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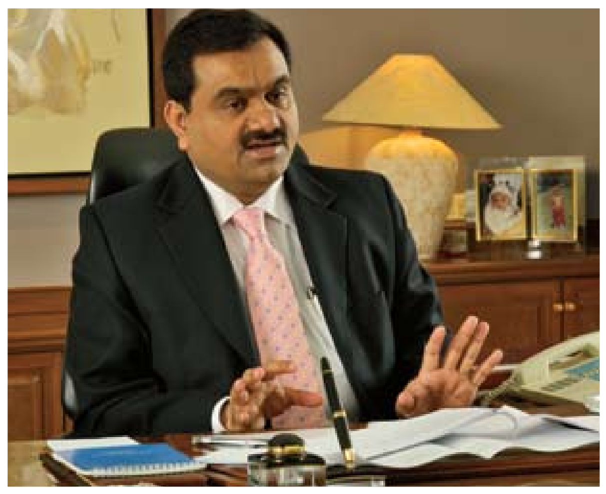

»**Gautam Adani**
chairman
Adani Group«

The man who could change India

Mundra is India's deepest port. It is also an all-weather port which promises to become its biggest and best investment destination

There are moments in each country's history when a person influences the destiny of the entire nation. One such person could well be Gautam Adani – as he moves swiftly but surely to change the face of logistics in this country. In fact, if his plans take shape as they have been envisaged, he could virtually rewrite the map of transportation in India. Gautam Adani, chairman of the Gujarat based Adani Group, currently accounts for a consolidated group turnover of around US$44bn. And his claim to fame may well be Mundra ports and special economic zone Ltd. (MPSEZ) and all the other activities that are meant to make this port the very pivot of his group's activities.

Adanis' port expansion plans could possibly undermine the commercial prospects for existing ports like Mumbai.

There are many good reasons why a large chunk of the import and export traffic from north India could well get routed through Mundra rather than through Mumbai's ports (including the JNPT at Nhava Sheva).

Beginnings...

What began initially as a partnership enterprise between the US giant Cargill and the Adani group in the early nineties, became one man's passion to develop it as the country's largest port. Call it vision, providence, or a calculated risk. Adani attempted something that few people would have dared to. He innovated in uncharted areas. Each move was tested against a carefully drawn matrix of risk and return. Each move was a calculated one, and the outcome was just the one that Adani had anticipated. It was 'managing the environment' at its very best; and it was also the indefatigable pursuit of a visionary

The Adani group has its beginnings in the Kutchi community which is one of the most important trading communities in India. This community – though conventionally believed to comprise only Hindus – encompasses almost every religion which has its roots in the Kutch region in the state of Gujarat.

Be they Hindu Kutchis, or the Muslim Bohras, Aga Khanis or Memons, all of them display incredible business and trading skills. In India, they virtually control the timber trade, and also trade in hardware and chemicals along the western coast of the country.

Gautam Adani did not receive much of formal education. He opted to stop studying immediately after his schooling days and, instead of merely settling down to take charge of a part of his father's wholesale textile trading business, opted to chalk out his own career.

He tried his hand at diamond trading for a couple of years, and then opted out. After working with his elder brother at his plastic packaging unit, he decided to go in for trading of polymers.

That was the origin of his rise as one of the country's largest export-import houses under the name of Adani Exports (later renamed as Adani Enterprises).

It was on account of trading and his interest in gemstones that he acquired a substantial interest in some coal mines in Indonesia and some gemstone units as well. But destiny took a turn in 1991 when Cargill's managers approached Gautam Adani with a proposal to source salt from the largest salt pans of India which lay in the Kutch region. To facilitate easy evacuation of the salt, Cargill's officers suggested that they jointly build a port at Mundra.

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Both parties agreed for a 50:50 joint venture which was hammered out in the presence of Chimanbhai Patel, the then chief minister of Gujarat. But events took an unexpected turn when the Union government decided that ports could be built with 100 per cent foreign ownership. Cargill's managers decided to rework the ownership ratios and suggested that it should be 89 per cent in favour of Cargill and 11per cent in favour of Adanis.

The Adanis backed out of this deal, and ensured that Cargill could not precede with its Mundra plans. After an abortive attempt to get an equity stake in Kandla port, Cargill lost interest in Indian ports. But the Adanis had found a new business opportunity. Thus, when in 1995 the state government came up with its port policy aimed at promoting the development of ports in Gujarat, the Adanis decided to take up Mundra. What began as a joint venture with the state government eventually became a port wholly owned by the Adanis. And, as the saying goes, the rest is history.

Today, the Adani Group has interests in different industries including commodity trading, coal mining, power trading, power generation, real estate development, agro processing, logistics, shipping and port operations.

What has Adanis done that is so special?

Adani has made Mundra the only port in the country to have its own dedicated sea, rail and road linkages with even an air-cargo linkage waiting in the wings. He has also managed to escape all restrictions on land acquisition by a whisker

As could have been expected from such a visionary, Adani's plans did not (and do not still) stop with the port. To make the port succeed, he has ensured that it will have excellent rail linkages. Even here, even before the government could come up with a policy, he went ahead and began clearing the land for the laying of tracks and installed 65 km of privately constructed and owned railway lines connecting Mundra to the national rail network junction at Adipur. He acquired locomotives and built rakes and began conducting tests to ensure that they could carry double decker loads of containers. Then when the government policy was announced, he was ready, and the first to move in *(Please see box on* **Legal Framework***)*. A second railway corridor for the same sector is being developed and it should be ready in two years' time. For one, he has set up a port at a place where the country enjoys a natural draft, making it the deepest port in the country. 'Its location makes it an extremely favourable option for any traffic coming from or going to North India, as it would be at least 180 km nearer than any port in the country. It would even be convenient for any ship traversing the Arabian Sea,' explains Gautam Adani. Moreover, even more exciting is the manner in which Adani has made it the only port in the country to have its own dedicated sea, rail and road linkages with even an air-cargo linkage waiting in the wings and which should get activated within the next 12 months or so (more details given below).

Significantly, 'by combining the port with the special economic zone (SEZ), Adani has ensured that anyone setting up storage, service or manufacturing facilities near the port will enjoy the considerable incentives and benefits offered to SEZ companies by the government including exemptions from customs tax, income tax and other taxes, resulting in reduced costs for infrastructure, utilities, raw materials and other resources, which increases export competitiveness and benefits international trade,' says Francis Aurol, chief operating officer, Mundra Ports and special economic zone (MPSEZ).

Lastly, and the most important, Adani has managed to escape all the restrictions on land acquisition by a whisker. Instead of waiting for the government to step in and acquire the same for him, he went ahead and kept on acquiring land. Today he has almost 15,665 acres of land available with him (though some claim that this could be as high as 30,000 acres). Between October 1, 1998 and March 31, 2007, Mundra Port has handled approximately 56.9 mt of cargo comprising approximately 40.3 mt of bulk cargo, 3.7 mt of crude oil cargo and 1,079,000 TEUs (approximately 12.9 mt) of container cargo. Total cargo volume at Mundra Port increased 68.7 per cent from 11.7 mt during 2005-06 to 19.8 mt during 2006-07. And the port management has ambitious plans of increasing its capacity to 50 mt by 2010. Thus, with the benefits of excellent import and export linkages, Mundra is set to become the hottest port destination in the country.

Legal framework

Gujarat maritime board (GMB) entered into a concession agreement with MPSEZ granting it the right to develop, operate and maintain the port at Mundra for 30 years

Mundra port and special economic zone (MPSEZ) operates its port under concessions and licences granted by the relevant government agencies. On February 17, 2001, the Gujarat maritime board (GMB), an organisation of the Government of Gujarat, entered into a concession agreement with MPSEZ granting it the right to develop, operate and maintain a port at Mundra for 30 years.

MPSEZ has also entered into a separate lease and possession agreement with the GMB whereby it has been granted the right to use approximately 3,404 acres of land as its port and the right to use the foreshore land and waterfront.

MPSEZ has also a sub-concession agreement entered into between Mundra international container terminal (MICT) (formerly Adani Container Terminal Ltd) and the GMB dated January 7, 2003 and amended on April 17, 2003. Through this agreement MICT has he right to operate and maintain the container terminal- I and the container freight station and collect charges from users for providing container handling services at the container terminal- I and the container freight station.

Pursuant to this agreement MPSEZ receives from MICT a monthly terminal royalty equal to 10 per cent of the gross revenue received by MICT. For fiscal 2006, income from container cargo, including royalties and the income from related marine services, was Rs.529million (US$13.23m), or 13.8 per cent of MPSEZ's income from operations, and for fiscal 2007, container income was Rs. 715million or US$17.88m (12.3 per cent).

On May 15, 2003, MICT was acquired by P&O Ports (Mundra) which furnished an undertaking to the GMB that it would continue to maintain a minimum 51 per cent shareholding in MICT till 2010 at least. P&O Ports was subsequently acquired by Dubai ports world (DPW) in February 2006, causing the management and ownership control of MICT being transferred to DPW (it has recently changed its name to Dubai Ports Authority).

MPSEZ has also entered into strategic long-term contractual arrangements with Indian Railways relating to the railway links and cargo services to and from Mundra Port. Similarly, it has entered into a long-term relationship with Indian Oil Corporation for the handling of crude oil cargo. MPSEZ earns income through payments for services, royalties provided to them, a percentage of the revenues generated and the lease rent payable. The revenue from such arrangements was Rs. 863.9m or US$21.6m (22.5 per cent of income from operations) in fiscal 2006 and Rs. 1,447.3m or US$36.18m (25.0 per cent) in fiscal 2007.

MPSEZ derives substantial portions of its income from some very large customers (which includes group companies like Adani Enterprises Ltd and Adani Wilmar). In fiscal 2006, each of four customers - Adani Enterprise, Indian Oil, Indian Railways

Adani's ability to win over India's policy makers is legendary

and Indian Farmers Fertiliser Cooperative (IFFCO) – contributed over five per cent of MPSEZ's income from operations. Together, these four customers and MICT accounted for 39.7 per cent of MPSEZ's income from operations in fiscal 2006 (Adani Enterprises contributed 10.9 per cent). During fiscal 2007 too, each of four customers, including Food Corporation of India (FCI), Indian Oil, Indian Railways, and Adani Enterprise along with MICT contributed to over five per cent of MPSEZ's income from operations. Together, these four customers and MICT accounted for 50.9 per cent income from (FCI's contribution was the largest - 18.8 per cent. The management believes that even in the future a significant portion of income will continue come from a limited number of customers.

Just four major customers account for 20 per cent of MPSEZ's income - Adani Enterprise, Indian Oil, Indian Railways and Indian Farmers Fertiliser Cooperative (IFFCO).

Likewise, MPSEZ has entered into transactions with other Adani Group companies, such as Adani Enterprises and Adani Wilmar. Both Adani Enterprises and Adani Wilmar are significant customers of MPSEZ's bulk cargo and related marine services, and together, the two companies accounted for Rs.527.5 million and Rs. 466.2million (US$13.19m and 11.66m), or 13.7 per cent and eight per cent, as income from operations for fiscal 2006 and fiscal 2007, respectively.

MPSEZ has received an approval from the Government of India permitting it to establish a multi-product special export zone (SEZ) in an area measuring 2,658.2 hectares covering Mundra Port and the surrounding areas, resulting in several fiscal incentives and other benefits for SEZ developers and their customers, including exemptions from income tax and duties.

Gautam Adani, 46, looks quite relaxed and composed for someone who has set up the Adani empire with a combined turnover of Rs.180 billion (US$4.5bn). Charming and warm, he belies the tremendous clout he wields in Gujarat. He marshals facts on his fingertips, and can justify or debunk a plan better than most management gurus can. But then he has the stuff that visionaries are made of – hard facts, cold execution and the ability to inspire people and countries. Excerpts from an interview R.N.Bhaskar of DVV Media India had with him at his headquarters in Ahmedabad

A peek into tomorrow

You started off as a trader and are now becoming an industrialist. Do you see any difficulty in transforming yourself?

None at all. I still continue my trading activities mostly through Adani Exports [now renamed Adani Enterprises], which is now looked after my brother Rajesh Adani. To my mind, most entrepreneurs have begun their careers as traders. We began building assets for business only in 1992.

What made you get into business?

It was in 1992 when Cargill (the US multinational giant) approached us to put up a large sized salt field for export in the Kutch region. To export this salt, they needed a port, and identified Mundra for us.

So we decided to set up the port as a joint venture, entered into an agreement to set up this port on a 50:50 basis. Later the central government allowed foreign companies to own 100 per cent equity in new ports.

Cargill reworked the agreement to take up 89 per cent of the equity share capital leaving us with only 11 per cent which wasn't acceptable to us. So the deal fell through.

Nothing happened till 1995 when we discovered that most Indian ports were getting congested, which in turn affected our exports and imports through Adani Exports. So we pursued the state government to come forth with a policy on port privatisation. Finally, when the Gujarat government came up with its port policy in 1995, we took up Mundra. We had a private jetty, and we decided to build it further as a joint venture with the state government which wanted to hold 26 per cent while we held 74 per cent. In 2006 the state government divested its holding at a price of Rs.120 (US$ 2.95) a share compared to its original investment at Rs.10 (US$0.25) a share.

You have taken up other ports as well. Why?

Although we did not understand anything about building ports ten years ago, we think we have one of the finest teams in this business today. So when Dahej which has an LNG import facility wanted to get into solid cargo, it approached us and we took up a 50 per cent equity stake in this business. The same was with Dholera.

> **Japan and Korea have succeeded because of logistics. Their industries are 25 km away from ports. Why can't we do the same as well?**

But Mundra remains your star project. Right?

Yes. It is this project that will test our credibility as infrastructure developers. We have now to look after the environment, take into account the interest of the fishermen whose land we have purchased, and those of locals. We have to look after the development of the region and that means focusing on connectivity. And, equally important, we have to generate wealth for all the parties concerned – our society, our country and our shareholders.

Is that why you have decided to play a part in power generation as well?

Yes. Power is part of infrastructure. Just as roads are, and railway lines too.

And you have interests in mining as well. . .

True. We have coal mines in Indonesia and Africa.

Are you also developing your private airport into a commercial one?

Yes. By next year, Mundra will become an air cargo hub as well. We are expanding and extending the runway to accommodate bigger planes. And within five years we will make it an international airport for passengers as well.

What is your big dream?

To be in control of every aspect of logistics. To make this possible, we will build ports, airports, warehouses to help promote companies that need to make use of our air, rail, sea and road facilities, and do everything to make this possible. Japan and Korea have succeeded because of logistics. Their industries are 25 km away from ports. Why can't we do the same as well?

Why Mundra?

Mundra is likely to win against much of its competition because of advantages unique to this port

Natural and location advantages, including a deep water draft and protection from severe weather:

'The biggest benefit Mundra Port enjoys is the deep water draft which ranges from approximately 15 meters to 32 meters in depth, the latter at not more than one km away from the shore,' says Capt. Unmesh M. Abhyankar, master mariner and vice-president, marine services, MPSEZ. This is acknowledged to be one of the deepest water draft depths on the west coast of India and will enable MPSEZ to handle future generations of large size vessels carrying bulk, container and crude oil cargo. 'In order to harness the benefits of the deep waters just a short distance away from the berths, MPSEZ has built one single point mooring (SPM) just off the port to cater to 30,000 tonne VLCCs,' adds Abhyankar. Another one is to be built exclusive for the use of Hindustan Petroleum, and discussions for the same are underway. This would do away with the need to have large vessels berth at Colombo or Dubai leaving the arduous job of trans-shipment to be done by smaller carriers.

Mundra has the potential to become a transit point for international traffic by being a new gateway to the west. It is also strategically located to service the northern and western hinterland of India, which contribute nearly 70 per cent of India's containerised international trade.

Additionally, on account of the natural protection provided by its location, Mundra port is able to handle cargo throughout the year in all weather conditions (India's monsoon season is often characterized by severe weather involving heavy rains, strong gusts, and lashing waves) thus resulting in minimal costs, delays and damages that often impact other more exposed ports.

The port is located in the Gulf of Kutch, in the southern part of the Kutch peninsula. The Kutch is the largest district in Gujarat, having an area of 45,652 sq.km constituting 23 per cent of the state. It is bound by the sea to its south and west and by the Ranns (salt marshlands) in the east and north. Kutch has 951 villages with a population of about 1.5 million.

In the global context, Mundra port located on the western coast of India is ideally located to access the Asian, European, American, and South American and African markets. While it has the potential to become a transit point for international traffic by being a new gateway to the west, it is also strategically located to service the northern and western hinterland of India, which contribute nearly 70 per cent of India's containerised international trade.

Mundra port is over 180 km closer to Delhi than JNPT or Mum-

bai port. Ever since the port commenced its activities, it has attracted numerous large industries, and the Kutch region itself is all set to become a high-productivity industrial belt.

A proactive state government:

One major advantage MPSEZ enjoys is being located in Gujarat which has always enjoyed governments that have shown excellent commercial judgment when it comes to promoting projects that lead to economic growth and employment. Unlike many other states, Gujarat has always enjoyed a political climate that has seen little of labour activism and better administration. The present state government has been far more aggressive in its drive towards investment mobilization, and towards ensuring that Gujarat remains foremost among all the states in India. Not surprisingly, on August 14, 2007, when the country's central bank released its report of how states had attracted investments, Gujarat emerged as the leading investment destination in India, trouncing even Maharashtra which has been the 'numero uno' in this respect for decades.

State-of-art facilities:

MPSEZ is touted as a modern, state-of-the-art port. It has over eight tugboats (some even bigger than those available at Mumbai's ports), state-of-the-art material handling systems. It has

Top 10 Investment destinations in India: 2006-2007

State	No. of projects	Amount (Rs. crore)	Amount (US$ bn)	Share per cent
Gujarat	86	73,170	17.8	25.8
Andhra Pradesh	105	25,173	6.1	8.9
Maharashtra	142	24,330	5.9	8.6
Tamil Nadu	157	24,299	5.9	8.6
Karnataka	91	19,930	4.9	7.0
Orissa	23	14,806	3.6	5.2
Uttar Pradesh	60	9,836	2.4	3.5
Rajasthan	38	9,806	2.4	3.5
Jharkhand	13	7,174	1.7	2.5
Delhi	19	6,359	1.6	2.2
Total	**1,054**	**283,605**	**69.2**	**100**

Source: RBI

the largest conveyor belt system for moving coal and grain over long distances, making movement and storage far easier than at any other Indian port.

Land with port back-up area, infrastructure and SEZ advantages:

MPSEZ has been granted the right to use and develop 3,404 acres of land around Mundra Port for 30 years under the concession agreement, and pursuant to the merger with Adani Port in 2003 and Mundra SEZ and Adani Containers in 2006, MPSEZ now has approximately 15,665 acres of land available to it. MPSEZ's portfolio of land area includes approximately 4,000 metres of undeveloped waterfront land which can be used for expanding its own port operations. Its approval as a developer of the SEZ at Mundra and the surrounding areas makes it the first port-based multi-product SEZ in the country.

MPSEZ has also benefitted from being located in Gujarat which has always had governments that have shown excellent commercial judgment when it comes to promoting projects that lead to economic growth and employment.

Availability of land has enabled Mundra to gain advantages that few ports have been able to enjoy. For instance, it has large fertiliser and raw material godowns with bagging systems, 21 closed godowns covering an area of 1,49,000 sq.m and 5,20,000 sq.m of open storage space, and huge tank farms with storage capacity of 278,000 KL with additional capacity that can be added anytime in the near future.

Not surprisingly, thanks to its temperature controlled silos that have been constructed on these lands, much of the grain imported by FCI are stored at Mundra itself. Hindustan Petroleum has storage capacities of 306,000 tonnes and these are pumped to its refinery at Bhatinda, while Indian Oil has storage capacities of 720,000 tonnes which get pumped to its refinery at Panipat. This makes Mundra the largest oil storage farms among all ports in the country with pipelines running right from the port to the refineries. Likewise, Adani Wilmar which is part of the Adani group and located near the Mundra Port is itself a major beneficiary because it has been able to pipe its imported edible oil right from the port to its refining unit and for onward dispatch to its other centres across the country. Today Wilmar is the country's second largest edible oil player.

Likewise, it has storage facilities for coal (it currently handles around 60 per cent of India's coal imports which are used by Gujarat electricity board, Rajasthan state electricity board and Maharashtra state electricity board). Not surprisingly, Mundra has a one of the finest facilities in the form of coal reclaimers, conveyor belts and stackers capable of handling one lakh tonnes of coal per day.

These facilities are now to be enhanced by setting up a terminal for coal and other cargo at a cost of Rs.20 billion (US$500m.) at the port. This is because the Tatas have got the government's go-ahead to set up a 4,000 MW ultra mega power plant (UMPP) at this site, and the Adanis are themselves setting up a 2,640 MW power plant at Mundra. This is likely to cause coal imports through Mundra to go up by around 25 million tonnes annually.

This expansion would involve the construction of two dedicated coal jetties for capesize vessels. These coal jetties will be supported by stackers-cum-reclaimers of 100,000 tonne-per-hour handling capacity so that the coal can be stacked and reclaimed far more effectively. MPSEZ also plans installing an in-motion wagon loading system for faster and more accurate loading. With the help of this system the port believes it will be able to handle about five to seven coal rakes a day. The proposed facility is slated to be environment-friendly, will likely to increase output, and also enhance the speed of handling with proper stockpile capacity monitoring. Eventually Mundra will have 14 jetties all forming a semicircle for better management and synergies.

Access to rail, road and pipeline network:

Mundra port is connected by rail, road and pipeline to the transportation network of India, particularly the inland regions of western and northern India including Delhi. The Adanis have already built 65 km of privately developed rail network capable of taking double-decker container rakes. It thus becomes the only private port to offer rail linkage to the national railway grid. Mundra links up to Adipur. It can handle upto 22 rakes a day, or one train an hour. Trials are also underway to design rakes that can carry cars in a triple-decker mode, as that will make both the transport linkages and the port of Mundra those much more attractive to automobile manufacturers.

It has storage facilities for coal. It currently handles around 60 per cent of India's coal imports used by state electricity boards of Gujarat, Rajasthan and Maharashtra. It also has 65 km of private railway line capable of taking double-decker container rakes.

Alongside these tracks private (toll) highways are proposed to be constructed. This will give Mundra port excellent road connectivity to two major national highways (NH8 and NH 15) at Adipur. This would allow connectivity of the markets in North and West India to Mundra's cold storage and temperature controlled storage facilities. Excellent security and ease of movement, till the trains or vehicles reach the national network, ensures minimum downtime, and tremendous comfort and security. This is of enormous significance because delays and pilferage are the two problems that afflict any Indian importer or exporter of goods.

Strategic linkages:

MPSEZ benefits from strategic arrangements and customer relationships with certain companies, particularly with Indian Oil, Hindustan Petroleum, Indian Railways and MICT. Discussions are also underway with vehicle manufacturers in North and West India to use the Mundra port. That could also explain the company's decision to go in for Pure Car carrier/ Pure Car Truck carriers (PCC / PCTC) berths with huge car parking spaces. In fact, at least two vehicle manufacturers – the Tatas and Eicher – have begun using the Mundra port for exports to the African continent.

The decision to develop inland container depots (ICDs) in north and west India is a move intended to capture these lines of business. With these and other strategic relationships, MPSEZ has leveraged its experience and assets, including the available land, at Mundra

Excellent Integrated Port Management Systems (IPMS) are likely to create a new standard for port related to services in the country. In August 2007, MPSEZ entered into a MoU with the port authority of Antwerp which covers areas relating to port management, port related training (standard and tailor-made seminars in Antwerp), technical assistance, technical data exchange, and programmes to encourage greater trade and business opportunities between the two ports.

New facilities:

In order to make Mundra an even more attractive destination, two five-star hotels are slated to come up near the port. One of them is likely to be managed by JW Mariott. Similarly, a 12 hole golf course is also being planned near the airport. At the same time, two new townships are also being planned, with the first comprising some 3,000 dwellings likely to be fully occupied by the end of this year itself. This is likely to be supplemented by the township that the Tatas are constructing around their mega power plant at Mundra. Moreover, a new 100 bed hospital by the Sterling group is under construction (in addition to one by Apollo which already exists). The Adanis have also invested in an ICU on wheels – the first in Saurashtra.

Synergies with sister companies

Most of the investments made by MPSEZ are likely to create new business opportunities not only for the port and SEZ company, but also for other companies within the group. In fact, the synergies between the group companies and MPSEZ are so many, that it is difficult to easily pinpoint which company depends on whom for its success. Moreover, together, they have accelerated the pace at which markets operate not only within the state, but also in India

Today MPSEZ is keen to making strategic investments in key group companies so that the synergies with them can be better exploited.

Adani Logistics Ltd (ALL) is a company in which MPSEZ already holds a 49 per cent equity stake, but now wants to enhance it to 50 per cent. It proposes to commence container train operations. ALL has obtained a licence from the Indian Railways to operate container trains on Category-I routes– that is from JNPT/Mumbai Port to locations in and around Delhi and to other locations that can be reached from Delhi. The Adanis along with Kandla Port, Pipapav Port and the Gujarat government own a 50 per cent equity stake in the Kutch Railway Corporation Ltd (the remaining is held by Indian Railways) for conversion of narrow gauge railway lines to broad gauge. Two conversion projects have already been taken up – one from the Dahej port to Baroda and the other from Dahej to Bharuch.

ALL plans to acquire 20 rakes initially for which it has already placed orders for importing 3,600 wheel sets. Once the wheels are received, they will be sent to wagon fabrication companies in India for fabrication of the rakes.

ALL's investment plans	In Rs. million	In US$ million
License fee	500.0	12.50
Plant and machinery	2455.8	61.40
Others (incl. Contingency)	263.8	6.60
Total cost	**3219.6**	**80.50**

Adani Energy: This is a separate company engaged in the business of production, supply, transportation and distribution of all forms of conventional and non-conventional energy. It has an equity capital of Rs.900 million (US$22.5m.) and earned in income of Rs.790 million (US$19.75m.) during the year ended March 2006.

It has ambitious plans to generate 2,640 MW of power by setting up 4 units of 330 MW and two units of 660 MW. The first of these units is expected to commence operation within a year's time, and the entire power plant should be on stream by 2012. The boiler-turbine-generator (BTG) units are being sourced from China and, interestingly, the cost per MW of installed capacity is not likely to be more than Rs.35 million (a little less than US$1m.) Given the easy access to coal, the tax benefits the power plant will enjoy and the lowest cost of transmission and distribution, all the units at Mundra and the SEZ (including the township and other commercial establishments located in and around the port) could get uninterrupted power supply at some of the best rates that any power distribution system could offer in the country.

The Adanis have also set up another power generation company under the name **Dahej Power Private Limited,** whose plans in this sector are yet to be announced.

MPSEZ is also taking up a 50 per cent equity stake in **Inland Conware Private Ltd (ICPL)** which will be constructing and developing Inland Container Depots (ICDs) as logistics hubs for providing synergy with the container terminals at the port and the proposed container train operations. These ICDs will have a rail side area which will be non-bonded by the customs department, a bonded area housing warehouses and open stuffing and de-stuffing areas, and a non-bonded area which has warehouses for providing value added services. The first ICDs are expected to come up in Delhi, Ludhiana and Kishangarh (Rajasthan) followed by similar facilities in Ahmedabad, Mumbai, Kolkata, Chennai, Bangalore, Coimbatore and Nagpur. Transportation and logistics facilities for both import-export and domestic cargo are likely to be offered through ICPL.

Adani Enterprises: Formerly known as Adani exports, this is the only other company in the group to approach the capital markets in November 1994 to raise Rs.1,892.85 million (US$47.32m.). It is primarily engaged in the business of trading in and the import and export of goods but has made its intention of getting into other areas as well, like mining activities, establishing power plants and acquisition of land and other property and real estate. As of March 2007, its equity capital stood at Rs.246.5 million (US$6.16m.) and Reserves at Rs.10.2 bn (US$254.88m). Its income during that year was Rs.101.5 bn (US$2.5bn) and profit after tax at Rs.1.6 bn (US$40.22m.).

Investment outlay for ICPL	Cost Rs. Million	Cost US$ Million
Land and site development	2375.0	59.38
Civil Works – Yards for storage	3570.2	89.26
Plant & Machinery	2095.2	52.38
Misc Fixed assets	247.3	6.18
Others	1092.5	27.31
Total cost	**9380.2**	**234.13**

ALL plans to acquire 20 rakes initially for which it has already placed orders for importing 3,600 wheel sets. They will then be sent to wagon fabrication companies in India for fabrication of the rakes.

Adani Wilmar: This company was set up in 1998 to take advantage of the government's decision to ensure that more edible oil was available in packaged containers instead of being sold loose in the marketplace. "When we began, our edible oil plant, located at seed fields, used to have a capacity of 50-100 tonnes-per-day (tpd). Now that we are port based and often use the coastal shipping route, we could increase its capacity to 2,000-3,000 tpd," explains Gautam Adani. That and the government's decision to relax import duties on edible oil made the Adanis sense an opportunity and they set up a 600 tonnes per day plant for solvent extraction and packaging. Since more than 50 per cent of India's edible oil consumption is met through imports, and because North India consumes more than 65 per cent of this edible oil, Mundra enjoys a tremendous competitive advantage. Today, the port has a totally automated process for evacuation of edible oil, and sending it through pipes to Wilmar's plant. The unit has its own PET bottling unit as well.

The company's oil, sold under the Fortune brand, has already grabbed a quarter of the country's market for packaged edible oil, and has become the second largest player in India. It has four units – in addition to the one at Mundra – across the country.

New businesses

In order to consolidate its position in the Indian market, Adani is investing a new businesses as well as these could be mutual beneficial both to the port and to the investors

Air connectivity: The Adani family has its own 1.9 km airstrip for use of their private jets. Plans involve increasing its length to 2.5 km, so that larger aircraft and jets can land at Mundra. It is slated to become a commercial international air-cargo destination by next year, and the management wants to expand this to include an international passenger airport as well by 2012.

Ship building: The Adanis have begun looking at this line of business partly because it has investments in at least three ports (Mundra, Dahej and Dholera) and also because it sees this activity as a natural extension of the ship-breaking activities it is familiar with (the Adanis recently acquired a large ship breaking yard in Virginia, USA where decommissioned warships are sent for being dismantled and converted to scrap). This scrap is imported by the Adanis to India through the Mundra port to feed the steel industry in India). It may be recalled, that one of the largest ship breaking businesses in India used to be at the Gujarat port of Alang, but which is now on the decline partly because of increasing labour costs as also the inevitable climb to higher value - added business opportunities. Much of this business is likely to be Adani Shipyard incorporated in July 2005.

The Adanis recently acquired a large ship breaking yard in Virginia, USA where scrap from decommissioned warships is sent to Mundra for feeding steel units.

Bunkering: With the volumes of India's imports and exports on the increase, this country is not being viewed only an an intermediate port from which ships can pick up business or drop off consignments while on their way to larger ports, but as a destination port. Typically, when a ship travels from one destination to another, it is invariably in need of facilities to re-fuel, clean up, undergo general maintenance and for facilities where its crew can hang out for a few days while it gets unloaded and new cargo is picked up. This is likely to become one of the largest growing businesses in the country. The Adanis are now looking at this segment very closely, and are likely to announce very soon an entry into this business segment as well.

Piped gas: Since the Adanis have interest in the Dahej port which as a liquefied natural gas terminal handled by Petronet, it has begun looking at piped gas supply to homes in cities. Two-thirds of homes in Ahmedabad, for instance, are already beneficiaries of piped gas, and more cities have been clamouring for the same. Adanis believe that they will enter this business segment very soon. That could also explain why the Adanis are keen on constructing a dedicated liquefied natural gas (LNG) berth at Mundra itself.

Textiles and apparels: This is mostly carried out under the banner of Mundra SEZ textile and apparel Park incorporated in October 2005 in Ahmedabad. The business of the company is to undertake, develop and operate infrastructure projects in textile and other sectors. It proposes to adopt an integrated setup for textiles and garment production. A major design institute is planned with all facilities related to accreditation, certification, quality control, women's hostel and crèches. "All the space allocated for this project has already been sold out," says Sandeep Mehta, ceo, MPSEZ. The significance the Adanis attach to textiles is understandable, considering their own trading interests in this field, as also the fact that it remains one of India's core exports, accounting for a value-addition of over 65 per cent.

The Adanis have also been looking at the **Information Technology** business. A company by the name of B2B India Private Ltd was set up in July 2000, and the Adanis continue to have significant interests in the BPO and call centre areas (they have a 3,000 seat facility in Ahmedabad). But it is doubtful if there will be any synergies with MPSEZ. However, the group is keen on setting up a Knowledge centre to train people for its port and other group operations as it knows that the attrition rates for stilled personal continuous to soar. The group also had interests in retailing, but much of this business is reported to have been sold to Reliance Industries.

Now the trick will be to capitalise on all these benefits and increase the number of long-term strategic arrangements for the use of Mundra Port. Some of them include tie-ups with group companies like Adani Enterprises (a five-star export house in India) and Adani Wilmar (a major edible oil producer in the country). Then there are government customers like Indian Oil Corporation, Hindustan Petroleum and the Food Corporation of India (FCI). Finally there are businesses from the private players -

export of mineral resources, steel plates and pipes products from Jindal's saw pipes unit which is located near Mundra Port, and clinker and cement cargo from Sanghi Cements which exports clinker and cement produced at its plant located in the Kutch region. MPSEZ has also entered into agreements with Central Warehousing Corporation, Mundra CFS Private Limited, Forbes Gokak, Saurashtra Containers Limited, Meridian Shipping Agency, Seabird Marine and Parekh Marine Agency for the sub-lease of land for the development and operation of container freight stations and warehouses.

There is the impressive 2,640 MW power project that he plans setting up under Adani Energy. That should ensure that his port and SEZ should never suffer the problem of power shortages, besides giving them the benefit of extremely reliable and low-cost electricity supply.

At the same time, since Adani has the enormous benefit of owning large tracts of land, he intends to develop and sub-lease portions of this land which will become a major source of operating income and will even drive future growth at the port. The SEZ status, with its various taxes and other incentives of Mundra and the surrounding area will further hone the marketing edge of MPSEZ in attracting industrial units to establish operations in the Mundra SEZ.

He has also invited private entrepreneurs to build a multi-lane highway connecting the port to Adipur where two national highways meet. This road is expected to be ready in a couple of years' time. And, most interestingly, he will soon convert his private airplane landing strip into an international air-cargo hub by the end of 2008. Plans are also afoot to convert this into an international passenger airport by 2012. Considering that the Kutch part of Gujarat boasts of a very large number of non-resident Indians, and a great deal of commercial activity, it shouldn't be long for much of the passenger traffic to also consider Mundra as the international airport of choice. With that, all possible linkages with Mundra would now be complete. Water, rail, road and air.

Then there are other moves that are being made in tandem. Adani already has investments in two other ports – Dholera and Pipapav where some of the skills his port has developed could be used for profit. And he has taken up the job of converting the narrow-gauge railway line between Baroda and Dahej into broad gauge, thus ensuring that the smaller ports also get better linkages with the railway network.

Simultaneously, there is the impressive 2,640 MW power project that he plans setting up under Adani Energy. That should ensure that his port and SEZ should never suffer the problem of power shortages, besides giving them the benefit of extremely reliable and low-cost electricity supply.

And the activities of his group companies should also ensure that the synergies between his ports, roads, railway lines and airport should keep him in good stead. Similarly, it will not be surprising if the group also expands its business interests overseas (Adani already owns some coal mines in Indonesia) so that their businesses and those in India become mutually beneficial.

But most important is his vision of a transformed Gujarat, where the entire Indian economy will gradually become increasingly dependent on this state, just as it used to when Calcutta used to be the most important city in India during the British rule, and the way Mumbai became the most important city thereafter. That is why, simultaneously, efforts are underway to attract more industries to the SEZ and to the adjoining areas, build townships (at least two townships are being planned, of which one comprising 3,000 dwellings is already being constructed), and create facilities to make it one of the most important commercial centres in the country.

Will that dream materialise? If one goes by the past decade's achievements, there are good chances it will.

- DVV Media India Team

His schoolboy look could fool you. Behind the soft talk is a razor sharp mind. His job is to ensure that Mundra remains not only India's largest port, but also one of the best ports in the world. As the CEO of Mundra Port and Special Economic Zone Ltd MPSEZ) **Sandeep Mehta**, 46, has to carry forward and implement the dream of the promoters of this project. His track record shows that he can. He was the key person looking after strategic business development with P&O Nedlloyd and covered the African continent, the Middle-East, the Indian subcontinent – 70 countries in all. And now his canvas is bigger – it covers the entire world. Given below are excerpts of an interview R.N.Bhaskar of DVV Media India had with him at his Mumbai office

Planning a Memphis in India

What are the business prospects that you see for Mundra Port?

First, we are the only port in the country where the largest ships will come calling. Our location ensures that Mundra will become the gateway for all the states to the North and North West in India. But what is more interesting is that the market is growing rapidly – 30 per cent year on year – and with the WTO provisions taking effect, more goods will flow in and out of India. Already the latent demand for port terminals is twice the country's operations. What is needed is to clear the bottlenecks.

What is fortunate is that this aspect of logistics has got the central government's attention as well. And what has helped Mundra port to come up is also the incredible support we have received from all sections of the state government.

You are also developing industries around your port. Can you let us know which industries?

We are looking at large format industries that also need deep water ports for transportation. Bulk products like coal and oil are areas that we have already been addressing. But we are also looking at power-intensive industries – chemicals, steel, manufacturing, especially vehicles, because India is the most promising automobile manufacturing export hub today. Then there are makers of turbines and boilers like Thermax and Godrej. Those are the types of companies we would like to attract to Mundra.

Do you see Mumbai and Pune's automobile traffic also making use of your port?

Yes. They will have little option as JNPT is already congested. And we are already experimenting with three-stacker rakes especially designed for moving cars. And we can accommodate large ships and also offer them the best rail road and even air linkages which no other port in India can.

Considering the large tracts of land the Adani group has access to in and around Mundra, are you getting into real estate development as well?

Development of land for townships, yes. Real estate development, No. We have already increased the number of dwellings for our own port from 800 to 3,000. And there is the Tata township coming up in the same area for its power project. Then there will be a housing complex for the Maritime Training Institute, and likewise for those involved in the ship building business. Then there is staff from the freight stations, tank farms, and shipyard, all of whom will have to be provided decent places to live in. We are talking to developers to help us in this process. But pure real estate development is not something we are interested in.

You are also planning an air cargo hub at Mundra, isn't it?

Yes. We want to make Mundra one of the best ports and SEZ locations in the world. The closest comparison to what we have in mind is Jebel Ali. As for air cargo, I would like it to be what the Fedex hub is in Memphis, USA.

Making an issue of MPSEZ

Mundra Ports and special economic zone (MPSEZ) hope to approach the Indian capital markets in order to raise funds. This will be the second time the group is willing to expose itself to public scrutiny.

The first was when Adani Enterprises went public in November 1994 to raise Rs.1,892.85million (US$47.32m). The date and size of MPSEZ's public offering has not yet been decided, but informed circles believe that the issue will be targeted to raise around Rs.15 billion (US$375m.).

MPSEZ's public issue is being made with the following objectives:

- development of the special economic zone (SEZ) at Mundra and the surrounding areas, including construction and provision of infrastructure facilities such as roads, water, sewer and other necessary facilities;
- construction and operation of container terminal II which is a highly specialised service that may be difficult to operate effectively and efficiently and which requires skilled personnel and expensive, modern equipment that that may be difficult to obtain in a timely manner, if at all;
- construction and operation of a new terminal at Mundra to be used for coal and other cargo handling facilities, primarily for the proposed Tata ultra mega power project (UMPP) to be established in proximity to Mundra SEZ;
- completion of a solid cargo port terminal project planned for Dahej;
- establishment of container train operations with one or more partners;
- investment in inland container depots requiring procurement of land at appropriate locations along the railway routes.

Financials

Where the numbers reinforce the story

(In million rupees)

Year ended	2005	2006	2007
Income from operations			
• Bulk cargo	1697.3	2253.7	3428.7
• Container cargo	377.5	529.0	715.0
• Crude oil cargo		331.7	742.0
• Railway services	220.9	324.7	554.0
• Land & deferred income	345.1	406.3	357.7
Total income from operations	**2640.9**	**3845.3**	**5797.4**
Other Income	133.5	123.5	163.8
Total Income			
Profit before tax, prior period and extraordinary items	954.4	1113.7	1765.2
Profit before tax	948.6	1161.6	1749.7
Profit after tax	662.5	672.4	1874.4
Equity Share Capital	1400.0	1802.1	3604.3
Preference shares	28.1	28.1	28.1
Equity Share suspense account	402.2		
Net worth	**5602.3**	**5928.9**	**7405.0**
Amounts Received under Long term Infrastructure Usage agreements	**4582.8**	**4634.5**	**7414.9**
Liabilities and provisions	**7203.4**	**12261.7**	**15542.2**
Fixed Assets	**1430.5**	**2621.6**	**5558.0**

Competition

Competition for MPSEZ comes from four segments:

- All major ports located on the northwest coastline of India. This includes Kandla Port, Mumbai Port, Jawaharlal Nehru Port Trust (JNPT);
- Some non-major ports located in Gujarat such as Pipavav Port and those ports managed by the GMB;
- Global port operators with a presence in India, such as the Port of Singapore Authority, Stevedoring Services of America and AP Moller, and
- Port service providers and intermediaries that operate at existing ports such as handling, stevedoring, clearing and forwarding agents.

http://www.portofmundra.com/index.php