

Adani Ports & SEZ

BSE SENSEX

71,355

S&P CNX

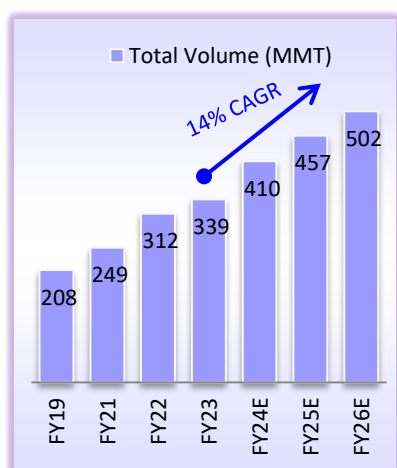
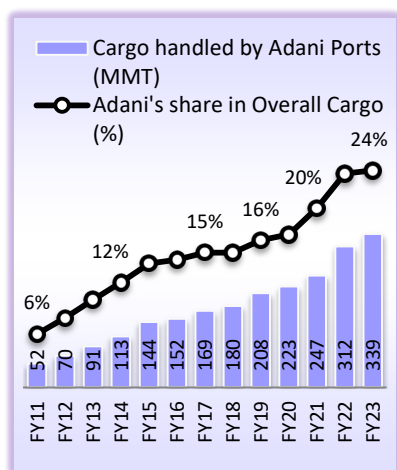
21,513

adani

Ports and
Logistics

Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2160
M.Cap.(INRb)/(USDb)	2524.9 / 30.4
52-Week Range (INR)	1182 / 395
1, 6, 12 Rel. Per (%)	12/51/25
12M Avg Val (INR M)	7014
Free float (%)	34.5



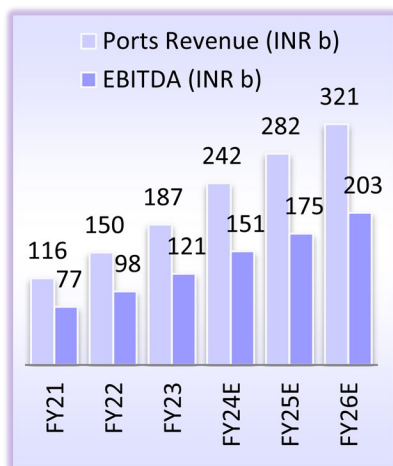
CMP: INR1,169 TP: INR1,410 (+21%)

Buy

Strong volume growth to boost performance

Well positioned to surpass volume guidance of FY24

- **Strong 3QFY24 and YTD volumes provide potential upside to FY24 volume guidance:** Adani Ports & SEZ (APSEZ) reported 42% YoY growth in Oct-Dec'23 volumes, taking the total 9MFY24 volumes to 311 MMT, registering a 23% YoY growth on YTD basis. With a monthly volume run-rate of ~35MMT, management has increased volume guidance to 400 MMT in FY24 from 370-390 MMT earlier. We expect volumes for FY24 to even surpass the revised volume guidance of 400 MMT.
- **Focused on achieving cargo volume of 500 MMT by FY25:** APSEZ's management reiterated its focus to reach its FY25 port traffic target of 500MMT vs 339MMT in FY23. Management believes volume growth is unabated and it is expected to grow at 1.5x the GDP growth rate. Two of APSEZ's ports are in India's top 10 ports for its annual cargo volume in FY23.
- **Transforming into an integrated logistics solutions company:** Adani Logistics (ALL) has expanded its services to cover container train operations, container handling in logistic parks, and warehouses offering storage and trucking solutions. With 10 multi-modal logistics parks, 104 trains, 2.4 million sq. ft. of warehousing space, and 1.1 million metric tons of grain silos, ALL aims to establish a nationwide presence by further developing logistic parks and warehouses.
- **Strong operational cash flow generation:** APSEZ has consistently generated strong cash flow from operations (CFO) over FY18-23 (cumulative CFO of ~INR433b at a CAGR of 16%). During this period, APSEZ had embarked on an acquisition spree. Going ahead, APSEZ is expected to concentrate on optimizing the assets it has acquired, ensuring consistent robust cash flows in the upcoming years. We estimate CFO to register a CAGR of 14% over FY23-26. This, we believe, will be used to fund capex and reduce debt. APSEZ continues to be on the lookout for opportunities outside India via the joint venture (JV) mode with a strong local partner, either in South Asia, Southeast Asia, Middle East, and Africa.
- **Largest private port operator in India:** APSEZ is India's largest private port operator with more than 24% market share in cargo handling. APSEZ has evolved from operating just two ports (Mundra and Dahej) in FY11 to a portfolio spanning 14 ports across India. We expect it to maintain its strong positioning.
- **On track to deliver robust performance; reiterate BUY:** Going forward, APSEZ targets to become India's largest integrated transport utility and world's largest private port company by 2030. APSEZ has a diversified cargo mix and is looking to increase cargo share of port on east coast. The operational ramp-up at the recently acquired ports is expected to drive a 14% growth in cargo volumes over FY23-26. This would drive a revenue/EBITDA/PAT CAGR of 19%/18%/17% over FY23-26. We reiterate our BUY rating with a revised TP of INR1,410 (premised on 16x FY26E EV/EBITDA).
- **Key downside risks:** slowdown in global trade



Market share gains driven by operational efficiencies and cargo diversification

- APSEZ achieved a notable 2x industry growth, elevating its market share to ~24% in FY23 from 10% in FY13. The incorporation of new cargo classes at Mundra and Dhamra ports has contributed to this growth. Additionally, the advantages of an integrated port-cum-logistics service has significantly helped gain market share.
- Further, the company's strategic sensitivity to specific cargo classes, such as thermal coal and iron ore, is proving beneficial as volume levels normalize in select ports such as Mundra, Gangavaram, and Krishnapatnam.

Pan-India port operator with focus on achieving east-west parity

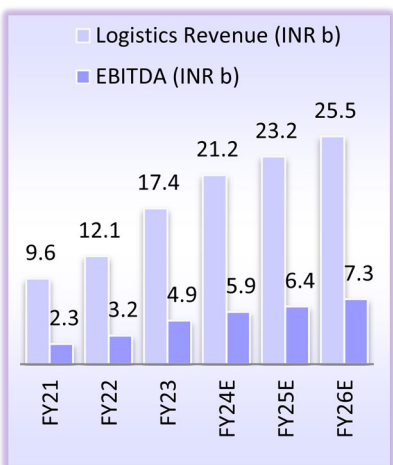
- APSEZ has a Pan-India presence, strong pricing power, a high proportion of sticky cargo, and is focused on improving capacity utilization over capacity creation. With the acquisitions of Krishnapatnam and Gangavaram ports on the east coast as well as the trans-shipment potential, led by the commissioning of Vizhinjam, the eastern coast is poised to significantly boost its volumes.

Play on end-to-end logistics offering

- As APSEZ embarks on becoming India's largest integrated transport utility company by 2030, it is strengthening its capabilities in all logistics segments (ports, CTO, warehousing, last mile delivery, ICDs, etc). Hence, it offers end-to-end service to its customers, thereby capturing a higher wallet share and also making the cargo sticky in nature.
- Further, DFC connectivity to Mundra will provide faster port evacuation and quicker transit time, improving the overall efficiency.

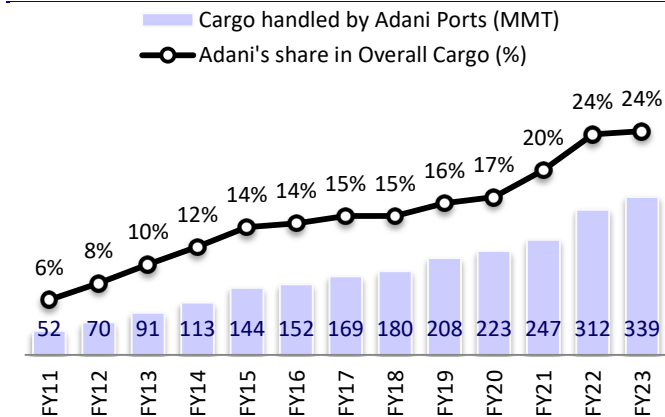
Well positioned to surpass higher end of FY24 guidance

- APSEZ started 3QFY24 with 48% YoY growth in traffic in Oct'23 and 42% YoY growth in traffic in Nov'23 and Dec'23, respectively, led by spike in coal and M&A (Haifa & Dighi ports) and continued strength in handling bulk cargo. Over Apr-Dec'23, total cargo volume handled by APSEZ stood at 311 MMT (up 23% YoY), positioning the company to achieve higher end of its FY24 volume guidance of 400 MMT.
- **We roll forward our estimates to FY26 and expect APSEZ to register 14% volume growth over FY23-26 and revenue/EBITDA/PAT CAGR of 19%/18%/17% over the same period. We reiterate our BUY rating with a revised TP of INR1,410 based on 16x FY26E EV/EBITDA.**



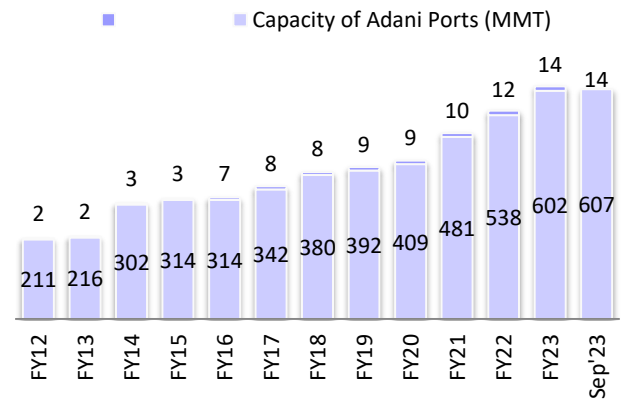
Largest private port operator along with expanding capacity

Exhibit 1: APSEZ has emerged as India's largest private port operator...



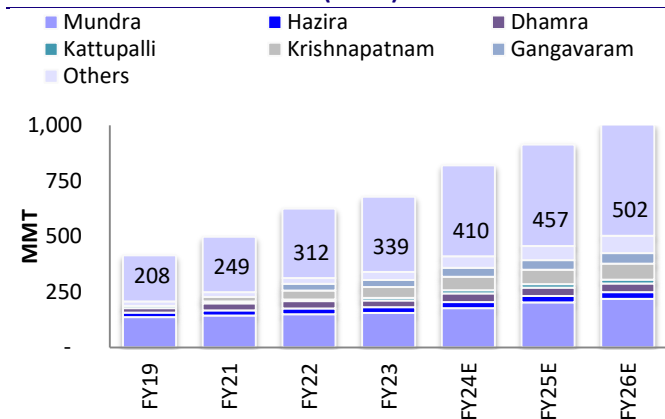
Source: Company, MOFSL

Exhibit 2: ...driven by an expanding portfolio and...



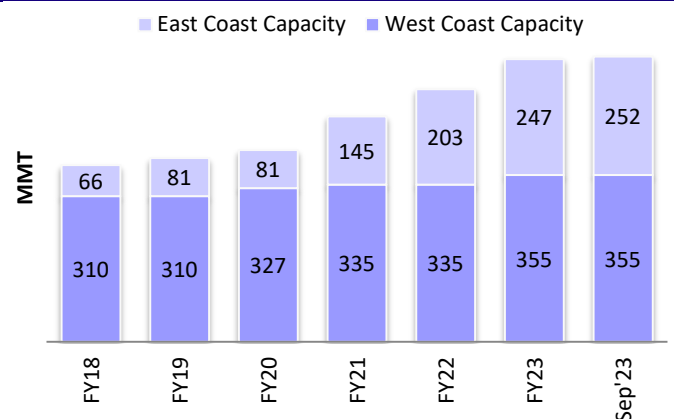
Source: Company, MOFSL

Exhibit 3: Expect market leadership to continue, with a 14% volume CAGR over FY23–26 (MMT)



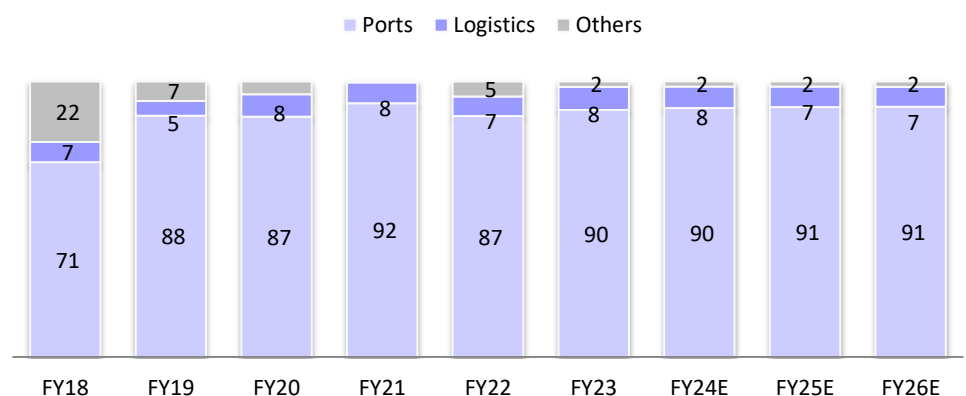
Source: Company, MOFSL

Exhibit 4: Eastern coast in focus (MMT)



Source: Company, MOFSL

Exhibit 5: Revenue share (%)



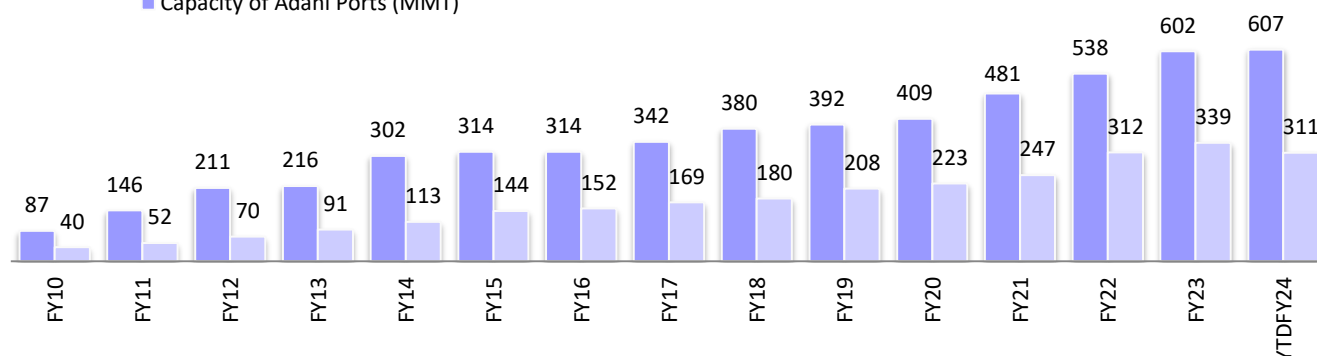
Source: Company, MOFSL

Expanding reach with a focused approach

- Cargo volumes at APSEZ have more than tripled to 339mmt in FY23 (311 MMT over Apr-Dec'23) from 91mmt in FY13. This represents a 14% CAGR, outpacing the industry's growth rate (4% CAGR) during the same period.
- With the addition and ramp-up of new ports (added Dhamra, Kattupalli, and Krishnapatnam ports), APSEZ's cargo volume, which was earlier dominated by Mundra, has now become diversified. Mundra's share in the total volumes decreased to 46% in FY23 (42% in 1HFY24) from 91% in FY13.

Exhibit 6: APSEZ – capacity and cargo volume

■ Capacity of Adani Ports (MMT)

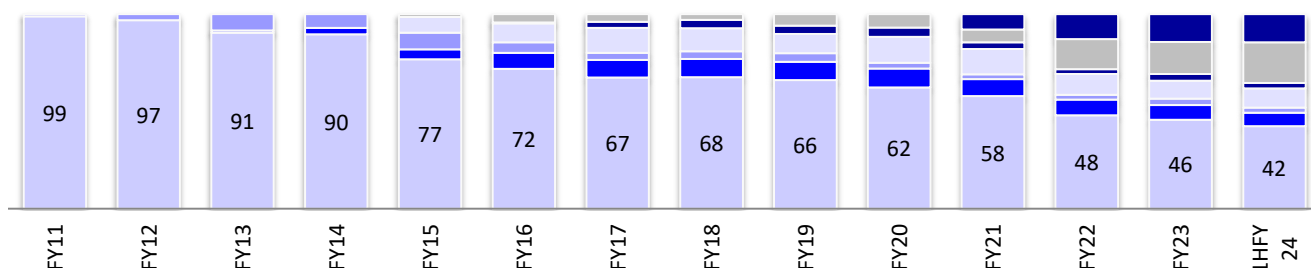


Source: Company, MOFSL

Exhibit 7: APSEZ: Cargo volume – port-wise mix (%)

Volume mix (%)

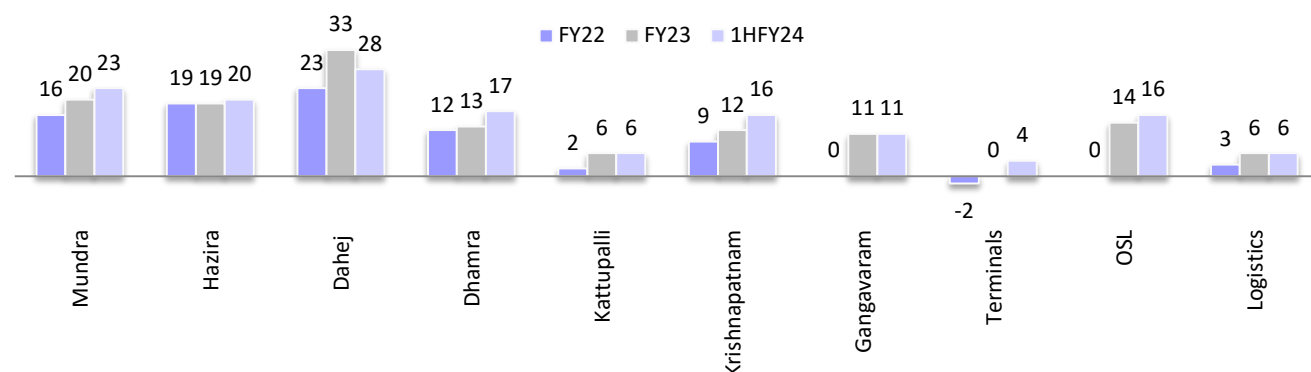
■ Mundra ■ Hazira ■ Dahej ■ Dhamra ■ Kattupalli ■ Others ■ Krishnapatnam



Source: Company, MOFSL

Exhibit 8: APSEZ: ROCE profile of key ports (%)

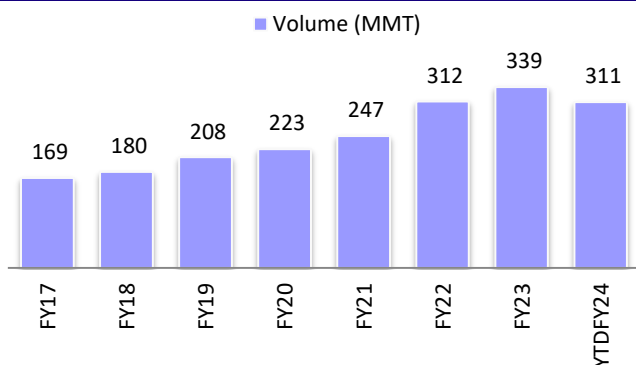
■ FY22 ■ FY23 ■ 1HFY24



Source: Company, MOFSL

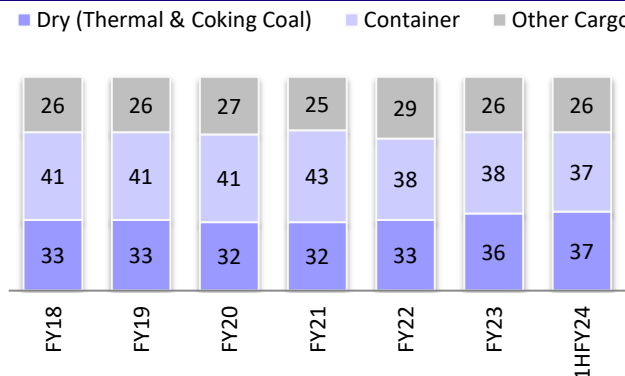
APSEZ records volume growth across cargo categories

Exhibit 9: Port cargo volume increased ~23% YoY YTD FY24



Source: Company, MOFSL

Exhibit 10: Container cargo gains higher share in overall mix



Source: Company, MOFSL

- APSEZ clocked a cargo volume of ~36MMT in Dec'23, recording 42% YoY growth, taking its YTD FY24 volume to 311MMT (up 23% YoY).
- With the ongoing monthly run-rate of ~35 MMT of cargo volumes, management has revised its FY24 volume guidance to 400 MMT vs. 390 MMT earlier. We believe that APSEZ is well placed to even surpass the revised guidance of 400 MMT in FY24 and achieve 410 MMT of cargo volume in FY24.

Transforming into a complete solutions provider

Logistics could render leg-up

- ALL provides customized logistics solutions to help customers improve efficiency and flexibility, and optimize cost.
- ALL has set out an aggressive capex target by FY26 and is looking to increase train capacity by 2x, b) increase Multi-Modal Logistics Parks (MMLP) count to 15 from 10 as of Sep'23, c) increase grain silos capacity by 2.5x, and d) increase warehousing capacity by 25x.
- ALL's revenue has registered a CAGR of 16% over FY18-23, led by sustained capacity addition across verticals. On the other hand, margin has expanded from 9.2% in FY18 to 27.9% in FY23, propelled by expansions into bulk cargo, elimination of loss-making routes, and significant efficiency improvements. ALL believes margin can go up further as utilization improves.

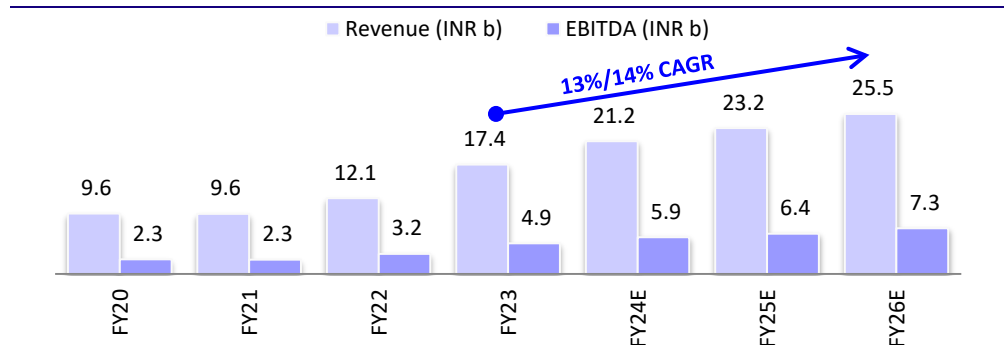
Exhibit 11: Logistics asset base has grown significantly over the last few years

Assets	Trains	MMLPs	Grain Silos	Ware-housing	Rail Tracks	Marine Flotila*
FY20	58 Trains	5 MMLP	0.88 MMT	0.4 mn Sq. ft.	540 KMs	26
H1 FY24	104 Trains	10 MMLP	1.1 MMT	2.4 mn Sq. ft.	620 KMs	112
	1.9X	1.5X	2.5X	25X	3X	1.1X
FY26	200+Trains (Largest Private Player)	15 MMLP (Covering all key market)	2.5+ MMT (market leader with 40% of Capacity)	60 mn Sq. ft. (15% of mkt capacity)	2000+ KMs (Largest Private rail network)	120 (Largest marine services)

Source: Company, MOFSL

- APSEZ is particularly bullish on the agri-storage space and expects ALL to report a 25-30% CAGR over the next few years. We conservatively expect the current capex in Logistics to provide a boost. While revenue/EBITDA in FY23 grew 44%/52% YoY to INR17.4b/INR4.9b, we expect a 13% CAGR in revenue and 14% CAGR in EBITDA over FY23-26.

Exhibit 12: ALL's revenue and EBITDA

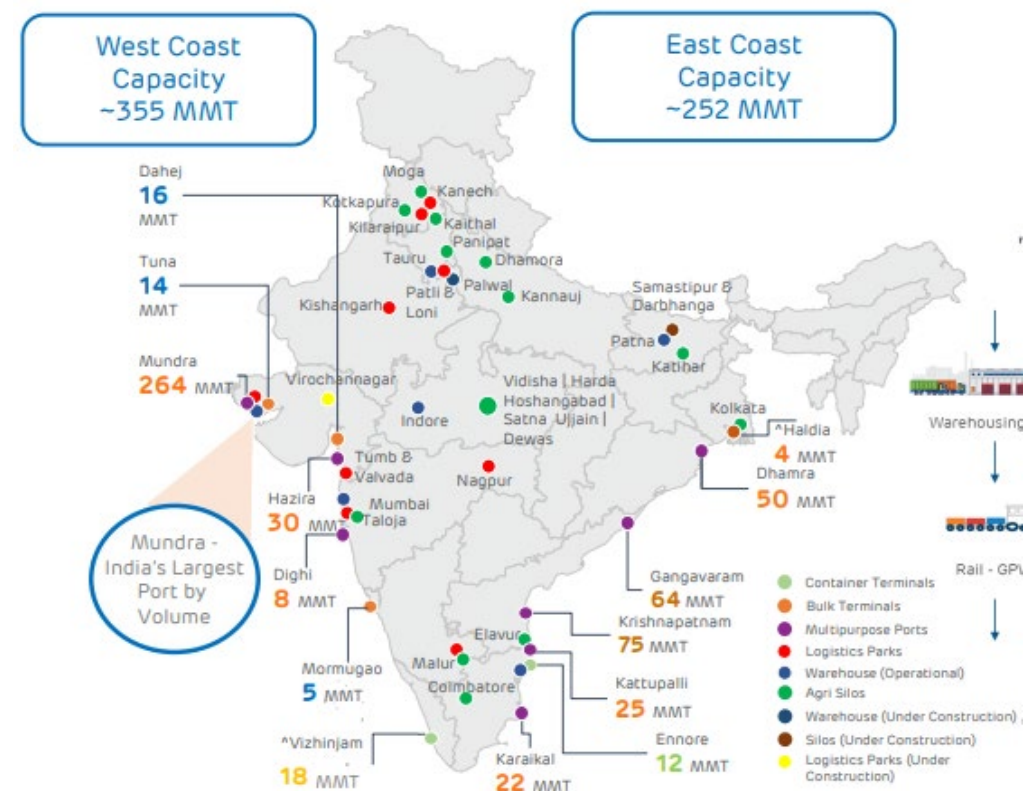


Source: Company, MOFSL

APSEZ – Largest private port operator in India

- APSEZ is India's largest private port operator, promoted by the Adani Group. Originally incorporated as Gujarat Adani Port Limited (GAPL) in 1998, the company first began operations at Mundra Port in 2001. Since then, it has steadily expanded its portfolio and now operates 14 ports/terminals across India. APSEZ handled 339mmt of cargo at its ports, accounting for a 24% market share in FY23 (311 MMT over Apr-Dec'23). Since FY21, the company has completed the acquisition of Gangavaram and has another three ports – Vizhinjam, Haldia, and Colombo – under construction.
- APSEZ has transformed the Mundra Port to prominence in the Indian and global maritime trade landscape. The APSEZ flagship port represents a natural gateway to the North and North West hinterland of India, marked by a deep draft all-weather port.

Exhibit 13: From single port to 14 Ports with ~607 MMT of Installed capacity



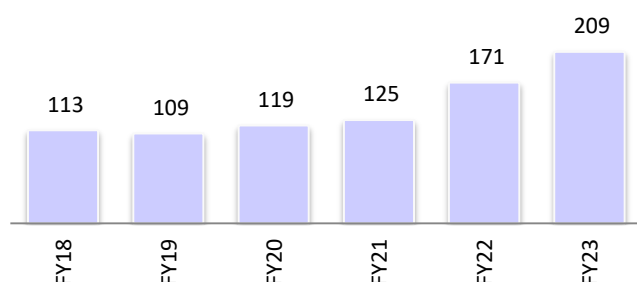
Source: Company, MOFSL

Robust operating performance and strong cash flow generation

- Revenue and EBITDA have grown nearly two to three times every five years.
- The average conversion of EBITDA to operating cash flows remains strong, exceeding 70%.
- With an impressive 70% EBITDA margin in the port sector, APSEZ stands out as one of the most profitable global port operators.

Exhibit 14: Revenue has registered a CAGR of 13% over FY18-23

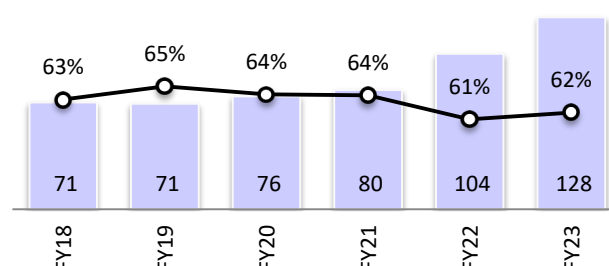
■ Revenue (INR b)



Source: Company, MOFSL

Exhibit 15: EBITDA margins have remained stable

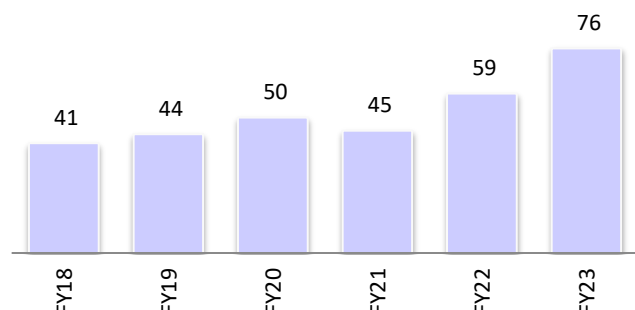
■ EBITDA (INR b) —●— EBITDA margins (%)



Source: Company, MOFSL

Exhibit 16: Adj. PAT has registered a CAGR of 13%

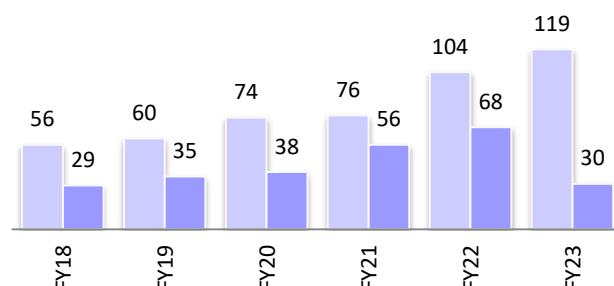
■ Adj. PAT (INR b)



Source: Company, MOFSL

Exhibit 17: Cash Flow Generation has remained strong despite expanding portfolio of assets

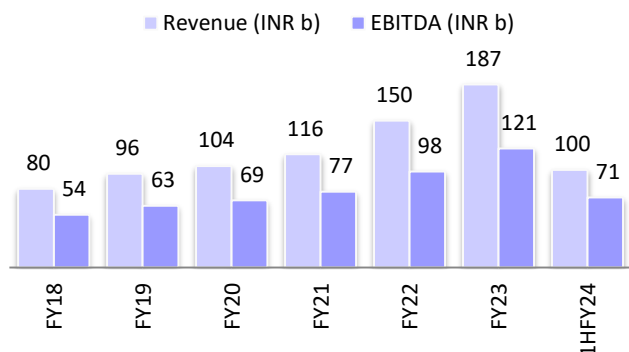
■ CFO (INR b) ■ FCF (INR b)



Source: Company, MOFSL

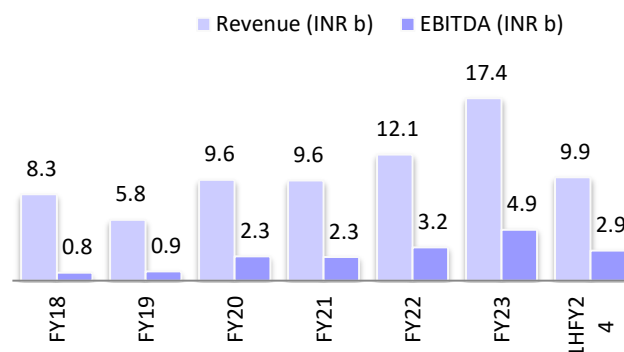
- Eight of the company's ports recorded their highest ever half yearly cargo volumes in 1H FY24 – Mundra, Tuna, Dighi (since the time of acquisition), Hazira, Ennore, Dhamra, Krishnapatnam (since the time of acquisition), and Gangavaram (since the time of acquisition).
- EBITDA margin of the domestic port business improved 220bp to ~72% in 1H FY24 vs ~70% in 1H FY23.

Exhibit 18: Ports revenue continues to grow in double digits



Source: Company, MOFSL

Exhibit 19: Logistics revenue registered a CAGR of 16% while EBITDA clocked a CAGR of 45% over FY18-23



Source: Company, MOFSL

Valuation and view: Ideally positioned as market leader, retain BUY

- With improvement in utilization levels of existing ports and improving global trade, we expect volume momentum to continue ahead. The company's a) strong market leadership in the ports segment, b) focus on value-added areas such as logistics, and c) commitment to strategic acquisitions position it favorably.
- **The operational ramp-up at recently acquired ports is expected to drive a 14% growth in cargo volumes over FY23-26. This would drive a revenue/EBITDA/PAT CAGR of 19%/18%/17% over FY23-26. We reiterate our BUY rating with a revised TP of INR1,410 (premised on 16x FY26E EV/EBITDA).**

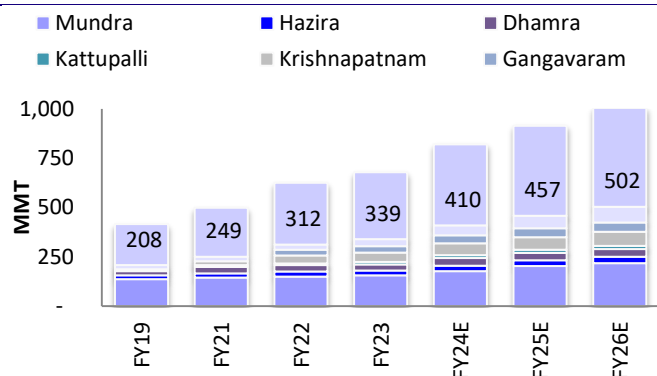
Exhibit 20: Target price derivation

Particulars	Per share (INR)
Consolidated	
EV – Based on 16x EV/EBITDA on FY26	1,556
Less – Net Debt FY26	146
Target price	1,410

Source: MOFSL, Company

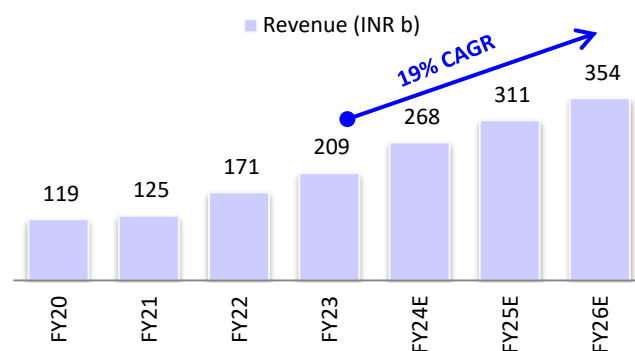
Financial story in charts

Exhibit 21: APSEZ – volumes (MMT)



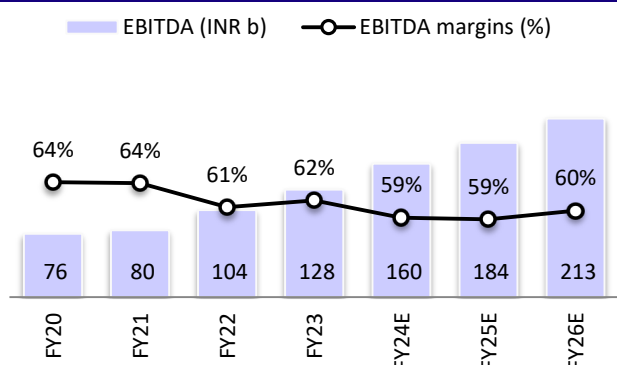
Source: Company, MOFSL

Exhibit 22: Revenue growth to remain strong



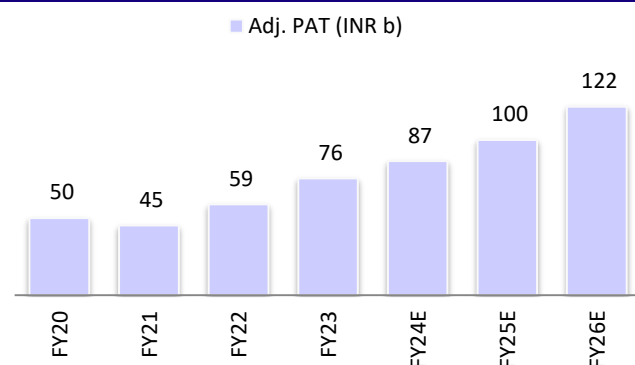
Source: Company, MOFSL

Exhibit 23: Margin to stabilize at ~60%



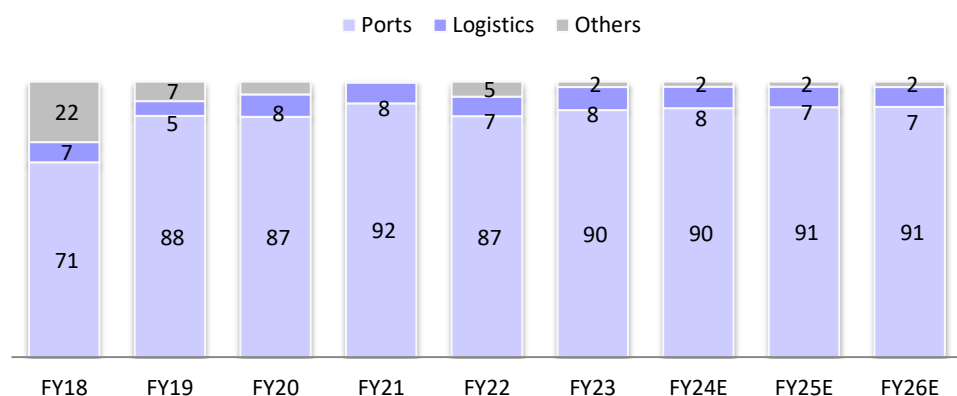
Source: Company, MOFSL

Exhibit 24: Strong operating performance to drive PAT



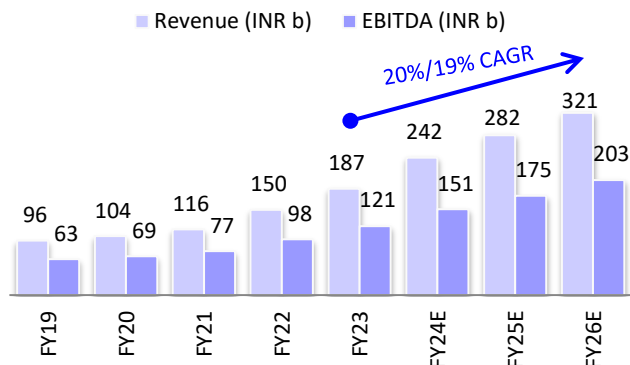
Source: Company, MOFSL

Exhibit 25: Revenue share (%)



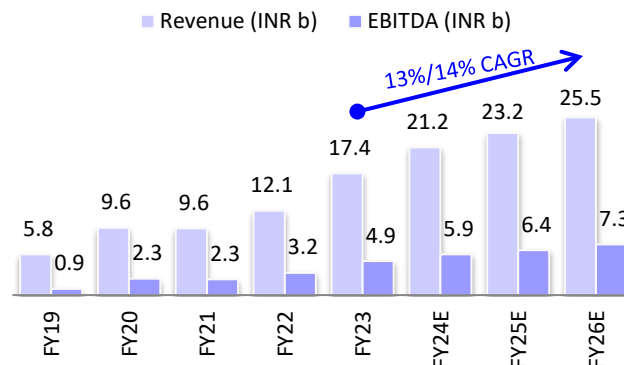
Source: Company, MOFSL

Exhibit 26: Ports revenue to report 20% CAGR



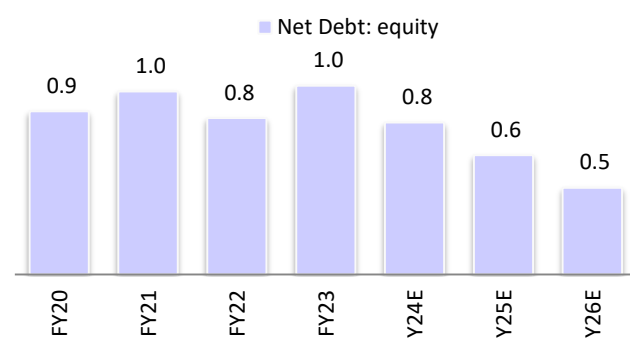
Source: Company, MOFSL

Exhibit 27: Logistics segment to report 13% CAGR in revenue



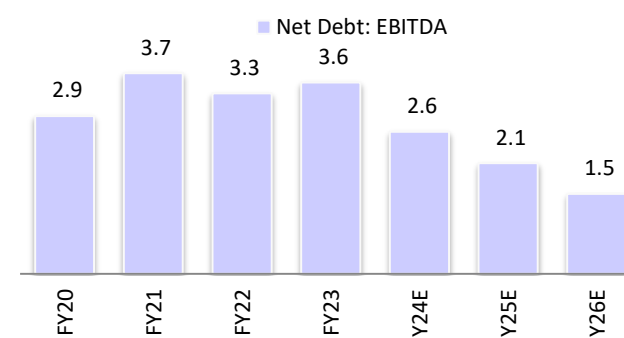
Source: Company, MOFSL

Exhibit 28: Net debt/equity to decrease



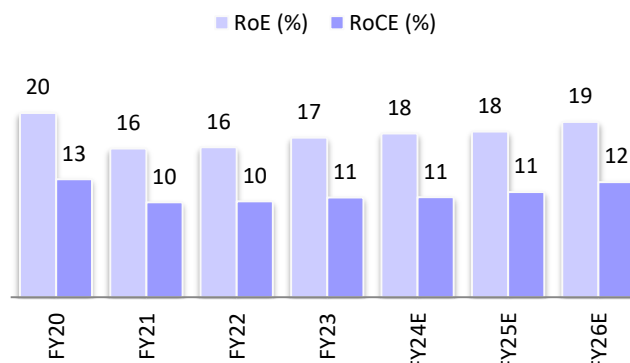
Source: Company, MOFSL

Exhibit 29: Net debt/EBITDA to improve with better efficiency



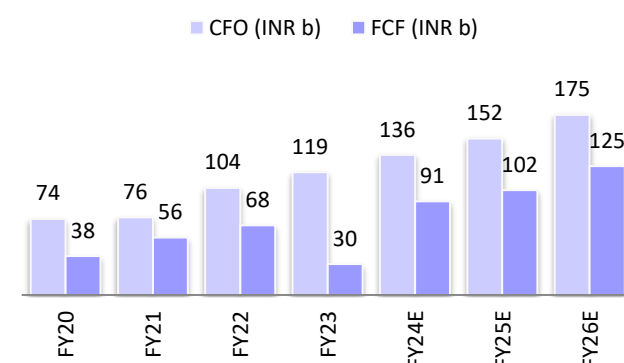
Source: Company, MOFSL

Exhibit 30: Return ratios to remain stable



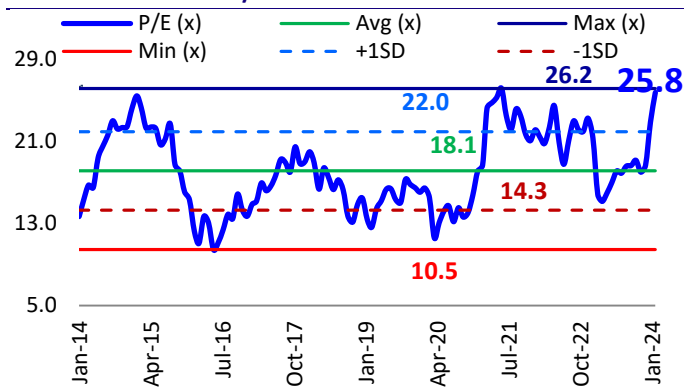
Source: Company, MOFSL

Exhibit 31: CFO and FCF generation to pick up



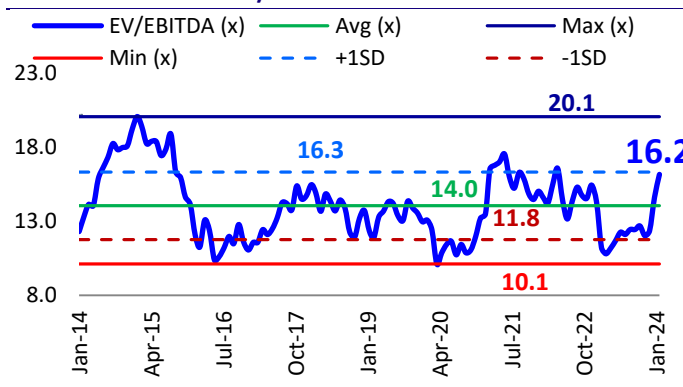
Source: Company, MOFSL

Exhibit 32: APSEZ – P/E trend



Source: Company, MOFSL

Exhibit 33: APSEZ – EV/EBITDA trend



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	1,18,731	1,25,496	1,71,188	2,08,519	2,68,134	3,10,747	3,53,637
Change in Net Sales (%)	8.7	5.7	36.4	21.8	28.6	15.9	13.8
Total Expenses	43,077	45,662	67,223	80,185	1,08,619	1,26,551	1,40,322
EBITDA	75,654	79,834	1,03,965	1,28,335	1,59,515	1,84,195	2,13,315
Margin (%)	63.7	63.6	60.7	61.5	59.5	59.3	60.3
Depn. & Amortization	16,803	21,073	30,993	34,232	39,019	41,323	43,748
EBIT	58,851	58,761	72,972	94,102	1,20,496	1,42,872	1,69,567
Net Interest	19,507	21,292	25,596	25,936	28,750	28,460	28,170
Other income	18,614	19,702	22,237	15,535	13,515	14,191	14,901
PBT	57,958	57,172	69,613	83,701	1,05,261	1,28,603	1,56,297
EO expense	15,475	-5,891	12,930	33,907	-631	0	0
PBT after EO	42,483	63,063	56,684	49,794	1,05,892	1,28,603	1,56,297
Tax	4,594	12,433	7,640	964	23,296	28,293	34,385
Rate (%)	10.8	19.7	13.5	1.9	22.0	22.0	22.0
PAT before JV, MI	37,889	50,630	49,044	48,830	82,596	1,00,310	1,21,912
Share of loss from JV, MI	-258	-687	-498	-348	127	68.7	82.0
Reported PAT	37,631	49,943	48,547	48,482	82,723	1,00,379	1,21,994
Adjusted PAT	50,011	45,230	58,890	75,608	86,770	1,00,379	1,21,994
Change (%)	13.9	-9.6	30.2	28.4	14.8	15.7	21.5
Margin (%)	42.1	36.0	34.4	36.3	32.4	32.3	34.5

Source: MOFSL, Company

Consolidated Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Share Capital	4,064	4,064	4,225	4,320	4,320	4,320	4,320
Reserves	2,52,171	3,02,219	4,15,658	4,51,516	5,18,235	5,93,520	6,85,015
Net Worth	2,56,235	3,06,283	4,19,882	4,55,836	5,22,556	5,97,840	6,89,335
Minority Interest	2,196	14,685	3,928	13,385	14,050	14,904	15,878
Total Loans	2,94,630	3,44,010	4,54,530	4,98,193	4,93,193	4,88,193	4,83,193
Deferred Tax Liability	-9,227	3,214	16,530	9,865	9,865	9,865	9,865
Capital Employed	5,43,834	6,68,191	8,94,871	9,77,279	10,39,663	11,10,802	11,98,272
Gross Block	3,62,512	5,51,805	7,00,208	7,82,018	8,27,018	8,77,018	9,27,018
Less: Accum. Deprn.	68,229	1,10,800	1,41,793	1,48,004	1,87,023	2,28,346	2,72,093
Net Fixed Assets	2,94,283	4,41,005	5,58,415	6,34,014	6,39,995	6,48,672	6,54,924
Capital WIP	32,163	36,971	40,229	68,140	68,140	68,140	68,140
Investments	11,780	22,362	31,607	1,00,599	1,20,599	1,40,599	1,60,599
Curr. Assets	2,71,715	2,44,083	3,53,029	3,24,299	3,65,930	4,12,127	4,77,105
Inventories	2,883	9,919	3,956	4,520	5,812	6,736	7,665
Account Receivables	25,891	23,859	22,219	32,417	41,685	48,309	54,977
Cash and Bank Balance	73,139	47,008	1,06,674	42,488	72,616	1,10,305	1,66,707
-Cash and cash equivalents	71,955	41,980	86,530	9,320	39,448	77,137	1,33,539
-Bank balance	1,184	5,027	20,144	33,168	33,168	33,168	33,168
Loans & advances	31,173	20,691	18,738	19,970	20,174	20,388	20,613
Other current assets	1,38,630	1,42,607	2,01,441	2,24,905	2,25,643	2,26,389	2,27,143
Curr. Liability & Prov.	66,106	76,229	88,409	1,49,774	1,55,000	1,58,737	1,62,497
Account Payables	7,287	10,139	11,596	18,282	23,509	27,245	31,006
Provisions	1,145	1,224	1,418	17,498	17,498	17,498	17,498
Other current liabilities	57,674	64,867	75,396	1,13,994	1,13,994	1,13,994	1,13,994
Net Curr. Assets	2,05,608	1,67,854	2,64,619	1,74,525	2,10,929	2,53,390	3,14,608
Appl. of Funds	5,43,834	6,68,191	8,94,871	9,77,279	10,39,664	11,10,802	11,98,272

Source: MOFSL, Company

Ratios

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	24.6	22.3	27.9	35.0	40.2	46.5	56.5
EPS Growth	16.1	-9.6	25.2	25.5	14.8	15.7	21.5
Cash EPS	32.9	32.6	42.6	50.8	58.2	65.6	76.7
BV/Share	126.1	150.7	198.8	211.0	241.9	276.7	319.1
Payout (%)	13.0	22.5	17.9	14.3	23.8	25.0	20.6
Dividend yield (%)	0.4	0.6	0.6	0.6	0.9	1.1	1.1
Valuation (x)							
P/E	47.5	52.5	41.9	33.4	29.1	25.2	20.7
Cash P/E	35.5	35.8	27.5	23.0	20.1	17.8	15.2
P/BV	9.3	7.8	5.9	5.5	4.8	4.2	3.7
EV/EBITDA	36.2	35.1	26.8	22.4	18.5	15.8	13.3
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.8	1.0	1.0
Return Ratios (%)							
RoE	19.9	16.1	16.2	17.3	17.7	17.9	19.0
RoCE (post-tax)	12.8	10.3	10.4	10.8	10.8	11.4	12.5
RoIC (post-tax)	12.7	9.5	9.9	12.5	12.2	14.2	16.6
Working Capital Ratios							
Fixed Asset Turnover (x)	0.4	0.3	0.3	0.3	0.4	0.5	0.5
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Debtor (Days)	80	69	47	57	57	57	57
Creditors (Days)	22	29	25	32	32	32	32
Inventory (Days)	9	29	8	8	8	8	8
Leverage Ratio (x)							
Current Ratio	4.1	3.2	4.0	2.2	2.4	2.6	2.9
Interest Cover Ratio	4.0	3.7	3.7	4.2	4.7	5.5	6.5
Net Debt/EBITDA	2.9	3.7	3.3	3.6	2.6	2.1	1.5
Net Debt/Equity	0.9	1.0	0.8	1.0	0.8	0.6	0.5

Cash Flow Statement (INR m)

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax							
Depreciation	16,803	21,073	30,993	34,232	39,019	41,323	43,748
Direct Taxes Paid	-8,496	-8,728	-9,597	-8,339	-23,296	-28,293	-34,385
(Inc)/Dec in WC	9,909	4,084	7,584	-8,546	-6,276	-4,772	-4,815
Other Items	13,363	-3,791	18,050	47,094	15,235	14,269	13,270
CF from Operations	74,018	75,558	1,04,201	1,19,333	1,36,044	1,52,053	1,75,171
(Inc)/Dec in FA	-35,584	-19,497	-36,458	-89,210	-45,000	-50,000	-50,000
Free Cash Flow	38,434	56,061	67,743	30,123	91,044	1,02,053	1,25,171
Acquisitions/Divestment	-2,735	-1,49,912	-6,538	-1,44,291	0	0	0
Change in Investments	10,961	6,350	-28,056	22,851	-20,000	-20,000	-20,000
Others	19,854	21,632	18,233	14,614	13,515	14,191	14,901
CF from Investments	-7,504	-1,41,427	-52,818	-1,96,036	-51,485	-55,809	-55,099
Share issue	-19,707	0	9,093	9,455	0	0	0
Inc/(Dec) in Debt	4,015	54,909	75,276	3,453	-5,000	-5,000	-5,000
Interest	-19,239	-19,558	-25,505	-23,710	-28,750	-28,460	-28,170
Dividend	-8,446	-212	-10,267	-10,929	-20,681	-25,095	-30,499
Others	821	0	-54,455	-5,607	0	0	0
Cash from financing activity	-42,556	35,139	-5,858	-27,338	-54,431	-58,555	-63,669
Net change in cash & equi.	23,958	-30,730	45,526	-1,04,042	30,128	37,689	56,403
Opening cash balance	47,982	71,955	43,118	86,714	9,320	39,448	77,137
change in control of subs.	15	756	-2,113	26,648	0	0	0
Closing cash balance	71,955	41,980	86,530	9,320	39,448	77,137	1,33,539

Source: MOFSL, Company

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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