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 Enterprises Ltd.

Adani 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.

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

BY MAULIK PATHAK

Billionaire Gautam Adani, chairman of the Adani Group, talks about the company’s $6 billion coal project in Australia in an interview after winning a series of court battles that once threatened the controversial mining project. The Gujarat-based businessman also discusses his plans for solar, the next sunroof sector for the group, compensatory tariff issues for its thermal power plants and the Adani Sugar 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. Can you explain how the Australian government is supporting full support to the project? How do you expect a geopolitical dynamism to unfold?

Also, you have faced several resistance from environmentalists in India too in the past. What do you think in common in the two?

After four long years of an unnecessary legal battle, the project is finally moving ahead. Your government has been quick to support the project. Can you explain why you see the need for a new coalmine in Australia?

What is your company’s role in the project and how are you contributing to its success?

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

It is important to understand that for a healthy double-digit growth of our business, the leadership’s focus on renewable energy is crucial. The leadership’s focus on sustainable development and the fact that our developing economies also need the affordable energy that many of the other nations still rely on for their base load.

We continue to look for opportunities to become leaders in the integrated pit-to-plug strategy in our energy vertical. It includes mines, rail, and port developments.

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