Annexure – B to the Directors' Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

for the financial year ended March 31, 2020

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To
The Members
Adani Ports and Special Economic Zone Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Adani Ports and Special Economic Zone Limited (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/ statutory compliances and expressing my opinion thereon.

Based on my verification of books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorised representatives in the conduct of secretarial audit during the lockdown situation across the country due to pandemic of COVID 19, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2020 according to the provisions of:

i) The Companies Act, 2013 (the Act) and the rules made thereunder;

ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

   a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

   c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company during the Audit Period);

   d. The Securities and Exchange Board of India (Share Based Employee Benefit) Regulation, 2014 (Not Applicable to the Company during the Audit Period);

   e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

   f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

   g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company during the Audit Period); and;

   h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

vi) Laws specifically applicable to the industry to which the Company belongs, as identified by the management, that is to say:

   a. The Explosives Act, 1884 and Gas Cylinder Rules, 2004

   b. The Legal Metrology Act, 2009 & The Gujarat Legal Metrology (Enforcement) Rules, 2011

   c. The Petroleum Act, 1934 and The Petroleum Rules, 2002

   d. The Gujarat Special Economic Zone Act, 2004 & The Gujarat Special Economic Zone Rules, 2005

   e. The Merchant Shipping Act, 1958

   f. International Convention for The Safety of Life At Sea, 2002

   g. Gujarat Maritime Board Act, 1981

   h. The Indian Railways Act, 1989 & Wagon Investment Scheme

I have also examined compliance with the applicable clauses of the following:

a. Secretarial Standards issued by the Institute of Company Secretaries of India.

b. The Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 ("LODR")

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to filing of certain e-forms with additional fees. As informed in our report in the previous year, The BSE Limited and National Stock Exchange of India Limited have imposed fine for non-compliance of provisions of LODR pertaining to composition of Board of Directors in relation to appointment of one Independent Director during the quarter ended March 31, 2019, has since been appointed on April 22, 2019.

I further report that

It was informed in our report in the previous year that one Independent Director was required to be appointed to make the composition of the Board of Directors in conformity with LODR, has since been appointed on April 22, 2019 and the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the Company has:

1. Passed a special resolution for Re-appointment of Prof. G. Raghuram as an Independent Director of the Company.
2. Passed a special resolution for Re-appointment of Mr. G. K. Pillai as an Independent Director of the Company.
3. Passed a special resolution for Re-appointment of Dr. Malay Mahadevia as Whole Time Director of the Company.
4. Passed a board resolution for buy back of 3,92,00,000 equity shares from the existing shareholders of the Company as on June 21, 2019 (the "Record Date") at a price of ₹ 500 per Equity Share (the "Buy-back Price") payable in cash for an aggregate amount of ₹ 1,960 crore (the "Buy-back Size"), which is approximately 9.94% of the fully paid-up Equity Share capital and free reserves as per the audited accounts of the Company for the financial year ended March 31, 2019.

CS Ashwin Shah
Company Secretary
C. P. No. 1640
UDIN: F001640B000200124

Place: Ahmedabad
Date: May 5, 2020

Note: This report is to be read with our letter of even date which is annexed as 'Annexure-A' and forms an integral part of this report.

'Annexure-A'

To
The Members
Adani Ports and Special Economic Zone Limited

Our report of even date is to be read along with this letter

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

CS Ashwin Shah
Company Secretary
C. P. No. 1640
UDIN: F001640B000200124

Place: Ahmedabad
Date: May 5, 2020

Annexure – C to the Directors' Report

Information pursuant to Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

i) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year 2019-20 and the percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary in the financial year 2019-20:

Name of Directors/KMP	Ratio of remuneration to median remuneration of employees	% increase in remuneration in the financial year
Executive Directors:		
Mr. Gautam S. Adani	33.57:1	-
Dr. Malay Mahadevia	134.40:1	16.55
Mr. Karan Adani	23.98:1	33.33
Non-Executive Directors:		
Mr. Rajesh S. Adani[1]	1.32:1	18.28
Mr. Mukesh Kumar, IAS[1]	-	-
Mr. Sanjay Lalbhai[1#]	-	-
Prof. G. Raghuram[2]	2.58:1	19.11
Mr. G. K. Pillai[2]	2.52:1	28.05
Mrs. Radhika Haribhakti[2#]	2.52:1	16.34
Mrs. Nirupama Rao[2]	2.01:1	N.A.
Mr. Bharat Sheth[2]	1.08:1	N.A.
Key Managerial Personnel:		
Mr. Deepak Maheshwari	N.A.	24.49
Mr. Kamlesh Bhagia	N.A.	(4.99)

[1]Reflects sitting fees

[1#]Ceased as Director on completion of term on August 8, 2019

[2]Reflects sitting fees and commission

[2#]Ceased as Director on completion of term on March 31, 2020

ii) The percentage increase in the median remuneration of employees in the financial year: 9.27%

iii) The number of permanent employees on the rolls of Company: 1,284 as on March 31, 2020.

iv) Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration:

- Average increase in remuneration of employees excluding KMPs: 9.33%
- Average increase in remuneration of KMPs: 16%
- KMP salary increases are decided based on the Company's performance, individual performance, inflation, prevailing industry trends and benchmarks.

v) Affirmation that the remuneration is as per the Remuneration Policy of the Company:

The Company affirms remuneration is as per the Remuneration Policy of the Company.

Annexure – D to the Directors' Report

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Information as required under Section 134(3)(m) of the Companies Act, 2013 read with rule 8(3) of the Companies (Accounts) Rules, 2014 are set out as under:

A. Conservation of Energy

I) Steps taken or impact on conservation of energy

- Average power factor of the system has been maintained up to 0.96 for Multi- purpose Terminal (MPT).
- Reduction in 1.10 MW connected lighting load by installation of LED lights at various locations at Mundra, which will reduce annual electricity consumption by 4.22 million units.
- Reduction in 8.7 kW connected load by installation of energy efficient fans at various location at Mundra, which will reduce annual electricity consumption by 25 kilo units.
- Provision of Shore Supply to AEL and Dredger at Terminal-2 in MPT.
- Energy saving by Optimum use of Boom flood light. STS flood light auto OFF in case of Boom up condition by using PLC programing at Adani Mundra Container Terminal.
- Installed timer for controlling Air conditioner in office area of Exim yard resulting into saving of ₹ 1.22 Lakhs per annum.

II) Steps taken by the Company for utilising alternate sources of energy

- Commissioning of 4.32 MW Solar PV (photovoltaic system) Plants on roof tops at various locations (Cover Storage Area, Substation in South Zone and Samudra Township) at Mundra, will generate green energy of 6.80 million units annually.
- 7.80 MW Solar PV Plants have been installed on roof tops at various locations at Mundra, which will generate green energy of 12.17 million units annually.
- Installation of 1.10 MW Solar PV Plants on roof tops at various locations (Cover Storage Area, Shantivan Colony, STP of Shantivan Colony and Adani Public School) at Mundra is in progress, will generate green energy of 1.75 million units annually.
- Generated 5.78 million units green energy from solar PV plants during FY 2019-20 for captive consumption which has potential to generate 12.17 million units annually.
- Distributed 50.36 million units grid energy generated from wind generators of 12 MW in SEZ area through electricity distribution network of MPSEZ Utilities Pvt. Ltd. (Power Distribution Licensee), a subsidiary of the Company.

III) Capital investment on energy conservation equipment

- Investment made of ₹ 24.24 Lakhs for replacement of HPMV light fittings by LED lights for Liquid Terminal.
- Investment made of ₹ 21 Lakhs for replacement of 76 Nos. of Air Conditioners with Inverter based upgraded with the latest Technology and Three Star Rating.

B. Technology Absorption

I) Efforts made towards technology absorption

- Automated operation of back-up DG set installed at Adani House, Adani Hospital and SEZ North Gate in case of failure/restoration of mains supply.
- Pressure based automatic operation of Fire Fighting Pump System installed for Adani House and Port Users Buildings.
- Remote operation of Fire Fighting Pump System installed at Adani Hospital and Airstrip through mobile from Fire Control Room.
- Integration of SMART water meters with GSM Modems for real time monitoring of various operational parameters like flow, pressure, velocity etc. for water supply from Adani Power (Mundra) Ltd.
- Procurement of "RD8100, most advanced Precision Cable Route Locator" with integrated GPS and usage data logging system for damage prevention.
- Gangway detection system up-gradation STS Crane to enhance safety.

- Crane to Crane collision system up-gradation with Radar sensor to enhance safety.
- Vessel Profiling System (VPS) system is installed in the new cranes which will help in identifying the efficiency of the operator and thus assisting the training team to customise the training needs for the operator. It also provides the necessary safety interlocks on the vessel side which is not available in other cranes.

II) Benefits derived like product improvement, cost reduction, product development or import substitution:

- Process improvement and increase in turnaround time by weighbridge capacity augmentation from 40mt to 50mt for three weighbridges at Liquid Terminal.

III) In case of imported technology (imported during the last three years reckoned from the beginning of the financial year): Not applicable

IV) Expenditure incurred on Research and Development: Not applicable

C. Foreign Exchange Earnings and Outgo

The particulars relating to foreign exchange earnings and outgo during the year under review are as under:

(₹ in crore)

Particulars	2019-20	2018-19
Foreign exchange earned	41.40	-
Foreign exchange outgo	902.08	620.57

Annexure to the Directors' Report

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2019-20 as per Section 135 of the Companies Act, 2013

1. A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes:

The Company has framed Corporate Social Responsibility (CSR) Policy which encompasses its philosophy and guides its sustained efforts for undertaking and supporting socially useful programs for the welfare & sustainable development of the society.

The Company carried out/ implemented its CSR activities/ projects directly and through Adani Foundation. The Company has identified Education, Community Health, Sustainable Livelihood and Community Infrastructure as the core sectors for CSR activities. The CSR Policy has been uploaded on the website of the Company at https://www.adaniports.com/Investors/Corporate-Governance.

2. The Composition of the CSR Committee

- Mr. Rajesh S. Adani, Chairman
- Mr. G. K. Pillai, Member
- Dr. Malay Mahadevia, Member

3. Average net profit of the Company for last three financial years: ₹ 3,463.19 crore

4. Prescribed CSR Expenditure (two percent of the amount as in item 3 above): ₹ 69.27 crore

5. Details of CSR spent during the financial year:

a) Total amount spent for the financial year 2019-20: ₹ 69.50 crore

b) Amount unspent, if any: Nil

c) Manner in which the amount spent during the financial year:

(₹ in lakh)

1	2	3	4	5	6		7	8
Sr No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs	(2) Overheads	Cumulative expenditure upto to reporting period.	Amount spent: Direct or through implementing agency
1.	Adani Vidya Mandir – operating CBSE School	Education	Ahmedabad & Bhadreshwar, Gujarat Surguja, Chhattisgarh	290.00	288.08	-	1,836.66	Through Adani Foundation
2.	Adani DAV Public School and Adani - KISS building cost		Mundra, Gujarat Dhamra & Baripada, Odisha	643.00	642.90	-	3,771.83	
3.	Encouraging Education by distributing scholarships, school kits and enable teachers by giving trainings. Quality Improvement in Government with holistic approach of "Uththan"		Mundra & Ahmedabad, Gujarat Udupi, Karnataka Tiroda, Maharashtra Kattupalli, Tamilnadu Goa	209.00	209.30	-	1,226.42	
4.	Project - Udaan with Other programmes		Mundra, Gujarat Tiroda, Maharashtra	428.00	427.88	-	2,123.46	
5.	Education and Social development		Ahmedabad & Bhuj, Gujarat	46.00	46.00	-	219.27	Direct

(₹ in lakh)

1	2	3	4	5	6		7	8
Sr No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs	(2) Overheads	Cumulative expenditure upto to reporting period.	Amount spent: Direct or through implementing agency
6.	Providing Infrastructure support to Gujarat Adani Institute of Medical Sciences	Community Health	Bhuj, Gujarat	-	-	-	751.00	Direct
				-	-	-	254.26	Through Adani Foundation
7.	Swachhagraha – An initiative to create culture of cleanliness		Across India	155.00	155.16	-	687.36	
8.	Catering Medical Help through Mobile Health Care Units		Mundra, Gujarat Tiroda, Maharashtra Dhamra, Orissa Udupi, Karnataka	7.00	6.90	-	162.87	
9.	Medical Support to needy and poor patients including senior citizen by rural clinics and medical camps and de-addiction camps		Ahmedabad & Mundra, Gujarat Tiroda, Maharashtra Dhamra, Orissa Udupi, Karnataka	163.00	163.76	-	685.49	
10.	Collaborative Actions in Lowering Maternity Encounters Death (CALMED)		Mundra, Gujarat	-	-	-	5.54	
11.	Dead body carrier vehicle support		Mundra, Gujarat	3.00	3.59	-	38.60	
12.	Health Card to Senior citizens and Truck Drivers		Mundra, Gujarat	118.00	118.79	-	755.95	
13.	Anaemia Reduction and Prevention Programme & Support to ICDC to reduce Malnutrition		Mundra, Gujarat Tiroda, Maharashtra	-	-	-	12.61	
14.	Establishing multi-specialty Charusat Hospital		Anand, Gujarat	-	-	-	120.00	Direct
15.	Health, sanitation and education related awareness activity		Ahmedabad & Mundra, Gujarat	-	-	-	19.65	Through Adani Foundation
16.	Health Services			-	-	-	513.77	Direct
17.	Eradicating extreme hunger and poverty	Sustainable Livelihood Development	Mundra, Gujarat Mumbai & Pune, Maharashtra	2.00	2.00	-	290.88	Direct
18.	Old Age Home & shelter to elderly people		Mumbai, Maharashtra	-	-	-	100.00	Direct
19.	Self-sustainability and career development		Mundra, Gujarat	-	-	-	7.87	Direct
20.	Empowering youth for employment or self-sustainability through Skill Trainings		Across India	300.00	300.00	-	300.00	Through Adani Skill Development
21.	Self-sustainability and career development of youth through enhancing skill			643.00	642.82	-	2795.13	Through Adani Foundation

(₹ in lakh)

1	2	3	4	5	6		7	8
Sr No	CSR project or activity identified	Sector in which the Project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: (1) Direct expenditure on projects or programs	(2) Overheads	Cumulative expenditure upto to reporting period.	Amount spent: Direct or through implementing agency
22.	Improving agricultural production using technology by providing training to farmers at local level		Mundra, Gujarat Tiroda, Maharashtra Dhamra, Orissa Murmugao, Goa	68.00	68.42	-	242.04	
23.	Support to Om Creation Trust		Mumbai, Maharashtra	-	-	-	306.58	
24.	G-Auto Project		Ahmedabad, Gujarat	-	-	-	30.66	
25.	Ensuring environmental sustainability			55.00	55.00	-	100.01	Direct
26.	Somnath Trust	Rural Infrastructure Development	Somnath, Gujarat	500.00	500.00	-	500.00	Direct
27.	Supply of drinking water to drought prone areas		Gujarat	105.00	105.00	-	105.00	Direct
28.	Support provided to improve rural infrastructure works such as community hall, pond deepening, repairing and constructing houses, bore well repairing, safe drinking water etc.		Mundra & Hazira, Gujarat Tiroda, Maharashtra, Chhindwara, Madhya Pradesh, Udupi, Karnataka, Vizhinjam, Kerala Murmugao, Goa	450.00	449.46	-	3,961.90	Through Adani Foundation
29.	Promoting Rural Sport and mobilising youth	Rural Sports	Mundra, Gujarat Udupi, Karnataka Vizhinjham, Kerela	21.00	21.00	-	208.68	
30.	Disaster Management – Flood relief work	Disaster Management	Banaskantha, Gujarat	-	-	-	75.63	
31.	Disaster Management – Flood relief work		Kerala & Odisha	26.50	26.67	-	26.67	
32.	Disaster Management – Odhisa & Ockhi Cyclone		Odisha	2,500.00	2,500.00	-	5,250.00	Direct
33.	Environment Awareness and maintenance of Ecological balance	Environment	Pan India	217.50	217.27	-	811.58	Through Adani Foundation
34.	Support Olympics Athletes	Supporting Athletes	Gujarat	-	-	-	67.50	
Total				**6,950.00**	**6,950.00**	**-**	**28,364.87**	

6. In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report: Not applicable

7. CSR Committee Responsibility Statement

The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.

Gautam S. Adani
Chairman and Managing Director
(DIN: 00006273)

Rajesh S. Adani
Chairman - CSR Committee
(DIN: 00006322)

Management Discussion and Analysis

1. Company Overview

Adani Ports and Special Economic Zone Limited (APSEZ) is India's largest private integrated logistics company. Promoted by the esteemed Adani Group, the Company continues to strengthen its seamless integration of three verticals – Ports, Logistics and Special Economic Zones (SEZs). In less than two decades, it has built, acquired and developed an unparalleled portfolio of ports infrastructure and services across India. Currently, it has nine strategically located ports and terminals in operation and two under construction one at Vizhinjam, Kerala and another one in Myanmar.

Adani Logistics Limited (ALL), a wholly-owned subsidiary, is the most diversified end-to-end logistics service provider in the country with presence across all major markets. The Company operates five logistics parks. When it comes to servicing core national priorities, APSEZ is prepared with scale, scope and speed.

Highlights of FY20

- Registered a cargo volume growth of 7% and achieved a throughput of 223 MMT.
- Cargo growth seen across all cargo segments in all ports and regions; the rate of growth outpaced pan-India ports and other major ports.
- ALL has acquired Innovative B2B Logistics Solutions Pvt. Ltd. (Now, Adani Logistics Services Pvt. Ltd.), which has added 14 container rakes to our existing fleet and one logistic park.
- The Company concluded the buy-back of 3,92,00,000 equity shares at a price of ₹ 500 per equity share from eligible shareholders on a proportionate basis through the 'Tender offer' route on September 30, 2019.

2. Economy Review

2.1 Global Economy

Global economic activity significantly slowed in 2019 following strong growth in 2018 on account of factors emanating from both advanced and emerging economies. After expanding by 4% in 2017, global growth remained somewhat buoyant at 3.6% in 2018, only to significantly drop to 2.9% in 2019. Global activity softened amidst an escalation in trade and tariff tensions between the US and China, along with generally tepid consumer and investor sentiments, globally. This resulted in both the economies growing slower. At the other end of the spectrum, Eurozone continued to face declining consumer and business confidence, and depleted external demand.

In the beginning of the third quarter of FY20, growth across emerging markets was weaker than expected largely due to country-specific shocks weighing on the domestic demand. Economic expansion in China went into a tailspin with 6.1% growth in 2019 on account of challenging financial conditions and structural issues. The shutdown of factories and localised lockdowns on account of the pandemic adversely impacted consumer spending and reduced the flow of investment towards the end of the year. India saw a sharp slowdown owing to stress in liquidity flow to non-government sector and decline in rural demand.

Even as emerging economies saw a generalised slowdown in sync with the rest of the world, the severity of growth contraction was more pronounced in India (local factors like decline in rural demand, liquidity issues following the NBFC crisis and weak credit offtake from banking sector), Mexico (sluggish industrial output, especially in construction and oil, falling business investment, and a slowdown in services) and Saudi Arabia and Russia (oil output cuts). Such country specific issues in India, Saudi Arabia, Russia and Mexico (apart from smaller EMs like Chile) remained in place for most part of 2019.

Outlook

The International Monetary Fund (IMF) projects that the world will slip into a recession in 2020 over COVID-19 led global lockdown and the resulting suspension of economic activity. According to the IMF's April World Economic Outlook, global growth will contract by 3% in 2020, compared to 2.9% growth in 2019, and further mark a V-shape normalisation to 5.8% growth in 2021, although half of it will come on a low base. Also, the global trade volume in goods and services will slip into a degrowth of 11% in 2020 from an already weak growth of 0.9% in 2019, before growing by 8.4% in 2021.

Global Growth (%)

Particulars	Actual	Projections	
	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
US	2.3	-5.9	4.7
Eurozone	1.2	-7.5	4.7
Japan	0.7	-5.2	3.0
UK	1.4	-6.5	4.0
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
China	6.1	1.2	9.2
India	4.2	1.9	7.4

Source: IMF

2.2 Indian Economy

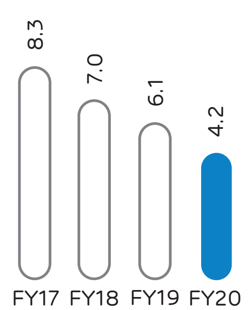
Advanced estimates of India's headline GDP for 2019-20 projected a growth of 5% (compared to 6.1% in the previous year), lowest since the great financial crisis (GFC) in 2008. Underlying this decline in GDP growth over 2019-20 is a fall in private consumption, stagnation in overall capex and contraction in trade volumes on account of the fall in global growth and demand. Even as government attempted a host of long-term reform measures including corporate tax reduction, and farmer income support, the short-term growth didn't have much levers to pick up on as both business and consumer sentiments nosedived through the year.

Outlook

The nationwide lockdown and the consequent suspension of economic activity owing to the pandemic is expected to severely jeopardise economic growth in the first quarter of FY20-21.

Apart from the continuing resilience of agriculture and allied activities (which could see labour issues in harvesting), about 70% of economic sectors will have little to zero value-add during the period of lockdown. Such sectors of the economy will be adversely impacted depending upon intensity, spread and duration of COVID-19. In a prolonged spread that leaves supply chains disrupted, the global slowdown could deepen, creating uncertainties for India. The country's GDP in all possible scenarios will register degrowth in Q1FY21, and this shock alone will ensure the annual GDP for FY20-21 degrow 2.0-4.5%, depending upon the tail of the pandemic.

Annual GDP Growth Rate (%)



Source: Central Statistics Office (CSO)

3. Industry Review

3.1 Ports

World maritime trade volume growth in FY19 was estimated to be in the range of 2.5% to 3% (UNCTAD 2019). In FY18, this growth was 2.7%, which was below the historical average of 3%, and that of 4.1% in 2017. Tariff escalation between China and the United States dominated the headlines in 2018 and 2019; this has affected certain trade commodities like grains, container and steel products. It has been observed that overreliance on import demand in China, is another downside risk for maritime trade. The pre-Covid outlook for global port-handling activity remained positive supported by regional economic growth and port infrastructure development plans. However, the current Covid situation and related uncertainties constitute the downside risks on the global port volume. According to the UNCTAD estimate, from FY20-24 the average annual growth in the world's maritime trade was expected to be around 3.4%. This estimate is likely to see a dent, given the circumstances.

Containerised and dry bulk trades are expected to grow at a compound annual growth rate of 4.5% and 3.9%, respectively, over the FY19-24 period. These estimates were made before the global pandemic outbreak. We see some temporary dips in these numbers due to the ongoing pandemic worldwide.

In recent years, global maritime trade has witnessed some structural challenges as well. In container shipping segment, further consolidation has been witnessed in the industry, the combined market shares of the top 10 container shipping lines increased from 68% (in FY14) to 90% in FY19. There are also signs that carriers are considering vertical integration by taking greater control of inland logistics, aiming to provide integrated service offerings and generate more value.

This marks a shift from the approach adopted by them in the 2000s, when shipping interests were to outsource such operations to focus on their core business. Till end of 2019, some of the largest shipping lines such as Maersk and China COSCO were planning to expand their presence to inland terminals, warehouses, customs brokerage and logistics to tap additional business opportunities. Similarly, we have also observed that global terminal operators like DP World were planning to diversify their business portfolio.

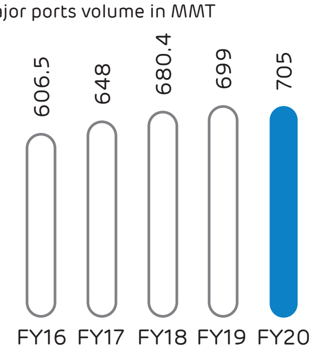
In general, these stakeholders were planning to expand their initiatives beyond the port gate into the wider supply chain, carriers and ports alike, aiming to diversify revenue sources and increase their proximity to shippers and the cargo. However, the pandemic may lead to a delay in their plans and possible changes in strategy.

Worldwide, trading between different nations has always been a significant contributor in terms of increasing wealth and economic growth. Ports are the gateways for EXIM trade and they play a crucial role in India's international trade. According to the Ministry of Shipping, approximately 95% of the country's trade by volume and 70% by value moves through maritime transport, which clearly highlights the importance of ports and their contribution in supporting and accelerating the growth and development of the Indian economy. To achieve India's aspiration of a gas-based economy for cleaner and sustainable future, gas handling facilities and in-land transportation of gas becomes critical. Despite the good potential to bolster cargo volumes, Indian ports have not seen remarkable growth in recent years.

In FY20, the total consolidated ports volume handled by pan-Indian ports was around 1,307 MMT, registering around 2.3% annual cargo volume growth with respect to FY19. According to Indian Ports Association (IPA) in FY20, the consolidated cargo volumes handled by Indian major ports were 705 MMT and according to the Ministry of Shipping (MoS), the same number for non-major ports was around 602.5 MMT cargo. In this period non-major ports witnessed a relatively healthy growth of 4.1%, while growth of major ports was subdued at just 0.8%. Share of non-major ports in overall cargo handled in FY20 was 46% against 45.2% in FY19. Key growth commodities in FY20 (w.r.t. FY19), at major ports were Iron ore/ pallet (+ 35%), finished fertilizers (13%), Coking coal (+2.6%), POL + crude + LPG/LNG (2.1%) and container at just 1%. However, commodities like thermal coal (-13%), Fertilizer raw material (-5.6%), and other material (-4.8%) have witnessed negative growth with respect to FY19 volumes. Cargo volumes handled at 12 major ports was 705 MMT in FY20. Out of these, seven ports witnessed growth and the remaining five – Mormugao, New Manglore, JNPT, Chennai & Ennore/ Kamarajar contracted in cargo volumes compared to last year (FY19). Chennai Port registered the highest decline in cargo traffic (-11%), which is mainly due to containers volumes, followed by Mormugao (-9.4%), New Manglore (-7.9%), Ennore port (-7.8%) and JNPT (-3.2%). Highest growth was registered at Vizag (+ 11%) which was mainly due to Iron ore and POL/crude volume growth, followed by Cochin (+6.3%), Deendayal/ Kandla (+6.2%), VOC (+5.1%) and Paradip port (+3.1%). Together, these five ports handled around 54% of major ports volume in FY20. In FY20, among major ports, Kandla / Deendayal port has emerged as the largest major port in India, handled 122.5 MMT volume followed by Paradip port (112.7 MMT) in FY20.

Last 5 Years Major Ports Cargo Volume Growth Trends

Major ports volume in MMT



Source: Indian Ports Association 2020

If we look into a five-year (FY15 to FY19) market share analysis of key major ports in India, Paradip port has gained its market share by almost +2%, followed by Kolkata/Haldia (+1%) and Cochin (0.5%). Mumbai and Chennai ports have lost their market share by almost 1% in the last five years.

As per MoS, total traffic handled by non-major ports in FY20 is 602.5 MMT, reflecting a growth of 4.1% over that of last year. At non-major ports in FY20, sugar recorded highest growth in traffic at (58.1%) followed by other coal (51.3%), LNG/LPG (16.5%), iron and steel (16.4%), coking coal (7.0%), POL (6.4%) and container (6.0%). On the contrary, the fertilizer raw material recorded highest negative growth (67.6%) in volume in FY20 followed by other ores (41.1%), thermal coal (24.2%), fertilizers (9.2%), and iron ore pallets (9%) with respect to FY19. Volume wise, among all commodities, POL crude is the commodity handled most at ports of 97.42 MMT with share of 16.2% followed by other coal 15.1%, container 149%, POL products 11.6%, other commodities 10.4%, thermal coal 8.6%, iron ore/ pallets 6.6%, coking coal 5.4%, LPG and LNG 4.2% each during FY20.

In FY20, at India's non-major ports, among the states Gujarat Maritime Board handled the maximum cargo of 410.44 MMT with share of 68.1% followed by Andhra Pradesh (16.8%), Maharashtra Maritime Board (6.8%) followed by Odisha Directorate of Ports of 5.9%. Similarly, the coastal cargo handled at non-major ports during FY20 decreased by 3.8% to 90.95 MMT from 94.5 MMT in FY19.

At 139 MMT in FY20, Mundra Port ranked No. 1 in commercial cargo handling across India. Arguably, Mundra Port also has the most diversified commodity profile among all key ports in India. In FY20, Mundra port has also started handling new commodities like LNG and LPG with its dedicated cargo handling terminals.

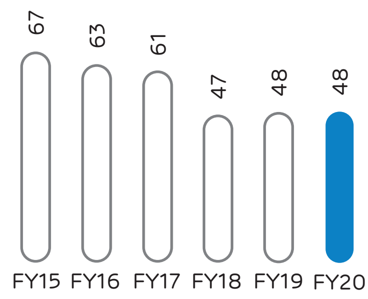
From market share point of view, non-major ports have gained market share at the cost of major ports. Some ports have emerged as gainers. In last 5 years (FY15 to FY19) ports like Dhamara, Hazira, Kattupalli have gained market share by almost +1%, whereas Pipavav, Kakinada, Gangavaram and Dahej have lost market share. Ports like Mundra and Krishnapatnam have increased market share marginally.

Improvement and Efficiency: During these, the ports industry is witnessing a shift. Along with non-major ports, major ports are also focusing on efficiency improvements to enhance competitiveness in the market. Sagarmala program is one of the key initiatives in this direction for major ports.

Major Ports Capacity Utilisation: On port capacity utilisation front, over the period of time, capacity utilisation at major ports has gone down. In FY20, capacity at major ports was around 1470 MMTPA. In the preceding six years, major port capacity utilisation trend is given below:

Port Capacity Utilisation at Major Ports

Capacity Utilisation in %

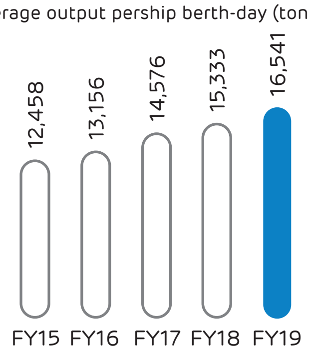


Source: Ports in India 2020 by India infrastructure and Ministry of Shipping FY20 annual report.

Average output per ship berth day in tonnes at major ports: Modernisation and efficiency improvements drive at major ports under the Sagarmala initiative (project UNNATI), helped major ports to bring more efficiency in berth productivity. On an average output per ship berth day improved significantly from 12458 tonnes in FY15 to 16,500 tonnes in FY19. The last five-year trends are given below.

Major Ports: Average Output per ship berth-day

Average output pership berth-day (tonnes)

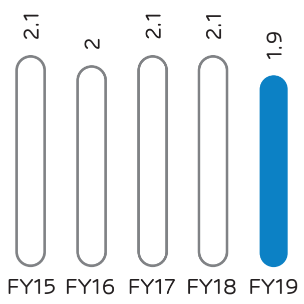


Source: Ports In India 2020 by India infrastructure

Average turnaround time of ships on port account in days at major ports of India: The average turnaround time of ships on port account has decreased marginally from 2.1 days in FY15 to 1.9 days in FY19. The preceding five-year trend is given below.

Ships Average Turnaround Time on Port Account

Ships average turnaround time on port account in day



Source: Ports In India 2020 by India infrastructure

Government Initiatives

To meet the ever-increasing trade requirements of the country, the Indian Government has taken multiple initiatives to improve infrastructure development linked to ports.

1. **Sagarmala Pariyojana**
   Sagarmala Pariyojana, launched in 2015, focuses on enhancing the performance of the logistics sector in India by setting up new mega ports, modernising existing ports, and developing 14 Coastal Employment Zones (CEZs) and Coastal Employment Units. More than 605 projects having a total cost of ₹ 8.80 lakh crore have been identified under Sagarmala. Of these, 89 projects worth ₹ 0.14 lakh crore are completed and 443 projects worth ₹ 4.32 lakh crore are under various stages of implementation and development. The project aims to promote port-led development with a view to reduce logistics cost for EXIM and domestic trade.

2. **Port Capacity Target**
   The Ministry of Shipping, along with the State Governments, is striving to increase the overall port capacity to 3,500+ Million Metric Tonnes Per Annum (MMTPA) to cater to the projected traffic of 2,500 MMTPA by FY25. Towards this end, 249 port modernisation projects have been identified. Out of these, 107 port capacity expansion projects (costing ₹ 67,962 crore) were identified from the port master plans of 12 major ports and are expected to add 794 MMTPA to the major port capacity over the next 20 years.

3. **Model Concession Agreement for PPP Projects**
   According to the Ministry of Shipping of the GOI, a Model Concession Agreement ("MCA") has been finalised to bring transparency and uniformity to contractual agreements that Major Ports would enter into with selected bidders for projects under the Build, Operate and Transfer ("BOT") model. In January 2018, a revised MCA was approved by GOI to make major ports in India more investor friendly and make the investment climate in the port sector more attractive. Some of the salient features of the revised MCA provide for relaxed exits, expansion, lower charges for land use based on each container, a cheaper dispute resolution mechanism and an online complaint portal for users.

4. **Coastal Shipping – Relaxation in Cabotage Law**
   In May 2018, MoS allowed under section 407 of the Merchant Shipping Act 1958, for coastal movement of EXIM transshipment containers and empty containers. It has allowed the foreign-flagged container ships to carry EXIM laden container for transshipment and empty container for repositioning on local routes without a license or condition. Law has also allowed to foreign flagged vessels to carry fertilizers and agro commodities along Indian coast.

   There has been a significant increase in container transshipment volumes in India by shipping lines with foreign flags. During May 2018-May 2019 - 807,932 TEUs transshipped through Indian Ports. This has helped many Indian ports to capture value from it. Example: Mundra port outperformed all the ports of the West coast in terms of transshipment volumes. The port handled 40,000 TEUs of transshipment traffic during May 2019, of which 32,500 TEUs were laden and the the remaining 7,500 TEUs were empties. Similarly, Krishnapatnam Port, also registered significant transshipment number (26,000 TEUs during May 2019).

5. **Ease of doing business**
   Direct Port Delivery (DPD) and Direct Port Entry (DPE) has been introduced to make import and export more efficient and cost effective. Along with this, some changes have been made in customs law to facilitate trade in more efficient way. India improved its ranking under the Trading Across Border (TAB) parameter of Ease of Doing business (EoDB) from 80 to 68. This impressive record has been facilitated through various measures like Direct Port Delivery (DPD), Direct Port Entry (DPE), Introduction of RFID, Installation of scanners/container scanners, Simplification of procedures etc., taken by the major ports.

6. **Dedicated freight corridor**
   The Ministry of Railways is implementing the Dedicated Freight Corridor ("DFC") project under which it proposes to undertake planning and development, mobilisation of financial resources and construction, maintenance and operation of the rail corridors dedicated for freight transportation across the country. The key mission of the Dedicated Freight Corridor Corporation of India Ltd ("DFCCIL") includes:

   - Building a corridor with appropriate technology that enables Indian railways to regain their market share of freight transport by creating additional capacity and guaranteeing efficient, reliable, safe and cheaper options for mobility to their customers.

- Setting up multimodal logistic parks along the DFC to provide complete transport solution to customers; and
- Supporting the Government's initiatives toward ecological sustainability by encouraging users to adopt railways as the most environmentally friendly mode for their transport requirements.

The project currently consists of two corridors, the Eastern Corridor and the Western Corridor. The two routes cover a total length of 3,360 kilometers with the Eastern DFC stretching from Ludhiana in Punjab to Dankuni in West Bengal and the Western DFC from Jawaharlal Nehru Port in Mumbai to Dadri in Uttar Pradesh.

7. **Tariff Authority for Major Ports**
The Tariff Authority for Major Ports issued fresh guidelines for the major ports for implementation of Tariff Policy, 2019, on July 11, 2019.

8. **LNG Facility at Major Ports**
Ministry of Shipping (MoS) issued guidelines for establishment of floating storage regasification unit for handling liquefied natural gas at major ports on March 7, 2019.

9. **Ship Recycling Bill**
In December 2019, the recycling of ships bill, 2019, became an act after receiving the consent of the president of India. This outlays huge business opportunities to Indian Ship recyclers (green ship recycling yards) as per Hongkong ship recycling convention.

10. **Gujarat Revised Port Policy**
The Gujarat Government has announced a new port policy to provide benefits to the existing and future captive jetties players and other players. According to the new policy, the 32 operational captive jetties are now permitted to handle third-party cargo. They can increase the number of cargo handling facilities and expand and modernise their jetties as well. Captive jetty holders will be able to handle cargo of other companies by paying double wharfage charges.

11. **Jal Marg Vikas Project (JMVP) on NW-1**
The Government is implementing the Jal Marg Vikas Project (JMVP) at an estimated cost of ₹ 5369.18 crore for capacity augmentation of navigation on the National Waterway -1 (NW-1) on the Haldia – Varanasi stretch of Ganga-Bhagirathi-Hooghly River System with the technical and financial assistance of the World Bank. The project is scheduled to be completed in FY22-23. Projects worth ₹ 1,800 crore (approx.) have commenced on ground in a time period of three years.

12. **Free Trade Warehousing Zones (FTWZs)**
The Government has permitted up to 100% FDI in the development and establishment of free trade warehousing zones (FTWZ) and in their infrastructure facilities.

Outlook

The ports are drivers of socio-economic change and facilitate the long-term growth trajectory of the economy. The government is striving to develop ports into manufacturing ecosystems that attract trade as well as investments. The industry has undergone significant changes with the introduction of new policies, amendments to existing policies, increase in cargo traffic, spurt in private participation and development of new greenfield ports. Given Sagarmala's scope and the huge investment requirement, the key lies in effective and timely project execution.

3.2 Logistics Industry

Currently, the Indian logistics industry is highly fragmented and dominated by unorganised players. It is estimated that organised players accounting for around 10% of the total logistics market share. With the customer base including a wide range of industries such as retail, automobile, telecom, pharmaceuticals and heavy industries, the logistics industry requires significant investments. There is a need for a comprehensive logistics policy that eases requirement of approvals, coordination with multiple agencies, ensures effective monitoring and promotes a tech-driven approach. This, in turn, will help India's logistics sector leap into becoming one of the most promising sectors of the Indian economy.

Outlook

- According to CARE Ratings, India's logistics industry is projected to be worth $215 billion by FY21, recording a 10% Compounded Annual Growth Rate (CAGR) over its approximate size of $160 billion in FY17.
- Indian e-commerce industry is expected to cross $100 billion mark by 2020. The market is also set to grow at a CAGR of 30% for gross merchandise value (GMV) to be worth $200 billion by 2026 and market penetration will increase to 12% from the existing 2%, as per industry estimates.
- A shift from pure transportation business to end to end service providers has emerged, thereby facilitating growth of third part logistics (3PL) and supply chain management industries in India.
- The dedicated freight corridors DFC and DMIC are being touted as the biggest drivers of change in the Indian logistics sector: Transport is derived demand and hence such huge and efficient infrastructure may generate additional EXIM trade volumes.

- As per industry estimates the market size of the 3PL segment is expected to cross $10 billion by FY21-22 (India logistics report by India infrastructure).
- Technologies such as data analytics, Internet of Things (IoT), cloud based solution and artificial intelligence have the potential to create lasting value for companies.
- Key trends in technological advancement: Steel silos for storing food grains, Logistics Data Bank, Warehouse robotics, Augmented Reality, IoT, Analytics, Robotics and in many more related fields.

The industry's growth is expected to be driven by the strides in the manufacturing, retail, Fast-Moving Consumer Goods (FMCG) and e-commerce sectors. Development of logistics-related infrastructure, such as dedicated freight corridors, logistics parks, free trade warehousing zones and container freight stations, are expected to improve efficiency.

Opportunities: Strategic disinterment by Government of India

CCEA granted in-principle approval for the strategic disinvestment of the Government of India (GoI) share in Container corporation of India (CONCOR). The GoI has decided to sell 30.8% in CONCOR, along with transfer of management control. In December 2019, the Department of Investment and Public Asset Management appointed three advisors for strategic disinterment in CONCOR. This outlays excellent business opportunities private players as CONCOR has lion's share in inland rail based container transport in India.

4. Performance Overview

During the year under review, the performance of the Company is encouraging. We have been leading across all the fronts and Mundra Port continues to be the largest commercial port in India, handling 139 MMT of cargo in FY20. The total cargo handled across all Adani Ports is 223 MMT. Dry volume crossed 100.89 MMT and increase of 10% on YOY basis and Container volume crossed 6.25 million TEUs and increase of 8% on YOY basis.

We maintained a growth record that was better than the rest of the industry and registered a 7% growth in cargo volumes in FY20 compared to FY19. We will continue to lead innovative practices, adopt technology and set examples of efficient port operations.

Performance of other ports is as under:

- Dhamra Port Handled cargo of 29.71 MMT, a growth of 44% YOY basis.
- Ennore Port Handled cargo of 1.91 MMT, a growth of 129% YOY basis
- Vizag Port Handled cargo of 2.84 MMT, a growth of 100% YOY basis
- Kattupalli Port Handled cargo of 10.86 MMT, a growth of 22% YOY basis
- Tuna port handled cargo of 6.48MMT, a growth of 14% YOY basis
- Hazira port handled cargo of 21.63 MMT, a growth of 10% YOY basis
- From this year Mundra port has started handling LPG & LNG cargo also.

Performance Highlights

We operate nine ports and terminals across the coastline of India. APSEZ facilities have a pan-India footprint, with presence in five maritime states of India, viz. Gujarat, Goa, Andhra Pradesh, Tamil Nadu and Odisha. Our Vizhinjam Port is in the project phase. It will be India's first transshipment port and is expected to be operational by FY22.

The nine ports and terminals consist of 48 berths spanning across 14,000+ meters of quay length and two single-point moorings to facilitate the handling of Dry Bulk, Liquid Cargo, Crude Oil, Containers, Ro-Ro and Project Cargo. Our operational facilities are equipped with the latest cargo-handling facilities, which are not only best in class but are also capable of handling the largest vessels calling at Indian ports.

APSEZ formed a strategic collaboration with CMA Terminals and with Mediterranean Shipping Company to jointly operate two container terminals with a combined capacity of 4.2 million TEU's at Mundra port. Both these terminals put together handled 2.71 million TEU's, achieving a growth rate of 1.43% over last year.

Adani Logistics Limited (ALL), wholly owned subsidiary of the Company acquired Innovative B2B Logistics Solutions Pvt. Ltd. in August, 2019, which added 14 container rakes to our existing fleet and one logistic park. ALL has expertise in handling varied customer across segments like Retail, Industrial, Bulk, Break-Bulk, Liquids, Auto and Grain Handling.

ALL currently operates 5 Logistics Parks, 56 rakes (40 - Container, 8 – GPWIS, 1 - AFTO and 7 Agri Rakes), 400,000 sq ft of Warehousing space, 5,000+ containers, 0.9 million metric tons of Grain Silos and 9 Inland Waterways Vessels. ALL has set itself a target of 15+ logistics parks, 200+ rakes, 5 million sq ft of warehouse space, 15,000 + containers, 2.5 million metric tonnes of Grain Silos and 25 Inland Waterways Vessels by FY25.

Shanti Sagar International Dredging Pvt. Ltd. (SSIDPL) has a total fleet of 18 dredgers, the largest in India. SSIDPL has ordered for four more dredgers, which are operational since August, 2019 and our dredging fleet stand at 22 dredgers.

Our port services include marine, intra-port transport, storage, and other value-added and evacuation services for a diverse range of customers, primarily terminal operators, shipping lines and agents, exporters, importers and other port users. This helps us diversify income sources, eliminate revenue leakage, reduce financial risk and compete more effectively. Consequently, our cargo and service mix has a significant effect on the results of operations.

Special Economic Zone

The multi-product SEZ at Mundra is the largest notified SEZ in India, with notified area of 8,434.59 hectares. Exports from Mundra SEZ up to March 2020 was about ₹ 23,308 crore (cumulative). With its multi-modal connectivity, including road, rail, seaport and airport, Mundra SEZ is expected to attract an increasing amount of investments in the coming years.

In addition to the 16 co-developers approved by the Government of India for providing various infrastructure facilities, as at March 31, 2020, total 49 entities have obtained approval for setting up their units in the SEZ. Some of them have already started operations and export activities. Some are under construction. These units have already invested about ₹ 13,760 crore.

As part of the growth strategy that relies on cluster-based development, a chemical cluster, including propane dehydrogenation and its downstream ancillary units, is also being developed within the industrial estate at Mundra.

Strategy

- Sustained shareholder returns, market leadership and growth, through optimised capital allocation, diversification of cargo, long-term contracts, efficiency improvement, enhanced capacity utilisation, development of new capacities and network of ports across the coastline.
- Become one-point customer-centric transport utility across port and hinterland with pan-India integrated logistics presence by expanding logistics portfolio into Rail, Logistics parks, Warehouse, Cold-Storage, Air Freight stations, Grain Silos, Inland waterways and Trucking.
- Leveraging best-in-class facilities, talent, technology and digitising the logistics value chain to deliver better customer and stakeholder experiences through mix of visibility, analytics and automation.
- Commit to conserve and improve our environment and take steps towards building a vibrant, secure and resilient society, through focus on Environment, Social and Governance (ESG) and Safety.

Outlook

APSEZ is India's largest commercial port operator and integrated logistic player in the country with sustained high and diversified growth with low-risk and unique operating model. Delivering superior performance in today's volatile and uncertain business environment requires sound strategy and disciplined execution. We could deliver a robust performance in spite of a volatile operating environment primarily due to our very high share of sticky cargo and our ability to handle all types of cargo including LNG and LPG across our 10 ports.

Indian ports industry is faced by global supply chain disruptions along with vessel upsizing and draft constraints, operational efficiency and efficient hinterland connectivity. However, APSEZ has differentiated itself from state-run and private Indian ports by factors such as deep draught berths, minimum pre-berthing delays and fast turnaround of vessels make APSEZ stand out. Additional features such as state-of-the-art port infrastructure facilities, domain expertise in the port services industry, specialised infrastructure constructed to handle specific commodities, established customer relationships, ability to facilitate port-based development, consistent high-quality service and the ability to flexibly meet our customers' requirements (including in tariffs) equip APSEZ to be a market leader in the Indian port industry.

We expect the next wave of growth to come from Logistics with the government setting an objective to reduce the logistics cost to less than 10% of GDP from the current level of 14%. APSEZ has made significant progress in offering a wide range of logistics products and solutions required to augment our growth strategy. We are developing a pan-India network of logistics parks, warehouse, cold storages, grain silos and air freight stations as distribution centres. We are substantially increasing our assets in different modes of rail such as container rail, GPW (Bulk), Grain rail and Auto rail for transportation. We also offer river transportation through barges and Inland Waterway terminals. Focus on next-generation technology adoption and innovation culture development will cement APSEZ's position as a market leader. New avenues for international expansion of ports at selective locations are in the exploratory stage to create value for the organisation and its stakeholders.

Towards, strategic capacity addition, we will continue with the development work at Vizhinjam (Kerala) for International Transhipment Container Terminal and LNG terminal at Dhamra. Development work for an international Container Terminal in Myanmar has also been commenced. Process of taking controlling stake in Krishnapatnam Port on east coast is targeted to be completed in FY21.

5. Risks, Opportunities and Threats

Over-capacity at regional levels is one of the key concerns in the port industry. Through various initiatives, the government and private players have continuously added new ports capacities, even as cargo volumes have not matched up accordingly. Resulting inter-port competitions have become challenging, leading port operators to rethink business strategies. For example, overcapacities in container terminals at the Chennai port cluster (ports of Chennai, Kattupalli, Ennore and Krishnapatnam) will likely result in stiff competition for common hinterland container cargo. In the western region, operationalisation of JNPT 4th CT by PSA International Pte. Ltd. has resulted in competition among western ports for the NCR region cargo. Apart from port infrastructure, there are also challenges on the commodity front. With the government's focus on domestic thermal coal production and fertilizer manufacturing, import of these commodities might witness substantial fall in the long run. Connectivity and operational efficiency improvement at major ports pose a challenge to APSEZ ports. Today due to global pandemic issues, we foresee there will be challenges in cargo flows across globe, we believe that these challenges will be short term in nature. Global Pandemic will also have local impacts on our ongoing infrastructure developments and expansions projects, which will definitely pose challenges in front of us to complete projects in stipulated time frame. However, APSEZ has developed a ERM framework for risk identification, assessment, evaluation and management, which periodically identifies such risks, evaluates their consequences, initiates risk mitigation strategies and implements corrective actions wherever required. The scope of ERM framework of APSEZ is as follows:

- Strategic & Economic Risk: Economic uncertainty, slowdown, government policies and high concentration of business with few shipping lines / customers, geographical expansion.
- Operational Risk: Demurrage, theft of shipment, change in dimension of cargo, damage to assets etc.
- Growth Risk: Intense global / domestic competition rendering pricing and commercial terms to be unsustainable, incompatible allied infrastructure, execution of projects, M&A and integration.
- Reputational Risk: Negative perception of stakeholders due to any untoward incident, accident / mishap.
- Profitability & Liquidity Risk: Risk of adverse movement in forex, interest rate, failure to obtain funds at right cost, capital intensive & high gestation period projects etc.
- ESG: Risk due to rising sea levels, natural calamities, Risk due to fatalities, Risk due to non-adherence to int'l standards of governance.
- Technology Risk: Data recovery, disruption in the operation of the system, cyber security breach, adoption of artificial intelligence and robotic led process automation.
- People Risk: Attracting / Retaining requisite talent, Labor strikes, huge dependence on contractual work-force.
- Projects completion related risks: Local crisis, pandemic, material availability issue, manpower availability. However, we have successful track record of project development and execution.

The APSEZ Audit Committee reviews the report on risk management on a quarterly basis and recommends corrective actions for implementation. The risk assessment developed at APSEZ as per OHSAS 18001 standards are reviewed regularly or as and when any change in system/ process takes place or any incident takes place. APSEZ has been making steady progress in addressing specific risks and threats through cargo diversification, strategic capacities at ports, long-term customer contracts, enhancement in operational efficiencies, cost optimisation and provision of integrated logistics services.

In recent times, various new policy initiatives have generated new business opportunities in the ports and logistic sector in India. The government's thrust on gas base economy development by adoption of cleaner and greener energy has meant new business opportunities in the LPG + LNG business.

Downstream industries of LPG and LNG products also offer a great potential to APSEZ to developed port-based industrial cluster for such business opportunities. We foresee great business potential in development of port based industrial ecosystem across our pan India ports network for scale development. Readily available land banks around our ports with best suited basic and yet modern infrastructure outlays excellent opportunity to any industry to come invest at our ports and SEZ.

Opportunities also exist for Ship-to-Ship (STS) cargo-handling operations at certain ports. APSEZ has started STS at Dhamra to feed regional ports. In May 2018, MoS allowed under Section 407 of the Merchant Shipping Act 1958, allows the foreign-flagged container ships to carry EXIM laden container for transhipment and empty container for repositioning on local routes without a license or condition. However, India-bound containers are still being handled at other regional port like Colombo, Singapore. It is estimated that annually around 3 MTEUs India bound cargo transhipped at neighbouring country ports especially Colombo, Singapore and other regional ports. This offers a substantial opportunity for the development of transhipment port on the Indian coast. Hence, we believe that our strategic investment in ultra-modern deep draft Vijhinzam container terminal at Kerala, outlays an excellent business opportunity.

Recent trends in upsizing of cargo vessels to achieve economies of scale require next-generation infrastructure at ports. Infrastructure and super-infrastructure available at APSEZ ports, such as deep draft, longer quay lengths, and high mechanisation and evacuation facilities, has made the Company the first choice among many customers. Superior and reliable services as well as long-term relationships with the customers give an edge to APSEZ in the market. New opportunities in coastal shipping, inland waterways and dredging are being evaluated.

In fact, recently, we have started IWT operations in Indian national waterways to facilitate trade in eastern region of country. APSEZ is keenly following these markets to leverage and aid future growth with key infrastructure projects in pipeline to capture value at the opportune time. Efficient and reliable multi-modal port connectivity is a decisive factor in the successful journey of ports. APSEZ is hence making serious efforts to increase multi-modal connectivity (new connectivity + capacity augmentation). For an integrated logistics business like APSEZ, there is ample opportunity to grow organically as well as inorganically in future. Opportunities are being evaluated across various segment of supply chain like warehousing, cold storage, integrated logistic parks, investment in wagons and other similar assets.

Pan India footprint of APSEZ in ports and logistics infrastructures, provides an ample opportunity to offer various value added services to our customers, which eventually increases competitiveness of both parties. In last two decades, we have developed long-standing relationships with customers and strong business partnerships. Along with that our assets are strategic in locations and having excellent natural characteristics to offer world class services to our esteem customers in best competitive way. Our most of the infrastructure assets are next generation dedicated assets capable of handling latest cargo vessels, different type of cargo in most productive manner.

6. Human Resource Development

People and culture are true competitive advantage for APSEZ. Our human assets create valuable propositions for customers and surpass their own achievements consistently. Growth mind-set and agility are important aspects of workplace culture. The expansion of existing businesses and addition of new areas together have created a wide range of career opportunities for employees. Providing meaningful work to employees and opportunity to learn and grow at different stages are important building blocks of talent management in the organisation.

APSEZ provides an inclusive and dynamic work environment where organisation believes in its people and also recognises that its success and growth are driven by them. Competence and capability of its people provides competitive edge to build an aspirational workplace & future-ready organisation.

Organisation is committed to build capabilities ahead of requirement at three levels viz. Organisation, Team and Individual. Related systems, processes and people management practices are designed and deployed to keep these contemporary and aspirational. Cutting edge and relevant practices are created, experimented, modified and used to continuously enhance capabilities and employee experiences.

The Company's average employee age is 37 years, indicating youth, energy and vibrancy. The culture of learning and growth are ingrained to have a perfect match with the demographic profile. Rewards systems help meet and re-define organisational commitments by keeping the customer in centre, all the time. Outcomes are measured and rewarded with the lens of impact on customer. Continuously re-defining and enhancing performance and achievement standards is encouraged and rewarded at all levels.

Attract best-in-class talent, enhance their net worth through targeted investments and learning and grow them progressively to higher responsibilities has been the organisation's core people management belief. This has led to an extraordinary performance assurance for customers and partners. It also provides a stable and tested career model and proposition to high-end talent leading to more than 95% retentions. Empowerment in all aspects and decision-making at boundaries help individuals grow quickly and also to take total ownership of results. It keeps business processes fast and agile.

Organisational success is attributed to celebrating talent & their success by way of career and recognition, continuously driving meritocracy and desire to remain a contemporary & agile workplace.

7. Financial Review

Consolidated Financial Performance

The Company recorded total income to the tune of ₹ 13,734.42 crore during FY20 compared to ₹ 12,287.78 crore in the corresponding previous financial year.

The Company generated Earnings before Interest, Depreciation and Tax (EBIDTA) (excluding foreign exchange gain/loss) of ₹ 9,426.74 crore during FY20 compared to ₹ 8,429.82 crore in the previous financial year.

Profit before Tax (PBT) for FY20 stood at ₹ 4,243.92 crore compared to ₹ 5,126.22 crore in the previous financial year.

Net profit for FY20 is ₹ 3,784.53 crore compared to ₹ 4,044.75 crore in the previous financial year.

Total comprehensive income attributable to equity holders of the parent for FY20 is ₹ 3,800.19 crore compared to ₹ 4,006.07 crore in previous financial year.

Earnings per Share (EPS) stood at ₹ 18.35 on face value of ₹ 2 each.

Key Financial Ratios and Return on Net Worth

The key financial ratios compared to the last financial year are as under:

Sr No	Particulars	Current FY ended March 31, 2020	Previous FY ended March 31, 2019	Changes between current FY and previous FY
1	Debtors Turnover	77	100	-23%
2	Inventory Turnover	17	22	-24%
3	Interest Coverage Ratio	5.20	6.09	-15%
4	Current Ratio	2.49	1.58	57%
5	Debt Equity Ratio	1.08	0.85	27%
6	Operating Profit Margin (%)	64%	65%	-1%
7	Net Profit Margin (%) or Sector-specific equivalent ratios, as applicable	28%	33%	-5%
8	Return on Net Worth (%)	15%	18%	-3%

Notes:

a. Above ratios are based on consolidated financial statements of the Company.

b. Current Ratio: There is a change of approximately 57% in current ratio due to a decline in short- term borrowings. In FY'19, the liquidity was held for certain planned acquisitions, debt maturities due in April 2019.

c. Debt Equity Ratio: There is a change of approx. 27 % in debt equity ratio, majorly due to decrease in Net Worth pursuant to 3,92,00,000 equity share buyback amounting to ₹ 1,960 crore in FY20.

d. Definitions of Ratios

1. Debtors TurnoverAverage trade receivable by revenue from operations for the year.
2. Inventory Turnover Average inventory by revenue from operations for the year.
3. Interest Coverage Ratio Total EBIDTA by finance cost for the year.
4. Current Ratio Current assets by current liabilities (excluding current maturity of long-term borrowings).
5. Debt Equity Ratio Total debt (excluding working capital borrowings) by total equity at the end of the year.
6. Operating Profit Margin Operating EBIDTA by operating revenue for the year.
7. Net Profit Margin Profit for the year by total income for the year.
8. Return on Average Net Worth Profit for the year by average net worth for the year.

   Where, operating EBIDTA means operating income less operating expenses, employee costs and other/administrative expenses, excluding foreign exchange gain/loss.

8. Internal Control Systems and their Adequacy

The Company has put in place strong internal control systems and best in class processes commensurate with its size and scale of operations.

There is a well-established multidisciplinary Management Audit & Assurance Services (MA&AS) that consists of professionally qualified accountants, engineers and SAP experienced executives who carry out extensive audit throughout the year, across all functional areas and submit reports to Management and Audit Committee about the compliance with internal controls and efficiency and effectiveness of operations and key processes risks.

Some key features of the Company's internal controls system are:

- Adequate documentation of Policies and Guidelines.
- Preparation and monitoring of Annual Budgets through monthly review for all operating and service functions.
- MA&AS department prepares Risk Based Internal Audit scope with the frequency of audit being decided by risk ratings of areas / functions. Risk based scope is discussed amongst MA&AS team, functional heads / process owners / CEO & CFO. The audit plan is formally reviewed and approved by Audit Committee of the Board.
- The entire internal audit processes are web enabled and managed on-line by Audit Management System.
- The Company has a strong compliance management system which runs on an online monitoring system.
- The Company has a well-defined delegation of power with authority limits for approving revenue & capex expenditure which is reviewed and suitably amended on an annual basis
- The Company uses Enterprise Resource Planning (ERP) System (SAP) to record data for accounting, consolidation and management information purposes and connects to different locations for efficient exchange of information.

- Apart from having all policies, procedures and internal audit mechanism in place, Company periodically engages outside experts to carry out an independent review of the effectiveness of various business processes and invite suggestions for process improvements.
- Internal Audit is carried out in accordance with auditing standards to review design effectiveness of internal control system & procedures to manage risks, operation of monitoring control, compliance with relevant policies & procedure and recommend improvement in processes and procedure.

The Audit Committee of the Board of Directors regularly reviews execution of Audit Plan, the adequacy & effectiveness of internal audit systems, and monitors implementation of internal audit recommendations including those relating to strengthening of company's risk management policies & systems.

9. Cautionary Statement

The discussion hereunder covers the performance of APSEZ and its business outlook for the future. This outlook is based on assessment of the current business environment and government policies. The change in future economic and other developments are likely to cause variation in this outlook.

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations and others may constitute 'forward-looking statements' within the meaning of applicable securities, laws and regulations.

Actual results may differ from those expressed or implied. Several factors that could significantly impact the Company's operations include economic conditions affecting demand, supply and price conditions in the domestic and overseas markets, changes in the government regulations, tax laws and other statutes, climatic conditions and such incidental factors over which the Company does not have any control.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.