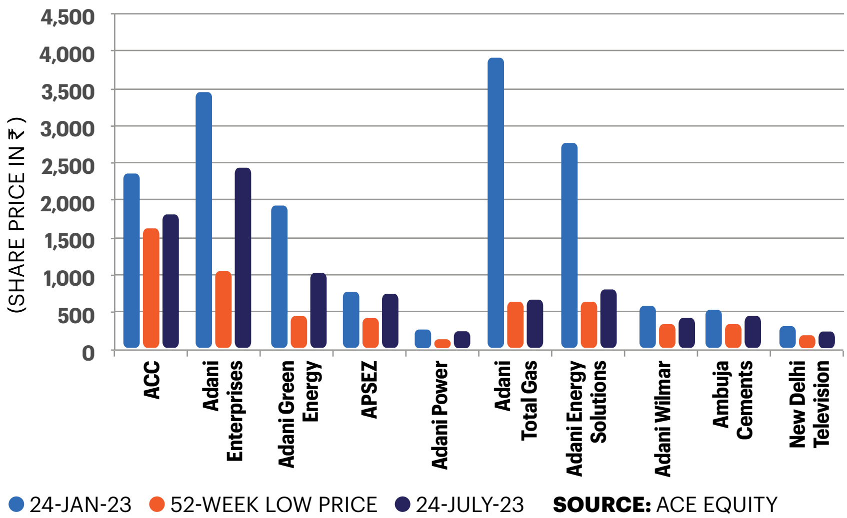
In terms of revenue visibility, there is a 25-year fixed-tariff power purchase agreement (PPA) with an average portfolio tariff of ₹2.98 per unit. Analysts, however, are wary of AGEL's valuation, which is 32 times its book even after correction. "The company's equity will be continuously recycled, as the cash flow generated each year will serve as an equity contribution for the next project. As a result, the return on equity is expected to keep expanding," explains Vinit

**"The firm's equity will be recycled, as cash flow from each year serves as equity contribution for the next project. So, ROE is expected to keep expanding"**

**VINIT BOLINJKAR**
HEAD OF RESEARCH, VENTURA SECURITIES LTD

## IN RECOVERY MODE

**Share prices of Adani firms have risen after the Hindenburg lows**




**SOURCE:** ACE EQUITY



Bolinjkar, Head of Research at Ventura Securities.

Then there are potential challenges, such as if a distribution company (discom) defaults on payments. While renewable energy is the future, the thermal power business (called Adani Power Ltd or APL) is raking in profits and has made its first transnational foray by supplying power to Bangladesh. It will supply 1,496 MW of power for 25 years. APL, with an operational capacity of 14,450 MW, is aiming for 16,850 MW by June 2027.

### From B2B to B2C

The Adani Group is focussing on consumer-centric businesses for growth, whether it is airports, energy and gas distribution, real estate, or FMCG. Many of these are extensions of B2B businesses—for instance, the entire power chain. It has expanded from power generation to transmission to distribution.

Adani Transmission Ltd (ATL)—renamed Adani Energy Solutions recently—has lined up equity fund raise of $1.03 billion, and has planned a capex of ₹4,500-5,000 crore in the next couple of years. It sits on a transmission network of over 15,000 circuit km (ckm), with 4,400 ckm under construction. The mandatory escrow account requirement for discoms makes it a safe business. "The money collected from consumers (B2C) by discoms is compulsorily transferred to this escrow account for paying the transmission players," says Bolinjkar. A part of the capex will also go into the power distribution business, catering to over 12 million consumers in Mumbai and Mundra SEZ. The government is also amending the Electricity Act, which will allow for multiple distribution companies in the same geography. "The most efficient business should win. It's the survival of the fittest, and the consumer benefits in the end with cheaper electricity and better service," says Jain. ATL's focus is on reducing power costs and switching from thermal to green energy. "The implementation of smart meters is expected to contribute positively to its margins," adds Bolinjkar.

"Ultimately, distribution and metering will be a bigger part of the energy solutions business by 2028," says Singh. Hence the renaming.

In the city gas distribution business of piped natural gas (PNG) and compressed natural gas (CNG), Adani Total Gas Ltd's (ATGL) focus is on building pipeline networks in newer geographies. It currently has 460 CNG stations, 704,000 PNG homes, and 7,435 industrial and commercial connections. "Our company is going to build over 1,800 CNG stations in the next seven to 10 years,"

**"The current challenging period will only drive the company to make more prudent investment choices, and corporate governance standards will improve even more"**

**ROHIT CHAWDA**
ACTING CHIEF EXECUTIVE OFFICER, TAURUS MUTUAL FUND

said Executive Director & CEO Suresh P. Manglani in ATGL's annual report. The investment planned is ₹18,000-20,000 crore. "The city gas distribution business carries no cash flow risk. With a debt-to-Ebitda ratio of just 1, there is no gearing involved," says Bolinjkar. However, the new administered pricing mechanism has now linked gas prices to crude oil. "If global oil prices soar, the company may be required to purchase gas from the spot market, which could potentially impact its ability to maintain healthy margins," says Bolinjkar. That's where the diversification strategy to build e-mobility and compressed gas businesses for the future fits in well.

In FMCG, Adani Wilmar is gradually reducing its reliance on edible oils (79 per cent contribution in value) in favour of food and FMCG, which includes wheat flour, rice, pulses and sugar.

## The Hard Assets

Days after the Hindenburg report, Gautam Adani had landed in Israel to complete the $1.15-billion acquisition of Haifa Port. GQG's Jain interprets it as a clear vote of confidence, reflecting the Israeli government's trust in the group's competence. Haifa Port's Indian Ocean-Mediterranean route will strategically position the company. Adani Ports and Special Economic Zone (APSEZ), which handles one-fourth of the country's cargo volumes through 14 ports, is also expected to commission India's largest trans-shipment hub in Vizhinjam, Kerala, and a port in Colombo. It has planned a capex of ₹4,000-4,500 crore in the current fiscal. "APSEZ is the best proxy to take part in the growing Indian economy, especially in the goods trade," says Chawda of Taurus.

Then there's ACC-Ambuja Cements that the group acquired last year from Switzerland's Holcim for $10.5 billion to become India's second-largest cement producer. In terms of expansion, it plans to double cement capacity to 140 million tonnes (MT). But first, it is taking advantage of group synergies to reduce costs. For instance, it can save ₹300-400 per tonne from energy costs, freight costs, and forwarding costs.

## Risk & Reward

Explaining the overall investment philosophy, Singh says the group currently has a portfolio of 10 companies. "We will have close to 14-15 companies by around 2033. We have an objective to hold a certain percentage in our portfolio. Within that portfolio, when we recycle capital, it is not dilution," he says. The promoters want to own the majority and the highest stake possible in the early-stage companies. "Our objective is to get our portfolio into a position where the current cash that we hold in the bank and free cash flow is greater than any debt maturity requirement. At a portfolio level, we will get there by 2025," he says.

While the Supreme Court-constituted expert committee on the Adani stocks crash did not find any regulatory failure, the sword of ongoing investigations by the Securities and Exchange Board of India (Sebi) is still hanging over the group's head. "We remain confident in our governance and disclosure standards," Gautam Adani had said, putting up a brave front before shareholders. The group's stocks are showing a gradual recovery, and it is also expanding internationally. For instance, Adani was in Sri Lanka in July, rubbing shoulders with President Ranil Wickremesinghe. With a container terminal and a wind project already in his bag, he pitched for a green hydrogen plant.

Amidst the crisis, Gautam Adani's greatest asset remains his management team and board, standing firmly by his side. If he successfully navigates the current challenges, he will surely write a new chapter in his entrepreneurial journey, possibly even introducing the term 'permasuccess' to the Collins Dictionary. BT

@anandadhikari

Q&A

# ‘TIME TO GO FULL THROTTLE’

**Rajiv Jain, Chairman and CIO of GQG Partners, reveals the thinking behind investing in the Adani Group**

BY **ANAND ADHIKARI**

PHOTOS BY **GETTY IMAGES**

**IN THE WORLD** of finance, some may argue that Rajiv Jain, Chairman and Chief Investment Officer (CIO) of GQG Partners, is playing with fire. But this Fort Lauderdale, Florida-headquartered private equity firm has found its special sauce with its successful investment strategies. Whether it’s HDFC Bank or ITC, Jain’s strategy has been to get in early, thereby maximising returns for his global clients. His investments in the Adani Group—more than $4 billion—have attracted considerable attention due to the controversies surrounding the conglomerate. But the 55-year-old, who has a knack for seizing opportunities amidst challenges, is betting on his investment experience of more than three decades to come through for his clients. In an exclusive interview with *Business Today*, Jain decodes his investment thesis. Edited excerpts:

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***What were your investments in India before the Adani Group?***

We launched GQG Partners seven years ago and I am very grateful to have got such a strong response from thousands of sophisticated institutions and pension funds from all over the world. We currently manage around $104 billion and offer four core equity strategies. We have approximately $14 billion of our overall investment book in India. I first started investing in India in the early 1990s, when the markets first opened for FIIs [foreign institutional investors]. So, I have seen more than a few economic cycles. And there have been times when I have had significantly larger positions. About a decade ago, I had more than 5 per cent each in ITC and HDFC Bank... So, I like to make large, concentrated bets. Our India book is relatively concentrated in just a handful of names.

We believe that's how one can deliver good returns to clients.

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***Did you study Indian infrastructure companies before the Hindenburg report?***

I looked at infrastructure operators but never invested in a big way. L&T was as close as we got to infra. Prior to joining GQG, I had also looked at a bunch of mid-cap infra stocks that did very well for six to seven years. But I missed all of that! This is the first time in 30 years that I have been as bullish on Indian infrastructure stocks.

If you look at our India exposure, we believe banks look very attractive... We also like some public sector banks. We have been familiar with them for a long time, along with ITC. [But] we have nothing in IT services, for example.

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***What is your assessment of the Adani Group, the board, the management and the conglomerate's governance structure?***

We started looking at the group more closely after the Hindenburg report came out to see what could potentially go wrong and how much impact it would have. Some of our team members had met the management and the family members when they (the Adanis) were doing road shows last year. We did some work on their business a few years ago. At that time, which was almost five years ago, we were more bullish on China tech. And we also thought the valuations were a bit expensive.

When we started doing the work this year, what we found was that the more work we did, the more bullish we got. In our view, they have world-class operating assets with utility-like characteristics. We feel that the Adanis' asset allocation decisions have been remarkably good. If you buy Mumbai airport or any other airport during Covid-19, when it is likely a distressed sale, the transaction has a high probability of doing well. Another example would be solar modules. They were not in that business even a few years ago. Now, they will be one of the largest producers of solar modules outside of China. If anybody wants to set up data centres in India, who would they go to [other than the Adanis]? It's [also] an electricity business... [but] the group is one of the lowest- cost producers of electricity in the country. What is also not appreciated is that if India wants to be net zero by 2070, it likely cannot happen without this group.

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***Has the correction in valuations, the government's focus on infra, or the maturity of the infra sector in India encouraged you to invest in the Adani Group companies?***

There are multiple reasons here. First and foremost, we look for bottom-up execution capabilities. In every country, and it's not unique to India, everybody likes to talk big. The way I like to put it is that there are a lot of hot-dog stands that claim they will be the next Microsoft. But most of them remain hot-dog stands. I don't think political connections can create competencies. What we would like to see are core execution capabilities over multiple cycles—which is what we saw in this [the group's] case. And this is not just in one area but in multiple areas, such as power, transmission, green energy, gas distribution, edible oils, roads, etc. It's very unusual to see this high level of competency across multiple complex projects.

We have invested in utilities in over a dozen countries, including emerging markets and developed countries. We have seen utilities go bankrupt in Europe. We have seen utilities go bankrupt in a lot of developed markets and, obviously, in emerging markets, including in India. So, it is not as straightforward. What we found at the Adani Group was its consistent ability to deliver in a very cost-effective manner and thereby generate high returns. That's what, first and foremost, attracted us. People talk about free cash flow, but free cash flow comes later in the best-growing businesses. Almost all US utilities have negative free cash flows. Even outside, for example, retail giant Walmart: It had negative cash flows during its fastest growing years, for almost three decades!

We also thought there was inefficiency in the Indian market where the focus was too much on short-term P&L [profit and loss]. I consider Indian corporations to be among the best in the world. Of course, I may be a little biased. But I believe it [Adani] truly is a well-run

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corporation that managed tough environments over a very long period. There is a long list of companies that have survived and thrived. But even within that context, I rarely see somebody execute consistently well across diverse categories as [does] this group.

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***Is there a difference in the investment cycle for infra this time from the last time?***

There is a difference between this cycle and the last cycle for infra. Why did we not invest in the last cycle, and why are we investing now? Last time, there were a lot of hot-dog stands that said they would be Microsoft. We didn't like the structure of those projects or the regulatory regime then and we avoided them. This time, there are not many Indian promoters who are coming out to say they are investing in infrastructure and that's despite a much better regulatory environment. Why? Most of them [the investments] blew up. Who is going to bid for or build new airports, transmission or gas assets now? There are not many groups. Will India really give these airports to any foreign operator to run them? These are critical national assets.

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***What attracted you to Adani Enterprises Ltd (AEL), the group's holding company? The better option for any investor like you could have been to invest in operating companies like airports, roads, green hydrogen or data centres. What's your view?***

They are not available right now. The new businesses are not listed separately. We like the holding company. That is a larger position for us. We own about 6 per cent of AEL on behalf of our clients now. If you look at the incubation track record of the new projects of AEL, it has a very high hit rate. Look at the projects that are coming through, such as petrochemicals, defence, copper smelting, green hydrogen, etc. In all these instances, India needs much more capacities domestically. A lot of these are power-intensive businesses, and land acquisition could be a problem for any private player. Opportunities in the defence sector itself could be very large. These sectors are strategically important for India. Who in the private sector can do it?

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***Which business of AEL, according to you, is more mature and could be the first to see unlocking?***

As investors who take a long-term view, we don't care about unlocking for short-term gains. Let the businesses compound. If you unlock them too early, we believe there is a risk of becoming inefficient. In our view, unlocking makes sense in some cases such as green energy because you can get a cheaper cost of debt as there is a set of debt investors who want to invest in green projects. But in airports, full unlocking seems a bit early. There's obviously no such benefit in petrochemicals, so it is better off being part of AEL. So, we believe there's no real benefit at this point in spinning off too much. Roads maybe... but I don't know. Ultimately, all of this is their call as they have a very good long-term record, so let them decide.

I think, big picture-wise, unlocking makes sense only in the long term. But you don't have to hurry as it reduces flexibility. That's where related-party transactions, acquisitions, and many other things that cause friction come in. This is the time to keep your foot on the accelerator. And if the market doesn't agree with it, so be it.

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***Will you work closely with the group in terms of strategy and future direction?***

It will be too arrogant of me to say that I can improve what they are doing. I think they have done just fine without me. I don't think they need my advice. Our view is that most of the time, good management does its job and our clients enjoy the returns. The Adani [Group] doesn't need people like me to tell them what to do. Just don't deleverage too much and this is the time to go full throttle. That is my view.

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***Will you be comfortable if they raise money by selling equity?***

The question of dilution [of stake] is always: at what return are we going to reinvest the capital? If you look at HDFC Bank, it has raised equity multiple times in the past. I invested in HDFC Bank from 2001 onwards. It made as many as, I think, four or five equity offerings over the past two decades. And the client accounts that I managed participated in every one of them. It doesn't need it now. There are businesses that generate very high returns, but they cannot deploy more capital. Markets typically pay higher multiples to companies that don't need extra capital.

However, there are select businesses that can deploy more capital and give high returns. That is a very rare phenomenon. Most good businesses don't need extra capital as they generate enough cash. The problem starts when companies start doing stuff that is not generating higher returns. We believe the Adani Group can deploy a lot of capital without diluting incremental returns, just like HDFC Bank did in its initial journey. We want to own more of such businesses.

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***The Adani Group is now willing to go below 75 per cent equity stake, which was not the case earlier...***

There is plenty of evidence [of that]. Companies that have high insider ownership tend to be better than companies that have low insider ownership. When we study Europe and the US, Warren Buffett owned 55 per cent of Berkshire Hathaway for the longest time. Bill Gates, when Microsoft listed, owned more than half of the company. That's a good thing... Whether it's 70 per cent or 73 per cent, who cares! In fact, for a business that has created almost $130–140 billion worth of equity, it has not really raised that much equity if you look at its history. And what is the test for that? There's a simple back-of-the-envelope test. It has not diluted its stake.

Why does Jeff Bezos own a lot less [of Amazon] than Bill Gates [does of Microsoft]? Amazon had more cash losses in the early years than Microsoft. So, it had to issue more equity or give employees stock options. Microsoft was profitable from the get-go. So, if a promoter has a higher insider stake after 10-20 years, it means that the business generates a lot of free cash on its own. We like high insider ownership—the higher the better.

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***Despite the massive fall or value correction, none of the mutual funds in India bought into Adani companies. Does that bother you?***

Why should I care? I am not being arrogant here. There are a hundred ways to heaven. Everybody must find their own way to make money. And I'm not here to judge. People can make money in many different ways. BT

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**I LIKE TO MAKE LARGE, CONCENTRATED BETS... OUR INDIA BOOK IS RELATIVELY CONCENTRATED IN JUST A HANDFUL OF NAMES. THAT'S HOW ONE CAN DELIVER GOOD RETURNS**