



ADANI GROUP

## 7th ANNUAL REPORT 2005-2006



A giant leap in building the nation's infrastructure.

MUNDRA PORT AND SPECIAL ECONOMIC ZONE LIMITED

## GUJARAT ADANI PORT LTD.

Is now

## MUNDRA PORT AND SPECIAL ECONOMIC ZONE LTD.

Make India's largest SEZ your global business hub.

Adani Group, the international business and infrastructure major of India scales a new peak again.

The Port of Mundra, a maritime masterpiece, strategically located with one of the deepest drafts in India, is now a part of a world class SEZ.

Reason enough, Gujarat Adani Port Limited is now Mundra Port and Special Economic Zone Limited.

India's largest multi-product SEZ,  
with in-zones:

- All-weather Port
- Container Terminal
- Airport
- Power Plant
- Railways

On this historic occasion we thank the Government of India, Government of Gujarat and all stakeholders for playing a vital role in creating India's largest SEZ.



**MUNDRA PORT**  
SPECIAL ECONOMIC ZONE

Great business, good life.



Mooring your ships at Mundra will not only save enormous amounts of your valuable money and time but also provide the Maritime experience of a life time.

Gautam S. Adani  
Chairman and Managing Director



The Adani Group takes a giant leap in its journey towards becoming a conglomerate in infrastructure development of the country. It takes great pride in announcing its foray in Special Economic Zone (SEZ) at the port of Mundra, a maritime masterpiece.

The Port of Mundra will now be a part of large format and multiproduct world class SEZ, which will set new benchmarks and give its occupants the advantage of a strategic location backed by sound infrastructure.

Located in the Gulf of Kutch in Gujarat, the port of Mundra is an all-weather, round-the-year, multipurpose port offering the whole gamut of logistic services to its customers.



### Existing Facilities and Infrastructure

- Multipurpose Terminal comprises four berths and one barge berth for dry and liquid cargo with the capacity to handle 10 MMTPA backed by vast back up area.
- Container Terminal has two berths capable of handling 1.2 million TEUs.
- Single Buoy Mooring terminal capable of handling VLCCs.
- India's single largest private railway line of 57kms.

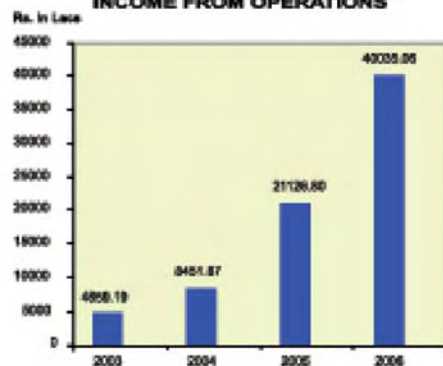
### Developments in progress

- 4 additional mechanized multipurpose berths by 2006
- Air-strip by 2006
- Creation of additional social infrastructure
- Enhancement of liquid storage capacity
- Port user and corporate building being built

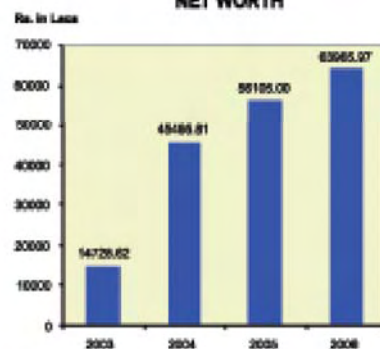
The port of Mundra can propel your business graph and develop longterm customer relationship with you.

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#### INCOME FROM OPERATIONS



#### NET WORTH





## 7th Annual Report 2005 - 2006

### BOARD OF DIRECTORS

Shri Gautam S. Adani, *Chairman & Managing Director*  
Shri H.K. Dash, IAS, *Director*  
Shri Ameet H. Desai, *Executive Director*  
Shri Rajesh S. Adani  
Shri Sanjay Gupta  
Shri S. Venkateswaran  
Shri Arvind Agarwal, IAS  
Shri K. N. Venkatasubramanian  
Shri Biswajit Choudhuri, *Nominee (UTI)*

### MEMBERS OF AUDIT COMMITTEE

Shri K.N. Venkatasubramanian  
Shri Rajesh S. Adani  
Shri S. Venkateswaran

### COMPANY SECRETARY

Smt. Dipti Shah

### AUDITORS

M/s. G. K. Choksi & Co.  
Chartered Accountants,  
Ahmedabad.

### BANKS AND FINANCIAL INSTITUTIONS

Allahabad Bank	IDFC Ltd.	State Bank of Saurashtra
Canara Bank	IFCI Ltd.	State Bank of Travancore
Exim Bank of India	LIC of India	Syndicate Bank
HDFC Bank	Oriental Bank of commerce	UTI Bank Ltd.
ICICI Bank Ltd.	State Bank of India	YES Bank

### REGISTERED OFFICE

'Adani House'  
Mithakhali Six Roads,  
Navrangpura,  
Ahmedabad - 380 009.

### SITE

Post Bag No. 1  
Munda - 370 421  
Kutch.

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## **NOTICE**

NOTICE is hereby given that Seventh Annual General Meeting of the Members of Mundra Port And Special Economic Zone Limited, will be held on Saturday the 30<sup>th</sup> day of September, 2006 at 2.00 p.m. at Board Room, Adani House, Nr. Mithakhali Six Roads, Navrangpura, Ahmedabad – 380 009 to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006, the Profit & Loss Account for the year ended on that date and the Reports of the Directors and the Auditors thereon.
2. To declare dividend on 0.01% Non Cumulative Redeemable Preference Shares of Rs. 10/- each.
3. To declare dividend on Equity Shares.
4. To appoint a Director in place of Shri S. Venkiteswaran who retires by rotation but being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri K. N. Venkatasubramanian who retires by rotation but being eligible offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provision of section 225 of the Companies Act, 1956 M/s. S. R. Battiboi & Associates, Chartered Accountants, be and are hereby appointed as Auditors of the company in place of the retiring Auditors M/s. G. K. Choksi & Co., Chartered Accountants, who has shown their unwillingness to continue as Auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on the terms and conditions mutually decided by the Board and Auditors of the company.”

**Date: 05.08.2006**  
**Place: Ahmedabad**

**By order of the Board**

**Dipti Shah**  
**Company Secretary**

### **NOTES:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself. The proxy need not be a member. The instrument appointing proxy should however be deposited at the registered office of the company not less than forty-eight hours before the commencement of the meeting.
2. The payment of dividend as recommended by the Directors if approved at the meeting will be made to those members whose name appears on the register of members on 30<sup>th</sup> September 2006, being Record Date.



## DIRECTORS' REPORT

Dear Shareholders,

Your directors have pleasure in presenting the Seventh Annual Report on the business and operations of the company and the financial Accounts for the financial year ended 31<sup>st</sup> March, 2006.

Particulars	(Rs. in Lacs)	
	For the year ended 31/03/2006	For the year ended 31/03/2005
Income from operations	38453.81	26408.50
Other Income	1581.25	1085.49
<b>Total Income</b>	<b>40035.06</b>	<b>27493.99</b>
Operating and Administrative Expenses	16675.90	10219.71
Operating Profit before Interest, Depreciation and Tax	23359.16	17274.28
Interest and Financial Charges	5733.62	3358.59
Depreciation	6141.67	4810.36
<b>Profit Before Tax and Prior period Adjustments</b>	<b>11483.87</b>	<b>9105.33</b>
Prior Period Adjustments (Net)	(131.91)	58.43
Provision for Tax (including deferred tax)	4891.98	2861.54
<b>Profit after Tax</b>	<b>6723.80</b>	<b>6185.36</b>
Surplus brought forward from previous year	6701.33	519.19
Amount transferred on Amalgamation of Adani Port Ltd.	-	108.37
<b>Balance available for appropriations</b>	<b>13425.13</b>	<b>6812.92</b>
APPROPRIATIONS:		
Transfer to Debenture Redemption Reserve	35.00	97.50
Transfer to Capital Redemption Reserve	14.06	14.06
Transfer to General Reserve	504.28	-
Dividend on Preference Shares	0.03	0.03
Dividend on Equity Shares	3604.29	-
Tax on Dividend	505.50	-
<b>Balance carried to Balance Sheet</b>	<b>8761.97</b>	<b>6701.33</b>

**Dividend:**

In view of the Company's profitable performance, your directors are pleased to recommend dividend of 20% on Equity shares (Re. 0.40 per share of Rs. 2/- fully paid up) for the financial year 2005-06 absorbing Rs. 4109.79 Lacs including dividend tax.

Your Directors have recommended the payment of dividend of 0.01% on Non Cumulative Redeemable Preference Shares of Rs.10/- each.

**Change of Name:**

Your directors are pleased to inform that the company has received approval from Ministry of Commerce and Industry, Government of India vide its letter dated 12<sup>th</sup> April, 2006 for development, operations and maintenance of a Multi-Product Special Economic Zone in Mundra. With a view to reflect the SEZ activities to be carried out by the Company, the name of the Company has been changed from "Gujarat Adani Port Limited" to "Mundra Port And Special Economic Zone Limited" with effect from 7<sup>th</sup> July, 2006. Consequently, your Company will unveil new logo and a new corporate identity.

**Business Results:****Global Scenario**

Global Economic growth is encouraging. World trade grew by 6.5 per cent in 2005 while in 2006 it grew by 7 per cent. Ports handle around 90 per cent of the world trade. There are more than 2,000 ports around the world and the amount of trade and cargo moving through the Ports is increasing. With increasing reliance on Ports, these have evolved from simple modal gateways to critical nodes in international supply chain networks. They have become active modal links driving the trade competitiveness of maritime nations.

The speed and size of cargo-carrying vessels is increasing. As a result, Ports need deeper channels and draughts. With time becoming a competitive edge, ships expect quicker turnaround and streamlined service and operations at Ports.

**Indian Scenario**

Indian economy grew at an estimated 8.1% in Financial Year 2006. Indian Government has put major thrust and



has increased allocation for various infrastructure projects substantially. In the union Budget 2005-06, the government decided to set up a Special Purpose Vehicle (SPV) to finance infrastructure projects, including development of ports, inland waterways etc.

India is the seventh largest country in the world and the second largest in Asia. It is the world's fourth largest economy in terms of purchasing power parity after the US, Japan and China. Exports witnessed a sharp growth of 17 per cent in 2005-06 and Imports grew by 23 per cent in 2005-06. Accordingly, cargo volumes at Indian ports also witnessed a surge. The target of year-on-year economic growth of 8 per cent seems within reach. This augurs well for the growth of the port sector.

As the economy grows and trade barriers reduce, the spurt in cargo volumes at Indian ports will continue and grow further. While annual traffic increased by only 68 million tons (mt) in the three decades from 1950 to 1980, traffic growth in the subsequent two decades was 75 mt and 218 mt respectively.

**Gujarat Scenario**

Gujarat leads amongst the non-major ports. It has 42 of the 185 minor and intermediate ports, and accounts for around three-fourths of the traffic at non-major ports. The state has developed several successful non-major ports with private sector participation.

Gujarat carries 70.6 per cent of non-major port traffic, with Andhra Pradesh a distant second at 10.9 per cent.

State	Million Tons	Per Cent
Gujarat	97.10	70.60
Andhra Pradesh	15.00	10.90
Maharashtra	12.10	8.81
Goa	8.40	6.10
Others	4.90	3.59
<b>Total</b>	<b>137.50</b>	<b>100.00</b>

**Mundra Port:**

Mundra Port with its blissful position as an all weather port with deep draught, rail and road connectivity and back-up infrastructure is rightly placed to lead the growth in Indian Maritime Sector. In line with the Global, Indian and Gujarat scenario, Mundra Port witnessed the growth of 36% over the last year. Your Directors are pleased to inform that the total income for the financial year under review was Rs. 40035.06 lacs as against Rs. 27493.99 lacs for the previous financial year registering an increase of 46%. Operating Profit before Interest, Depreciation and Tax was Rs. 23359.16 lacs and Profit after Tax was Rs. 6723.80 lacs for the financial year under review as against Rs. 17274.28 lacs and Rs. 6185.36 lacs respectively for the previous financial year registering an increase of approx 35% and 9.00% respectively.

**Operations:**

During the year under review, Mundra Port handled 1038 vessels as against 859 vessels handled during the corresponding financial year 2004-05. The Mundra Port handled 11.73 mmt of cargo in the year under review consisting of 6.96 mmt Dry cargo, 1.17 mmt Liquid cargo and 3.60 mmt container cargo of MICT against total cargo of 8.61 mmt consisting of 5.17 mmt of Dry cargo, 0.90 mmt of Liquid cargo and 2.55 mmt of Container cargo of MICT during the corresponding financial year 2004-05.

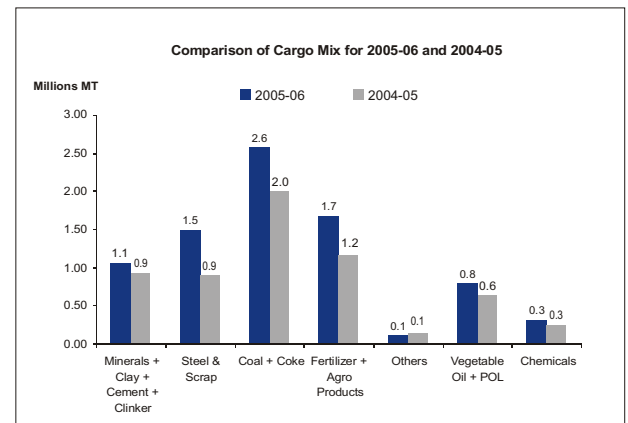
The port has emerged as the preferred "Port of Call" for bulk products like Coal, Steel, and Fertilizers. Dry cargo has increased by 35 % compared to the previous year.

In terms of the agreement with Indian Oil Corporation Limited, your Company has started commercial operation of Single Point Mooring (SPM) facility and handled first VLCC vessel at Mundra on 13<sup>th</sup> December, 2005.

The comparative analysis of cargo handled during the current year and previous year and the cargo mix with respect to cargo handled by the port is depicted as follows:

(In Lac MT)

Cargo handled	2005-06	2004-05	Growth	
			In tons	In %
Dry	69.59	51.69	17.90	34.64
Liquid	11.15	8.96	2.19	24.44
SPM	0.60	-	-	-
MICT	35.99	25.45	10.54	41.41
<b>Total</b>	<b>117.33</b>	<b>86.10</b>	<b>31.23</b>	<b>36.27</b>



Note: Excluding container cargo & crude oil cargo.

The railway line during the year has handled 2329 rail rakes, transporting 4.28 mmt cargo against 1568 rail rakes transporting 2.77 mmt cargo during the corresponding year.





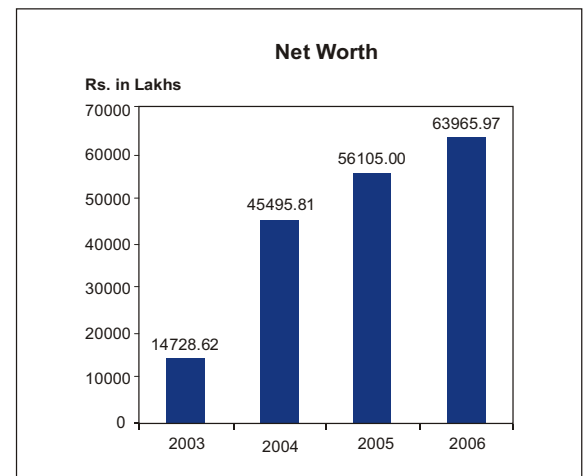
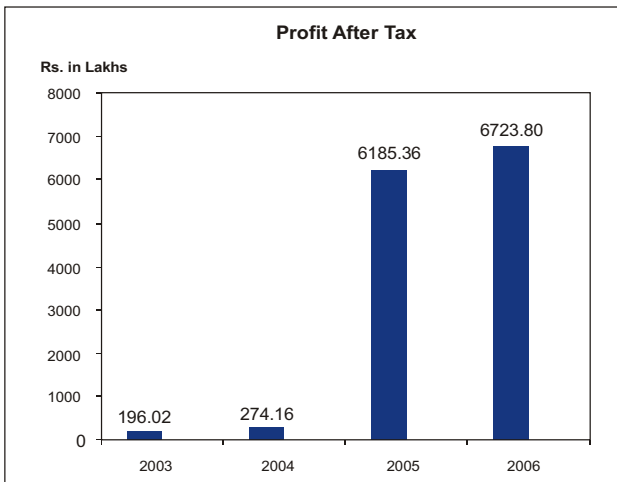
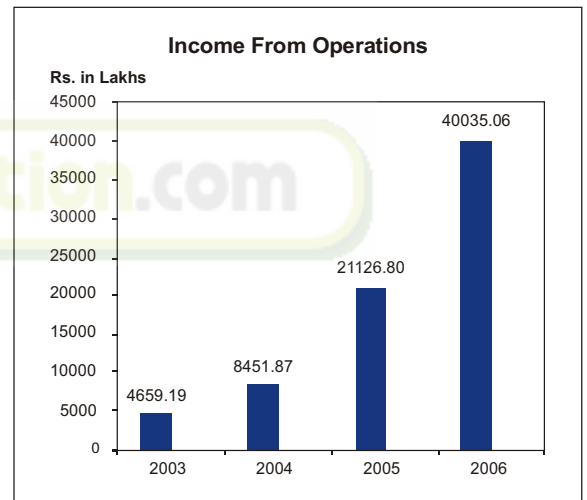
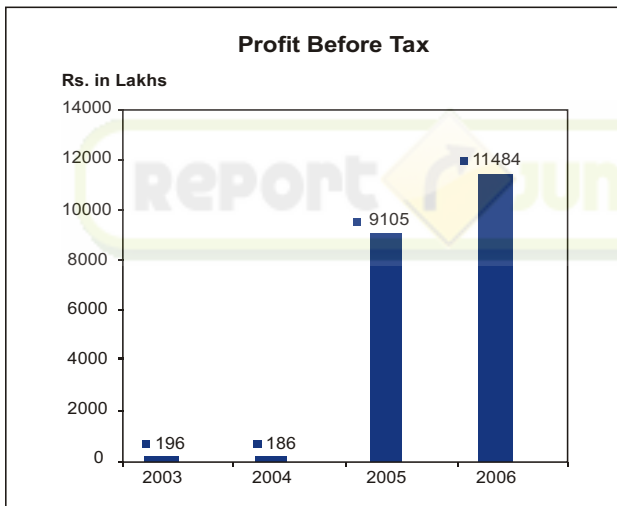
The Milestones achieved during the year under review are as follows

Sr. No.	Particulars	UOM	Qty.	Month/Date
1	Highest Cargo handled in a month	MTs	814837	Nov-05
2	Highest No. of Vessels in a month (MPT)	Nos.	64	Mar-06
3	Highest No. of Rakes in a month (MPT+MICT)	Nos.	264	Oct-05
4	Highest No. of Liquid tankers loaded in a month	Nos.	4874	May-05
5	Highest No. of Liquid tankers loaded in a day	Nos.	264	03/May /05

UOM - Unit of measurement

With the thrust on mechanized port operations, the cargo handling operations have become faster. The achievements at port operations to date in current financial year are also running well ahead of the corresponding year 2004-05. Your company has received NSPC and ISPS certification.

The following chart outlines the comparative growth of your company in terms of operating income, Profitability, and Net worth of the company since company has started commercial operations:





**Investments:**

In line with the vision of integrated port development, your company has subscribed in equity stake of Kutch Railway Company Limited, a special purpose vehicle company promoted for conversion from meter-gauge to Broad-gauge. This conversion will further improve your port's attractiveness in terms of overall logistics costs incurred by the shippers and liners from the northern hinterland as these will reduce the rail distance between Mundra Port and New Delhi by nearly 240 kms.

Your company has also made an Investment in Adani Logistics Limited which received license to operate container trains under the policy of privatization of Rail operations.

**Capital Projects:**

Your company has initiated expansion program with addition of 4 new multi purpose terminals with back up facilities, mechanization of Berth, augmentation of the existing conveyer system and coal handling system and social infrastructure with the estimated investment of Rs. 563.14 crores. The expansion project is expected to commence operations in a phased manner during 2006-07 and all the phases will commence operations in 2007-08.

The global cargo mix is also changing rapidly. There is increasing containerization, and almost 95 per cent of general cargo is now carried in containers. The top 20 container ports have been recording double-digit growth in container traffic in the last few years. To take the advantage of change in cargo mix, your company has envisaged construction of container terminal of 618 meters with back up facilities and mechanization with the estimated investment of Rs.633.10 crores. The operation of container berth is also expected to start during 2007-08.

Both the facilities are at the advanced stage of completion now.

**Capital Restructuring:**

In terms of Company's aim of having wider retail reach in future and to improve the liquidity of shares, and promote the shareholders interest, at an Extra Ordinary General Meeting held on 23<sup>rd</sup> June, 2006, the members have approved sub-division of each Equity share of Rs. 10 into five Equity shares of Rs. 2 each. Accordingly, effective from 10<sup>th</sup> July, 2006 being record date, the Company's Equity Shares of Rs. 10 each stand sub-divided into Equity Shares of the Face Value of Rs. 2 each. The paid up Capital of the Company was restructured comprising of 18,02,14,410 equity shares of Rs. 10/- each to 90,10,72,050 equity shares of Rs. 2/- each to the shareholders whose names appeared in the Register of Members on 10<sup>th</sup> July 2006, the Record Date fixed for that purpose.

**Future Prospects:**

**Industry Structure and developments:**

India is on the verge of witnessing a sustained investment phase in infrastructure buildup. With a slew of announcements in the power sector, road, port and airport development and hydrocarbons, India is seemingly on a path of sustained higher economic growth on the back of improvement in infrastructure in the country.

The government, in its mid-term appraisal of the tenth five-year plan (2002-07), has revised upwards its infrastructure investment target from Rs.10,890 bn to around Rs. 11,100 bn.

The greatest challenge for the country is to create and develop projects which are profitable for all stakeholders, and to do so increasingly through viable public private partnerships, your company believes that there are considerable growth opportunities and for that it is necessary to constantly adapt changing market conditions and business models.

Traffic is expected to grow at a CAGR of 7.69 per cent. This means total port traffic of 616 mt in 2007-08: 464 met at major ports and 152 at minor ports. By 2011-12, total port traffic is expected to reach 829 mt.

Port	2007-08	2011-12	2013-14
Major	464	624	706
Non-major	152	205	256
<b>Total</b>	<b>616</b>	<b>829</b>	<b>962</b>

Mundra Port will enter new era by setting up the Special Economic Zone and the new name Mundra Port and Special Economic Zone Limited reflects the direction which we will take to meet the future challenges.

Government of India has vide, its letter dated 12<sup>th</sup> April, 2006 granted approval to the Company's proposal for development, operation and maintenance of a Multi-product Special Economic Zone over an area of 2,658 hectares of the Company's land at Mundra, Gujarat. Already functioning in-zone logistics i.e. Multi-purpose Port, International Container Terminal, Railway corridor and rail/road linkages to vast hinterland area are considered as strengths of the SEZ and are expected to act as driving force for the SEZ. With the development of export/ import driven industries and services in the SEZ, the port stands to benefit from the incremental captive traffic at the port.

Over the past four years, coal demand in the country has consistently outstripped supply. While production has grown at 2% annually, demand has grown up at 8 % a year in the last two years. The shortfall has been felt most acutely by the country's power sector, which account for 78 % of the demand. The sector, which depends on coal for more than half of its production, lost 2000 MW of