

Adani Ports & SEZ



Sailing towards new horizons

Alok Deora – Research analyst (Alok.Deora@Motilaloswal.com)

Saurabh Dugar – Research Analyst (Saurabh.Dugar@Motilaloswal.com)

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Adani Ports & SEZ

Sailing toward new horizons

- ❖ Adani Ports & SEZ (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.
- ❖ Improved reach, strategic port locations, operational efficiencies, and a comprehensive range of integrated service offerings (logistics, SEZs, etc.) have contributed to APSEZ's remarkable growth, with volumes soaring to more than four times the levels recorded in FY11.
- ❖ With continued growth levers at its existing ports and an expanding portfolio, we expect APSEZ to strengthen its market dominance, achieving a 12% volume CAGR over FY23–25. This would, in turn, propel a corresponding 15% CAGR in both revenue and EBITDA.
- ❖ We initiate coverage on the stock with a BUY rating and a TP of INR1,010 (premised on 15x FY25E EV/EBITDA, in line with its historical average of 14x). The company's: a) market leadership in the ports segment, b) focus on value-added areas such as logistics, and c) focus on strategic acquisitions place it in a sweet spot.

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Adani Ports & SEZ

BSE Sensex
65,512

S&P CNX
19,512

CMP: INR790

TP: INR1,010 (+28%)

Buy



Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2,160
M.Cap.(INRb)/(USDb)	1706.6 / 20.5
52-Week Range (INR)	916 / 395
1, 6, 12 Rel. Per (%)	-3/12/-16
12M Avg Val (INR M)	6612
Free float (%)	37.1

Financial Snapshot (INR b)

Y/E MARCH	2023	2024E	2025E
Sales	208.5	231.1	273.7
EBITDA	128.3	143.3	170.6
Adj. PAT	66.8	78.3	99.2
EBITDA Margin (%)	61.5	62.0	62.3
Adj. EPS (INR)	30.9	36.2	45.9
EPS Gr. (%)	10.9	17.2	26.8
BV/Sh. (INR)	211.0	238.2	272.6

Ratios

Net D:E	0.8	0.8	0.7
RoE (%)	15.3	16.1	18.0
RoCE (%)	9.9	9.8	11.1
Payout (%)	16.2	25.0	25.0

Valuations

P/E (x)	25.6	21.8	17.2
P/BV (x)	3.7	3.3	2.9
EV/EBITDA(x)	16.1	14.9	12.3
Div. Yield (%)	0.6	1.1	1.5
FCF Yield (%)	1.8	4.5	5.4

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	62.9	61.0	66.0
DII	12.4	13.0	15.1
FII	17.0	18.0	14.2
Others	7.7	8.0	4.7

FII Includes depository receipts

Sailing toward new horizons

Well placed to post 12% volume CAGR over FY23-25; initiate with BUY

Adani Ports & SEZ (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 the country.

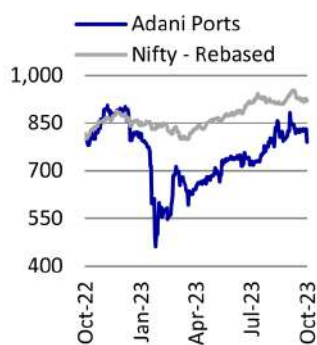
Improved reach, strategic port locations, operational efficiencies, and a comprehensive range of integrated service offerings (logistics, SEZs, etc.) have contributed to APSEZ's remarkable growth, with volumes soaring to more than four times the levels recorded in FY11. With continued growth levers at its existing ports and an expanding portfolio, we expect APSEZ to strengthen its market dominance, achieving a 12% volume CAGR over FY23–25. This would, in turn, propel a corresponding 15% CAGR in both revenue and EBITDA. Cash flow generation should remain strong and help keep debt in check despite the acquisitions. We initiate coverage on the stock with a BUY rating and a TP of INR1,010 (premised on 15x FY25E EV/EBITDA, in line with its historical average of 14x). The company's: a) market leadership in the ports segment, b) focus on value-added areas such as logistics, and c) focus on strategic acquisitions place it in a sweet spot.

Diversified portfolio with market leadership

India's 13 major ports and 205 minor ports facilitate the handling of ~1,600mmt of cargo annually. They are the key gateways to India's EXIM and economic story – industry volumes reported a 4% CAGR over FY13–23. APSEZ has been at the heart of this facilitation, with the company handling 339mmt of cargo in FY23 (312mmt in FY22). Over FY13–23, APSEZ clocked a 14% CAGR in its volumes, far outpacing industry growth rates. This is attributable to: a) expansions at Mundra, b) the commissioning of Hazira, and c) acquisitions of ports such as Dhamra, Krishnapatnam, and Gangavaram. APSEZ's reach has increased from just two ports in Gujarat in FY11 to a well-diversified portfolio of 14 ports across the western and eastern coasts of the country. In FY23, APSEZ has acquired 70% stake in Israel's Haifa Port in consortium with Israel's Gadot Group for a consideration of USD1.2b. Haifa is one of Israel's two biggest commercial ports and handles nearly half of Israel's container cargo.

Expanding size but with a focused approach

APSEZ has adopted a largely focused approach to growth – it aims to deliver continued and steady cargo volumes. APSEZ was quick to spot the containerization trend in cargo and strategically expanded its container capacities at regular intervals. Notably, APSEZ has achieved this through JVs with some of the largest shipping liners, which have also ensured long-term tie-ups. Over FY16–23, the number of containers handled by APSEZ posted a 15% CAGR vs. an 11% CAGR for other cargo types. This expansion in container handling has not only aided volume growth but also reduced dependence on commodities such as coal, leading to cargo diversification. The share of coal in APSEZ's cargo reduced to 36% in FY23 from 41% in FY16.

Stock Performance (1-year)**Prioritizing growth aided by continued growth levers at existing ports**

APSEZ has headroom for growth at its older port portfolio (FY23 utilization – Mundra: 59%, Dhamra: 70%, Hazira: 84%). It has undertaken various measures, such as: 1) optimizing existing berths at Mundra to handle higher containers, 2) improving evacuation infra at Dhamra, and 3) adding LNG/LPG terminals at Mundra and Dhamra to raise its volume and utilization levels. As a result, we expect APSEZ's utilization levels to improve and we build in a ~10% volume CAGR for its older ports of Mundra, Hazira, Dahej, and Dhamra over FY23–25.

Aiming to achieve east-west parity

APSEZ has been increasing its presence along the eastern coast in a bid to achieve east-west parity. With 1) the recent acquisitions of Krishnapatnam and Gangavaram ports, coupled with APSEZ's ability to scale up operations and implement efficiency measures, as well as 2) the trans-shipment potential led by the commissioning of Vizhinjam, the eastern coast is poised to significantly boost its volumes. We estimate the three ports to contribute ~95mmt to APSEZ's volumes in FY25.

Transforming into a complete solutions provider by lifting its logistics business

Adani Logistics (ALL) has gradually evolved to provide end-to-end logistic services, encompassing: a) container train operations (CTOs), b) container handling through logistic parks, and c) warehouses that provide storage space and trucking solutions for last-mile connectivity. ALL currently operates nine multi-modal logistics parks (MMLPs), equipped with 95 trains, 1.6m sq. ft. of warehousing space, and 1.1mmt of grain silos. ALL plans to expand its footprint and build a pan-India presence in the form of logistic parks and warehouses. These strategic initiatives are expected to create synergies with ALL's port operations, fostering higher cargo throughput and enhancing the overall efficiency of its logistics network.

Expect revenue/EBITDA to report 15%/15% CAGR over FY23–25

We expect revenue to record a 15% CAGR over FY23–25, led by 1) a 12% volume CAGR at its ports, 2) SEZ income of INR4-5b p.a., and 3) an uptick in its logistics business. EBITDA margin has been at 62–64% over the past five years. With operating leverage and efficiency measures, overall EBITDA margin is likely to remain steady at similar levels over FY23–25. This would lead to 15% CAGR in EBITDA over FY23–25. PAT, conversely, would register 22% CAGR over FY23–25.

Ideally positioned to capitalize on the growth opportunities; Initiate with BUY

With the addition of new ports, improvement in utilization levels of existing ports and a moderating capex, the cash flow generation is expected to remain strong. We expect APSEZ to generate ~INR383b of cumulative CFO over FY23–25, which would help keep its debt in check despite the recent acquisitions. **We initiate coverage on the stock with a BUY rating and a TP of INR1,010 (premised on 15x FY25E EV/EBITDA, in line with its historical average of 14x).** The company's: a) market leadership in the ports segment, b) focus on value-added areas such as logistics, and c) focus on strategic acquisitions place it in a sweet spot. APSEZ is extremely well-positioned to capitalize on the growth opportunities in the transportation industry.

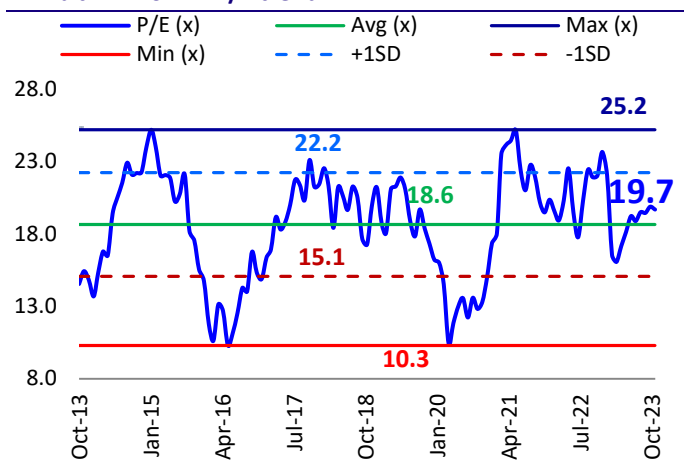
Key risks

As the largest private port operator in India, slowdown in domestic and global trade due to geopolitical disruptions could adversely impact the company's operations at its various ports. Further, our growth assumptions could be hampered by increased competition from other domestic port operators as the government is looking to modernize and improve efficiency of Indian ports. In addition, a large part of the company's debt is in foreign currency that could pose foreign exchange risk in case of any severe slowdown in its business.

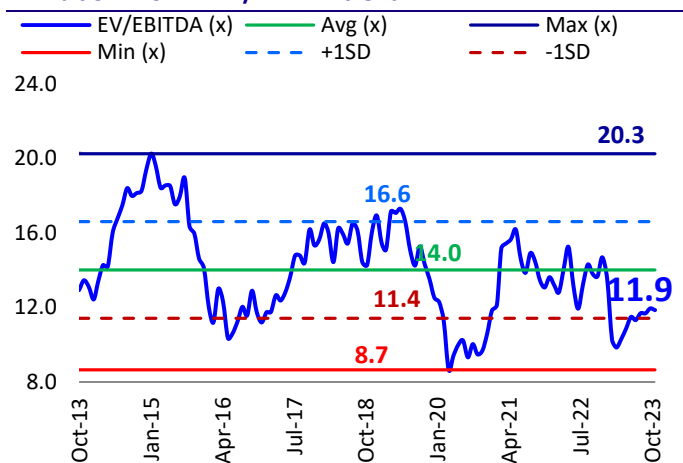
Exhibit 1: Target price derivation

Particulars	Per share (INR)
Consolidated	
EV – Based on 15x EV/EBITDA on FY25	1,188
Less – Net Debt FY25	178
Target price	1,010

Source: MOFSL, Company

Exhibit 2: APSEZ – P/E trend

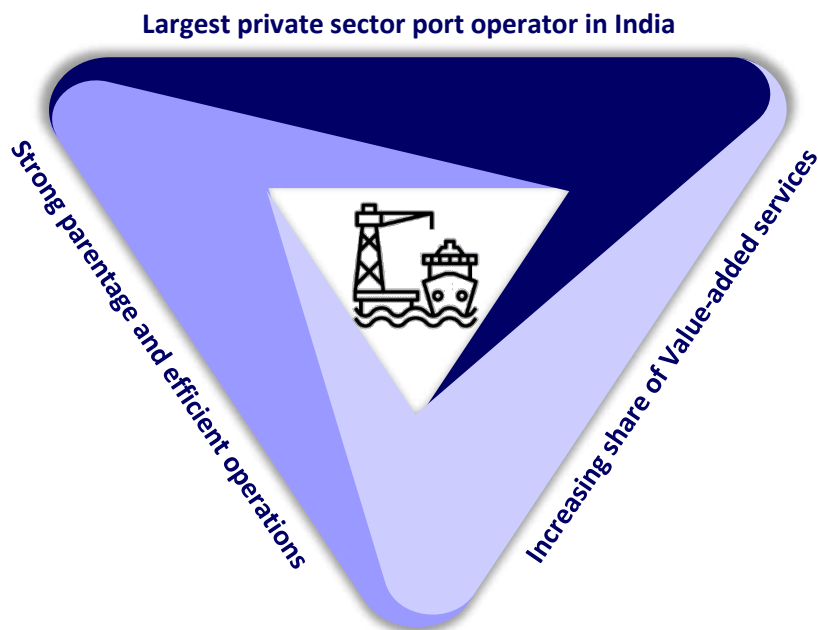
Source: Company, MOFSL

Exhibit 3: APSEZ – EV/EBITDA trend

Source: Company, MOFSL

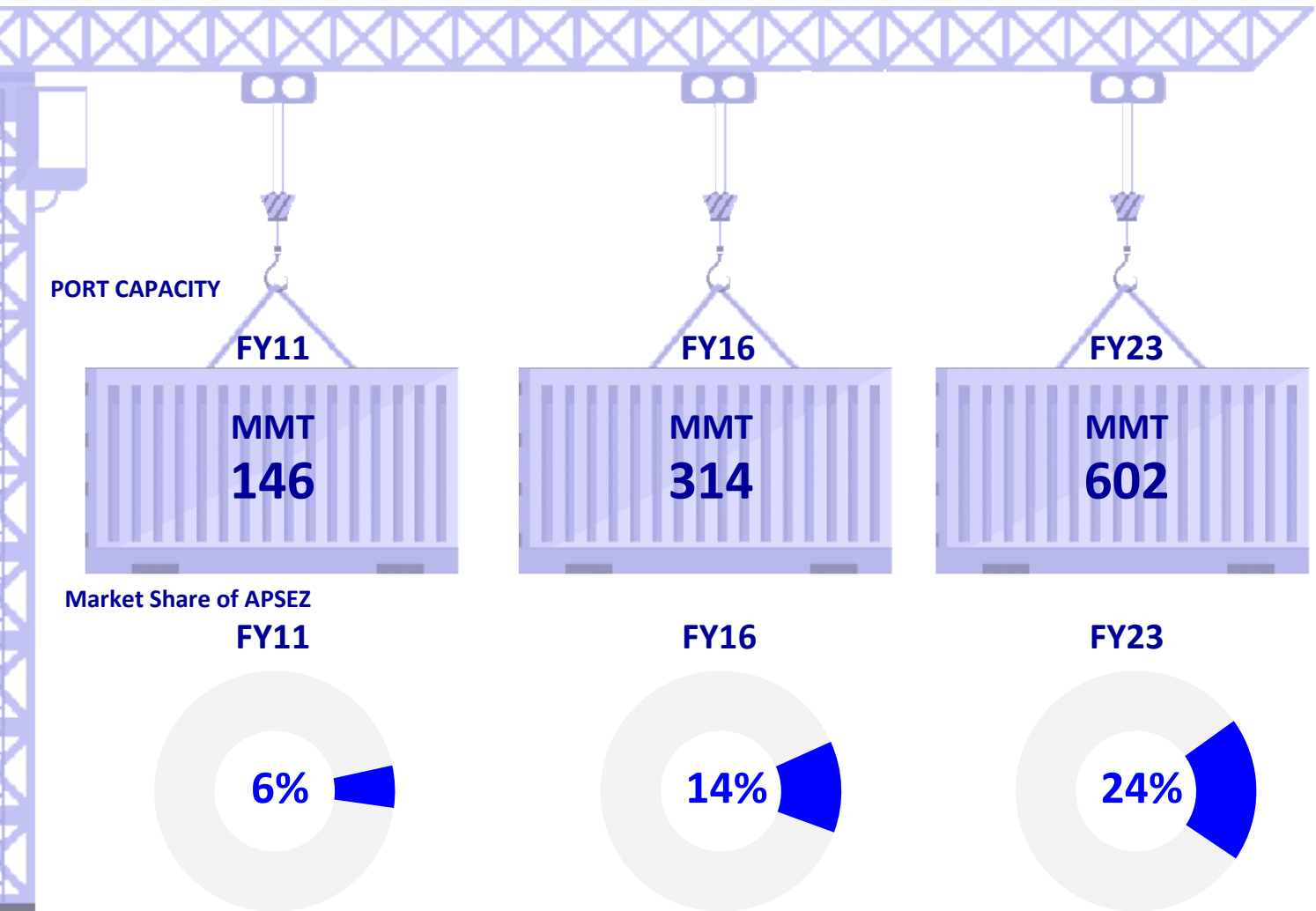
Story in charts

SPREADING ITS WINGS

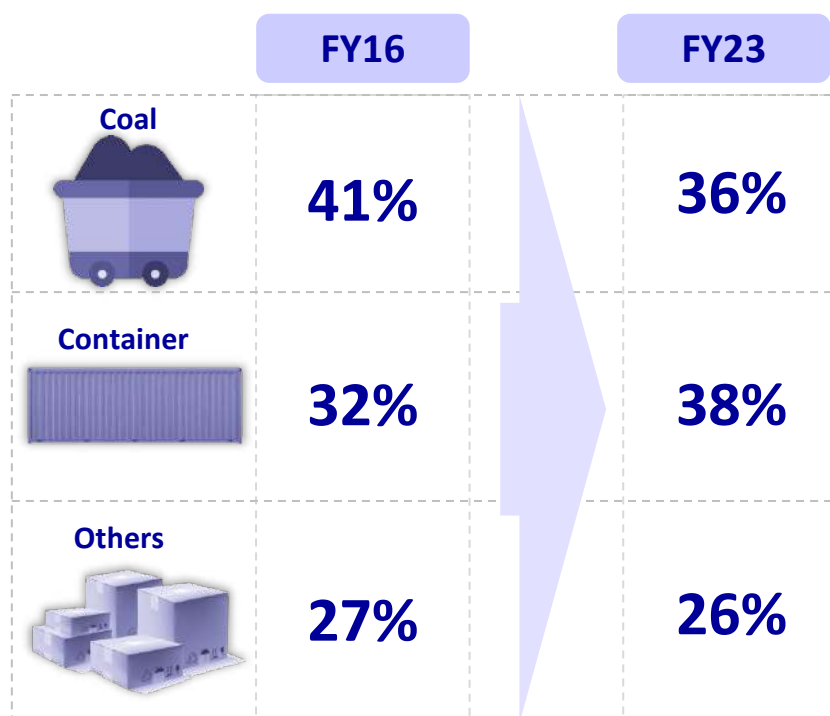


APSEZ currently commands a ~24% share in India Port volumes. It is actively expanding its footprint in the logistics sector and transitioning toward becoming a comprehensive solutions provider in the industry

PORTS SEGMENT GROWING WELL (CONSISTENTLY ADDED CAPACITY AND ENHANCED MARKET SHARE)



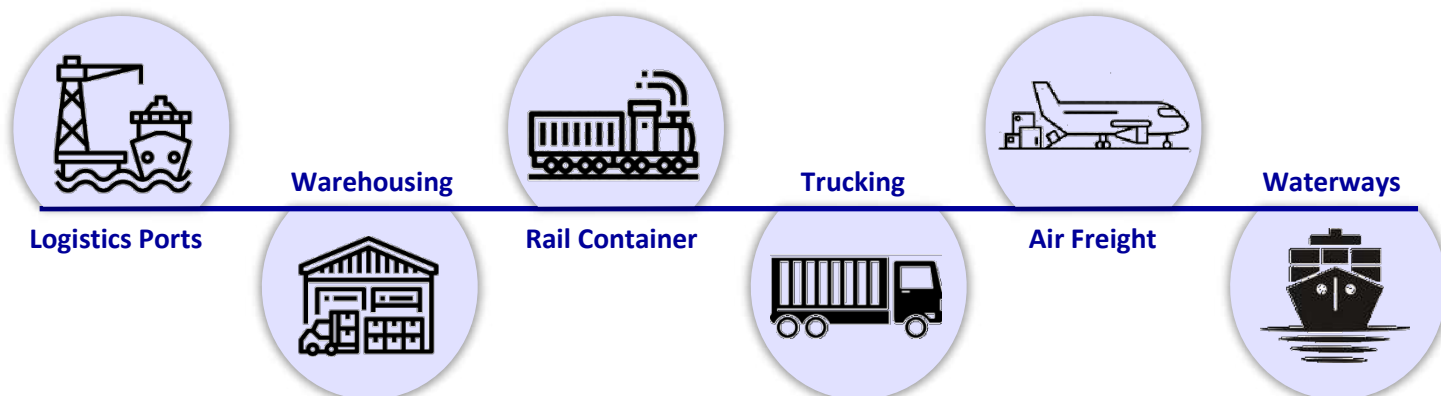
CARGO DIVERSIFICATION AT PLAY



Focused expansion in containerization to diversify and reduce coal dependence

Strategy aligns with the global trend of increased containerization

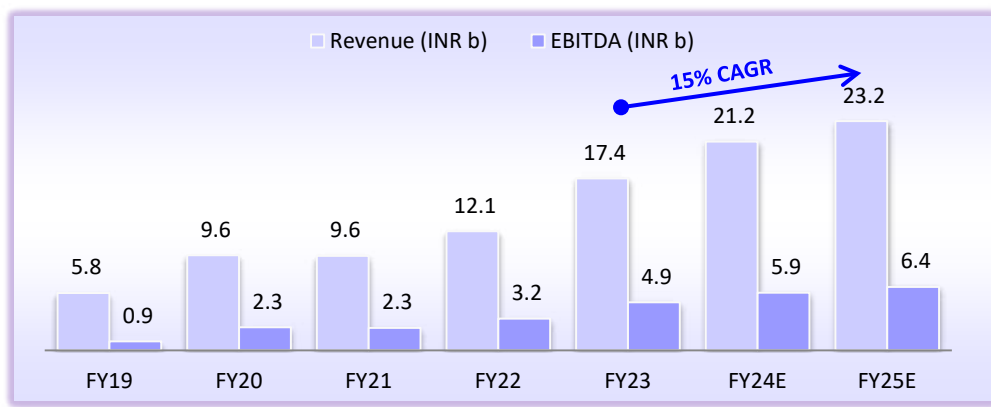
LOGISTICS SEGMENT (FOCUSING ON COMPLETE SOLUTIONS)



ALL's revenue and EBITDA

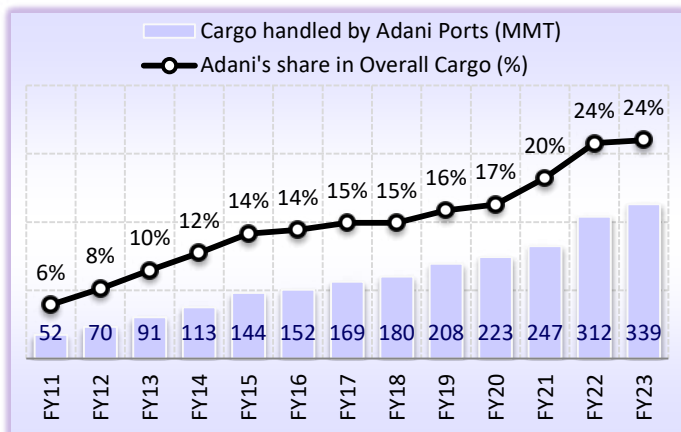
Focus on complete solution

ALL to register revenue and EBITDA CAGR of **15%** over FY23-25



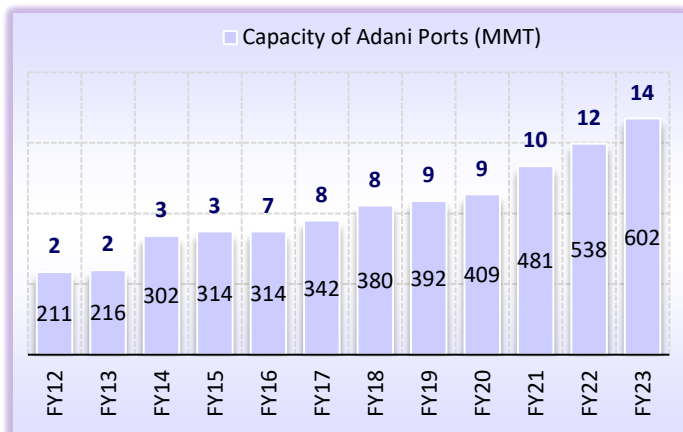
Story in charts

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



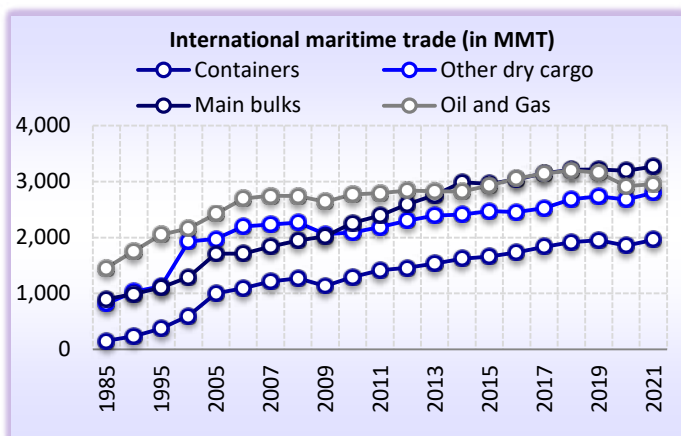
Source: Ministry of Shipping, Company, MOFSL

...driven by an expanding portfolio and...



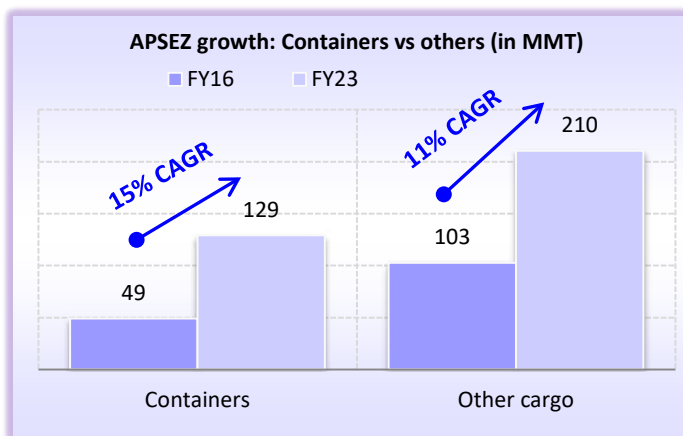
Text box denotes no. of ports operated; Source: Company, MOFSL

...the increased trend of containerization (seen globally and in India as well)



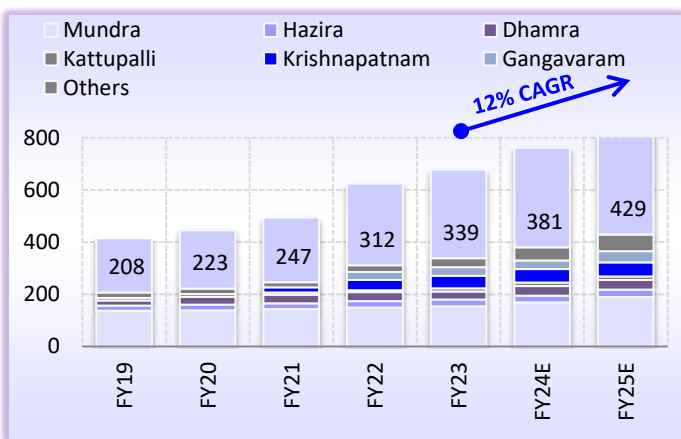
Source: UNCTAD, Clarkson, MOFSL

Focus on capturing the same has driven growth in APSEZ's cargo



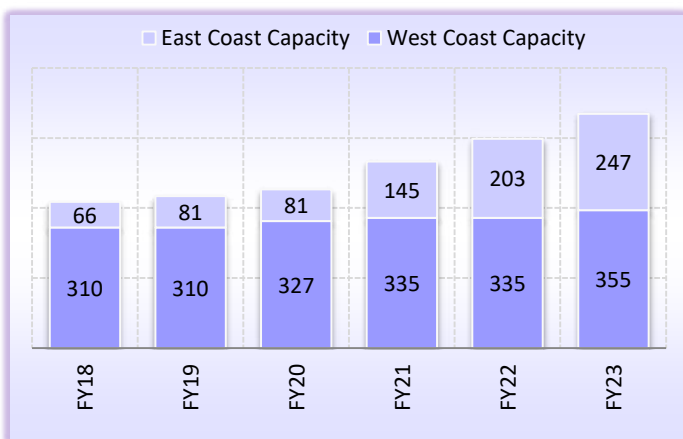
Source: Company, MOFSL

Expect market leadership to continue, with a 12% volume CAGR over FY23–25 (MMT)



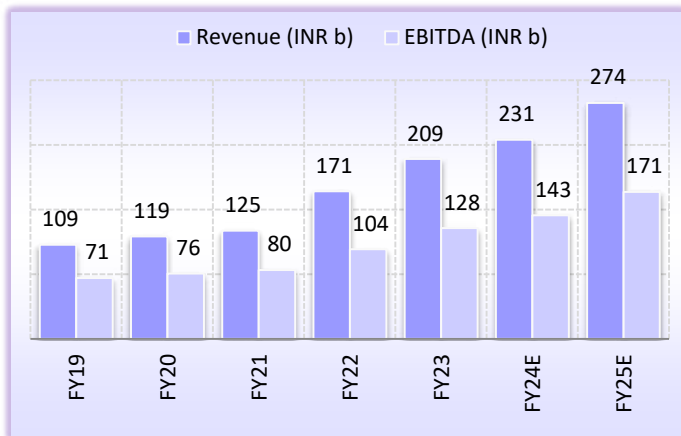
Source: Company, MOFSL

Eastern coast in focus (MMT)



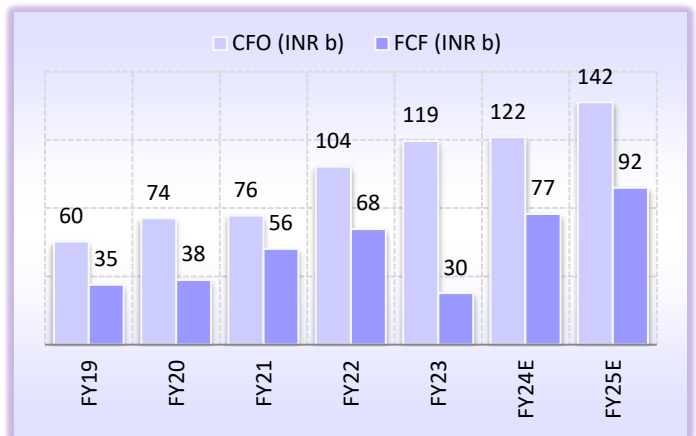
Source: Company, MOFSL

Expect 15%/15% CAGR in revenue/EBITDA over FY23-25, led by volume growth



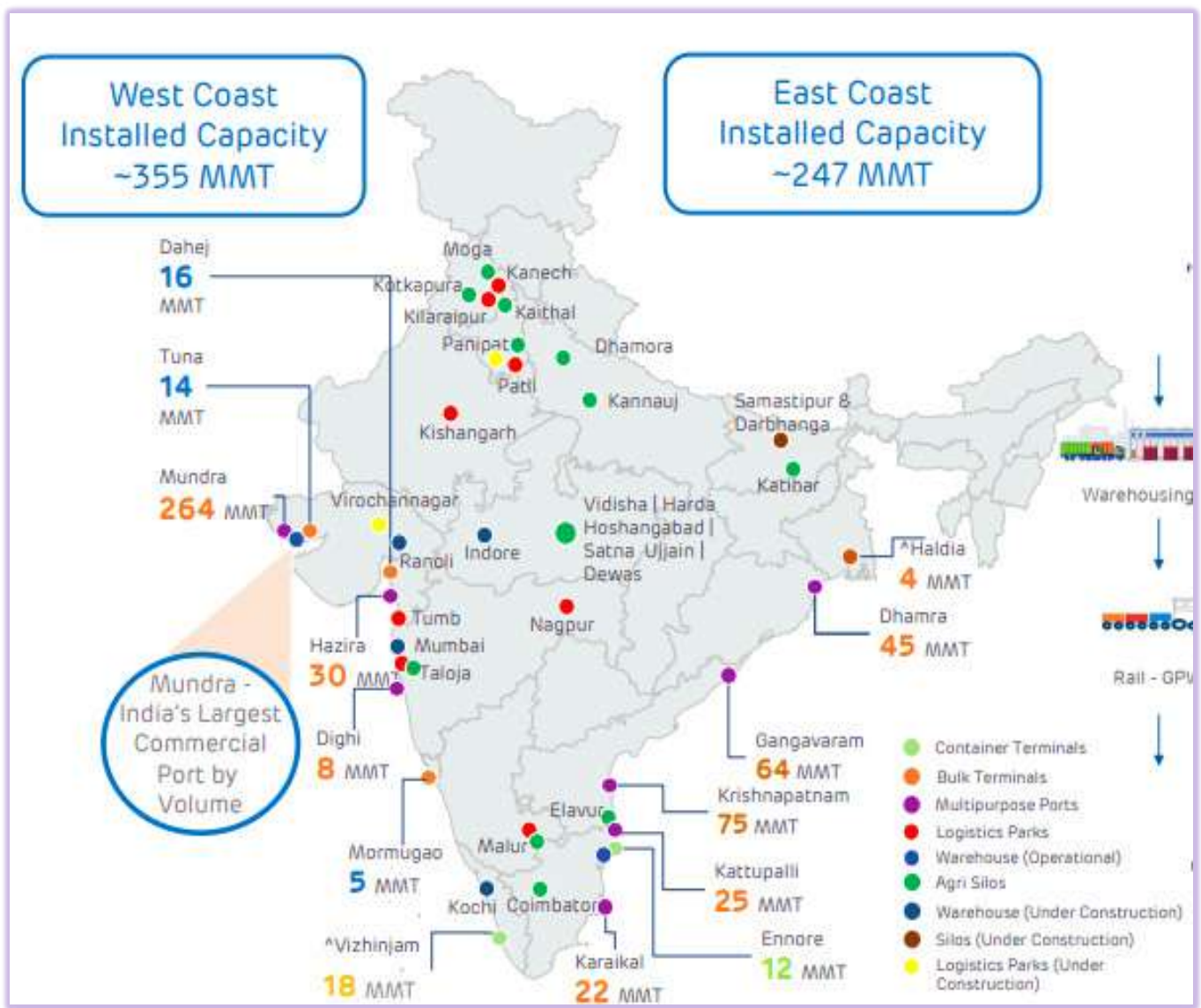
Source: Company, MOFSL

Cash generation would remain strong



Source: Company, MOFSL

Well-diversified portfolio



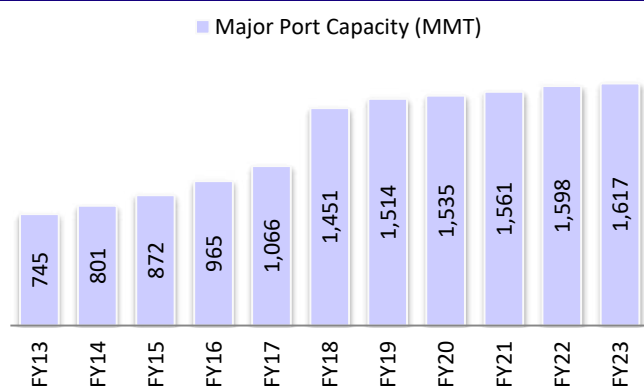
Source: Company, MOFSL

Diversified portfolio with market leadership

India's largest private port has steadily increased its presence

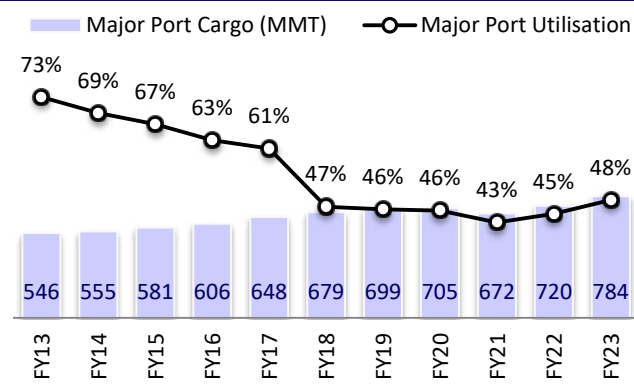
- Ports serve as a crucial gateway for a country's EXIM trade. Over the past decade (FY13–23), Indian ports have registered a CAGR of 4% in cargo handling.
 - Containerization has emerged as a key trend in cargo handling, with APSEZ standing as a key beneficiary, due to its flagship port in Mundra.
 - The combination of this factor, along with a diversified portfolio, strategic port locations, and efficient operations has led to market share gains for APSEZ. Currently, APSEZ handles 24% of India's cargo (vs. just 10% share in FY13).
- Given India's large coastline (~7,500km), ports play a pivotal role in the country's development by facilitating the export and import (EXIM) of goods. As per the Ministry of Shipping, 95% of the country's international trade by volume and 68% by value is moved through maritime. To facilitate this, the country has 13 major ports and 205 notified minor ports – which handle aggregate traffic of 1,433mmt (FY23). Therefore, ports form a key gateway to India's EXIM market, and therein, act as a proxy to India's economic story.
 - Over the past decade (FY13–23), cargo handled at India's ports has steadily increased (4% CAGR), represented by a rise in the country's GDP (real GDP: 5.5% CAGR) and EXIM. Notably, a large part of cargo handled is dominated by the Energy basket – 1) iron ore, 2) coal, and 3) petroleum, oil & lubricants (POL). Together, the three account for ~60% of handled cargo. While overall their share (iron ore, coal, and POL) has remained largely constant, containerization has been a growing trend.
 - APSEZ has been a key beneficiary of this trend, with Mundra (its flagship port) leading the way through the setup of incremental container handling capacities. Additionally, the combinations of: 1) an expanded and well-diversified portfolio, 2) strategic port locations, and 3) efficient operations have led to continued market share gains. APSEZ has evolved from operating just two ports (Mundra and Dahej) in FY11 to a portfolio of 14 ports/terminals across India. The company now accounts for 24% of the total cargo handled at India's ports (FY23) vs. just 10% in FY13.

Exhibit 4: Indian major ports – capacity

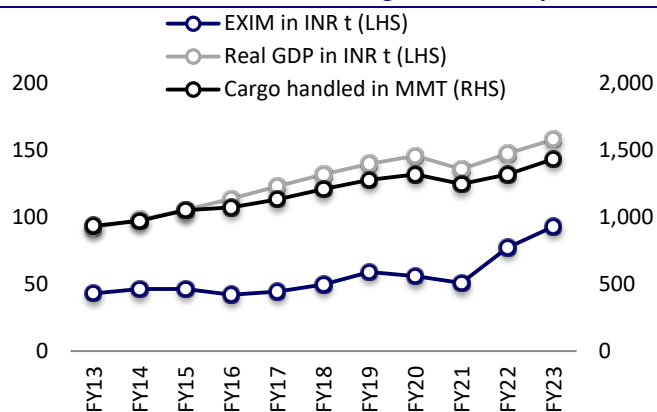


Note: Capacity in FY17 rerated as per berthing policy
Source: Ministry of Shipping, MOFSL

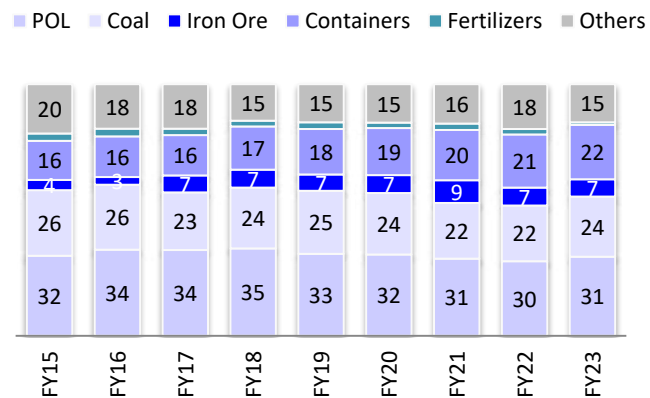
Exhibit 5: Indian major ports – volume and utilization



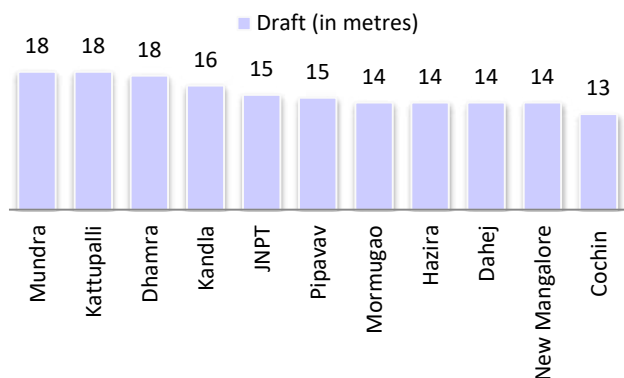
Source: Ministry of Shipping, MOFSL

Exhibit 6: India GDP, EXIM, and cargo handled at ports

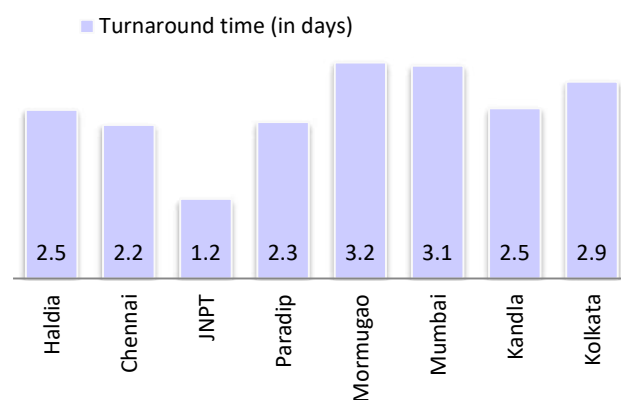
Source: MOSPI, Ministry of Commerce, Ministry of Shipping, MOFSL

Exhibit 7: India Cargo handled – commodity-wise (%)

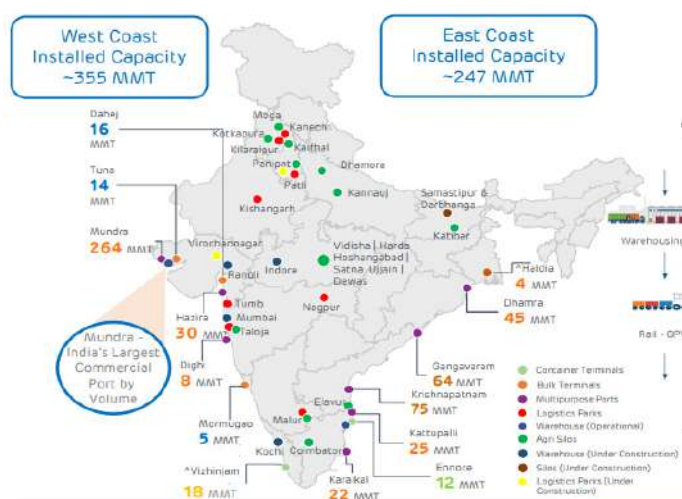
Note: POL includes LPG/LNG Source: Ministry of Shipping, MOFSL

Exhibit 8: Draft across Indian ports

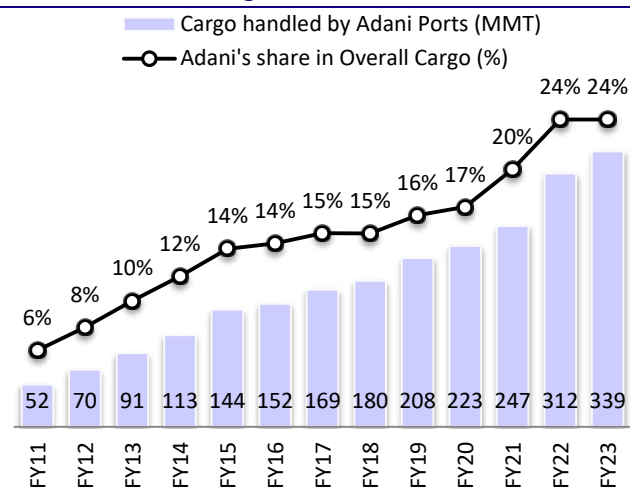
Source: Company, Industry, MOFSL

Exhibit 9: Turnaround time in FY22 (Apr-Dec)

Source: Company, Ministry of Shipping, MOFSL

Exhibit 10: APSEZ's diversified portfolio

Source: Company, MOFSL

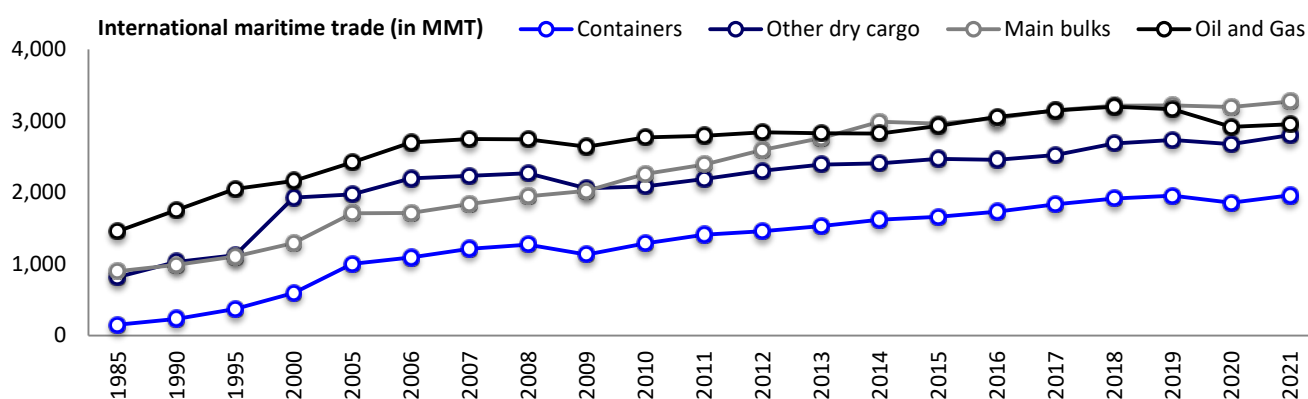
Exhibit 11: APSEZ – cargo handled and market share

Source: Company, Ministry of Shipping, MOFSL

The rise of containerization

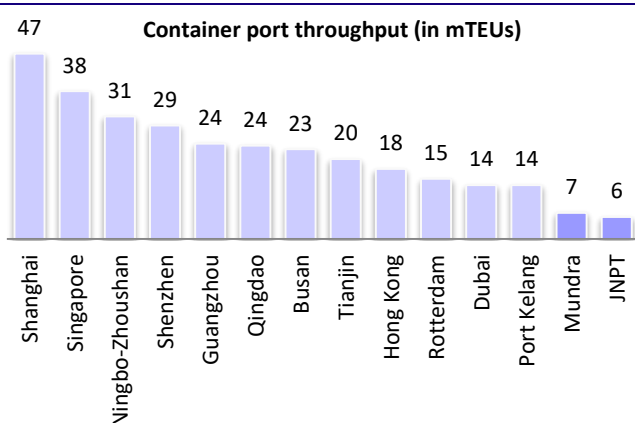
- Containerization has been touted as one of the most significant novelties within maritime trade. It has provided a means to bundle large goods into standardized units – measured in terms of twenty-foot equivalent units (TEUs). The same has a) aided the ease of use, b) reduced manual labor and the turnaround time at ports, c) improved cargo security, and d) facilitated multi-modal transport. Such benefits have, over the years, prompted a shift from general (break bulk) cargo toward containerization.
- Containerization is commodity-dependent and is high for goods in manufacturing industries, such as textiles, engineering and electronic goods, pharmaceuticals, auto machinery, and even food products. Containerization has also surged with industrial expansion in China (since the start of the 2000s) and the advent of globalization. These have supported growth in the trading of break-bulk commodities and their subsequent containerization.

Exhibit 12: International maritime trade – based on cargo type



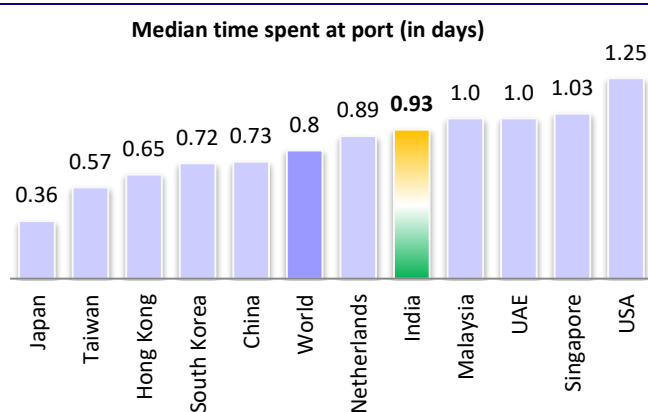
Source: UNCTAD, Clarkson, MOFSL

Exhibit 13: Container volumes handled at ports – 2021



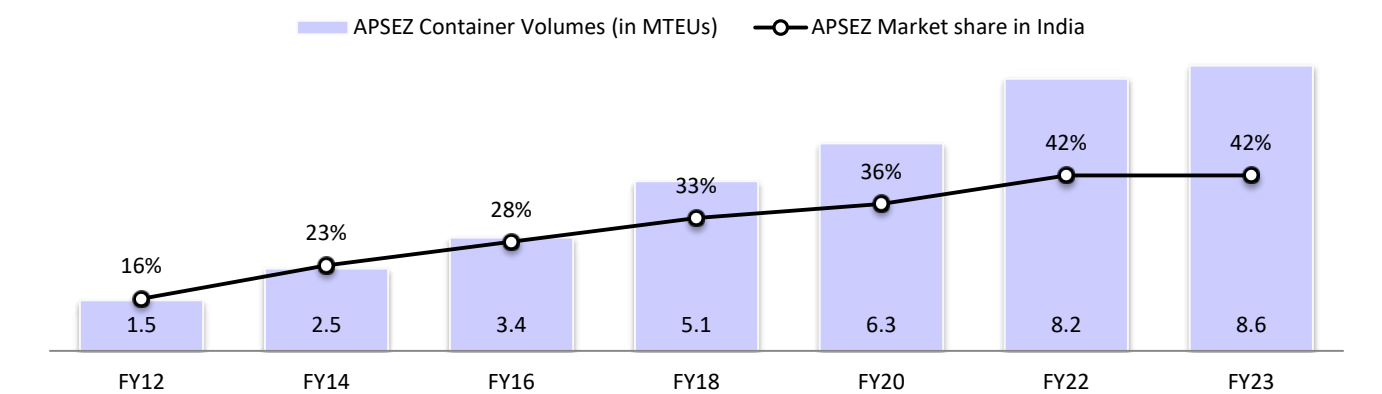
Source: UNCTAD, World Shipping Council, MOFSL

Exhibit 14: Time spent at port by container ships – 2021

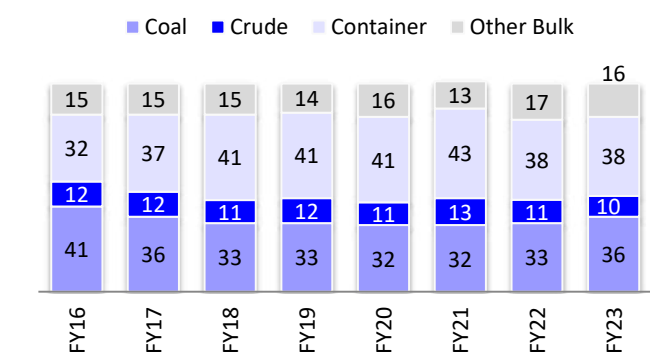


Source: UNCTAD, MOFSL

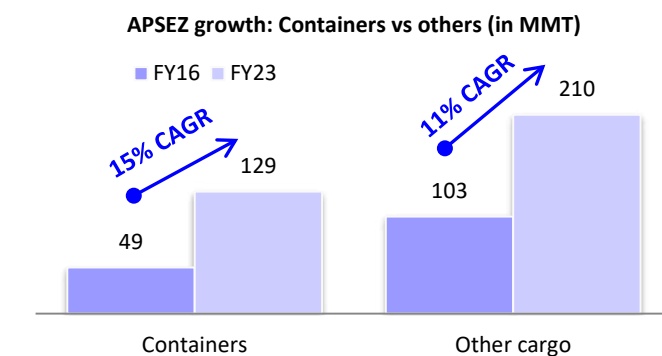
- While containerization has been on the rise in India, the country's ports still lag behind global counterparts due to issues pertaining to evacuation infrastructure, handling capacity, and inefficiencies. Some of these issues impact turnaround times – a key criterion for gaining the status of Port of Call.
- The government, though, is keen on improving India's positioning with the advent of schemes such as Sagarmala, initiatives related to port modernization, and infrastructure development through freight corridors for better and faster connectivity to the hinterland. Further, the relaxation of cabotage restrictions, allowing foreign vessels to transport coastal cargo, has created a significant opportunity for higher trans-shipment volumes at ports in India.
- Increasing container handling/capacity at APSEZ ports has not only aided volume growth, but also reduced dependence on imports of commodities such as coal.
- Higher container cargo, along with focus on other cargo (such as fertilizers and agricultural products), has led to diversification in the cargo mix. Thus, the share of containers in APSEZ's handled cargo rose to 38% in FY23 from 32% in FY16. On the other hand, the share of coal reduced to 36% in FY23 from 41% in FY16. Crude comprised 10% of overall cargo (vs. 12% in FY16), while the share of other bulk cargo in its mix marginally improved to 16% in FY23 from 15% in FY16.

Exhibit 15: APSEZ Ports Container volumes growth & Market share

Source: Company, MOFSL

Exhibit 16: APSEZ – mix of cargo handled (%)

Source: Company, MOFSL

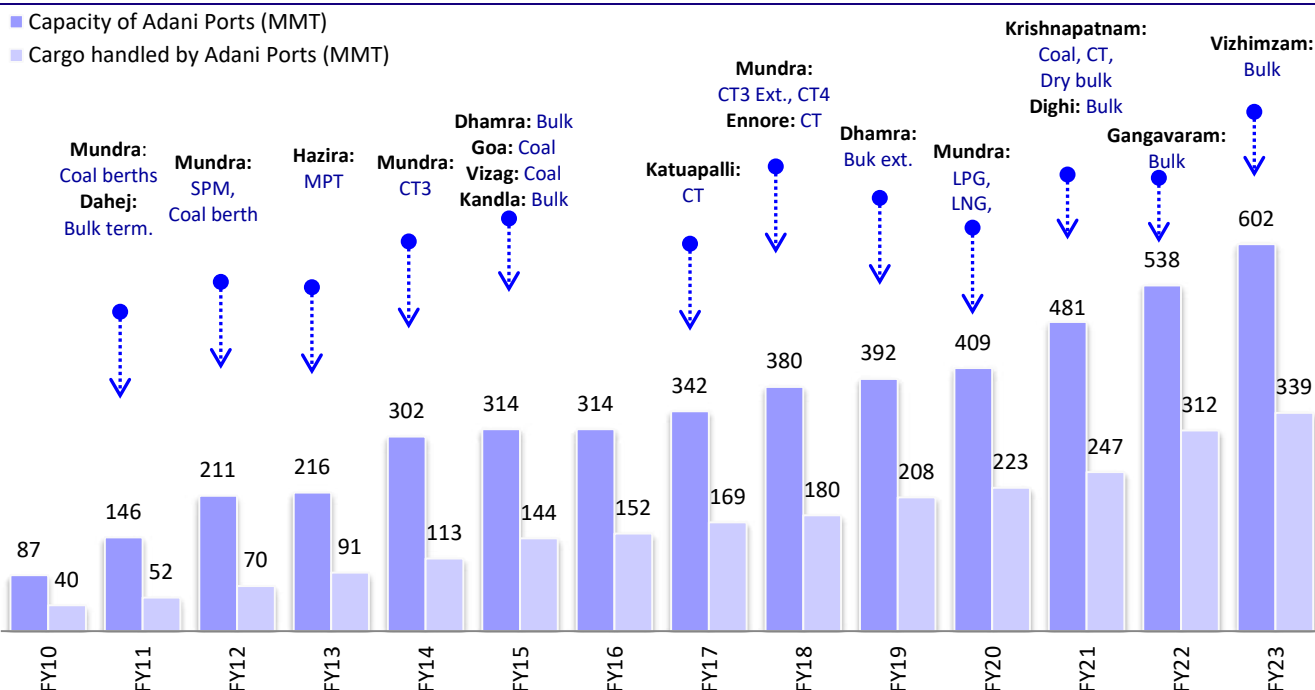
Exhibit 17: APSEZ – growth in containers vs. other cargo

Source: Company, MOFSL

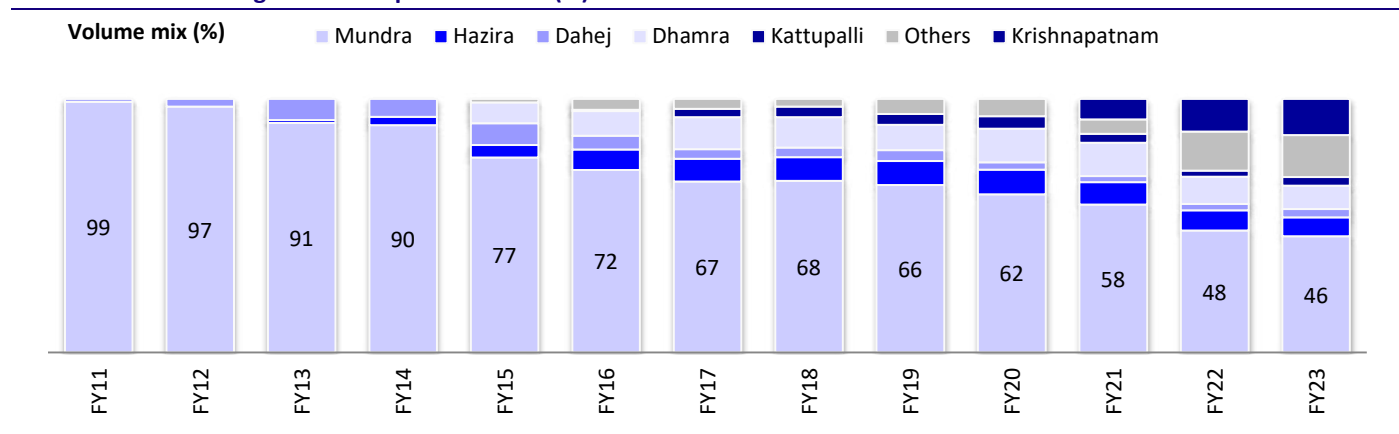
Expanding reach with a focused approach

- Cargo volumes at APSEZ have more than tripled to 339mmt in FY23 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 from 91% in FY13.
- While acquisitions have played a key part in growth, APSEZ has also grown its existing ports through strategic initiatives. For example, the company has periodically increased its capacity at Mundra by adding container capacity, banking on the rising trend in containerization. Notably, it has done so through JVs with some of the largest shipping liners, which has ensured long-term tie-ups for cargo. In FY14, APSEZ commissioned its 1.5m TEU (~22mmt) CT-3 terminal in a 50:50 JV with Mediterranean Shipping Co. (MSC); this was further expanded to 3.1m TEU (~45mmt) in FY18. Further, the company commissioned its 1.2m TEU (~18mmt) CT4 terminal through another 50:50 JV with CMA CGM. According to these agreements, the company also earns a royalty of 15–20%.

Exhibit 18: APSEZ – capacity and cargo volume



Source: Company, MOFSL

Exhibit 19: APSEZ: Cargo volume – port-wise mix (%)

Source: Company, MOFSL

Exhibit 20: Snapshot of APSEZ's ports

	Mundra	Dahej	Hazira	Dhamra	Mormugao	Kandla	Ennore	Kattupalli	Krishnapatnam	Dighi	Gangavaram
Capacity (mmt)	265	16	30	45	5	14	12	25	75	8	64
FY23 Cargo Handled (mmt)	155	11	25	31	4	8	8	12	48	0.2	32
Max. Draft (meters)	18	14	14	18	14	16	17	18	19	13	20
Berth Length (meters)	7,605	427	1,858	1,548	300	1,180	730	710	3,300	650	NA
Berths (No.)	29	2	6	5	1	4	1	3	12	2	9
Bulk Handling Equipment (cranes)	62	4	4	10	2	4	0	0	22	2	22
Concession Agreement (Years)	30	30	25	30	30	30	30	28	50	50	50
Concession Agreement (End Date)	Feb '31	Dec '35	Mar '35	Aug '42	May '40	Dec '42	Oct '44	Nov '38	Mar '59	Mar '52	Mar '59
Cargo type											
Coal	✓	✓	✓	✓	✓	✓			✓	✓	✓
Container	✓		✓				✓	✓	✓		
Crude	✓		✓								
Others	✓	✓	✓	✓		✓		✓	✓	✓	✓

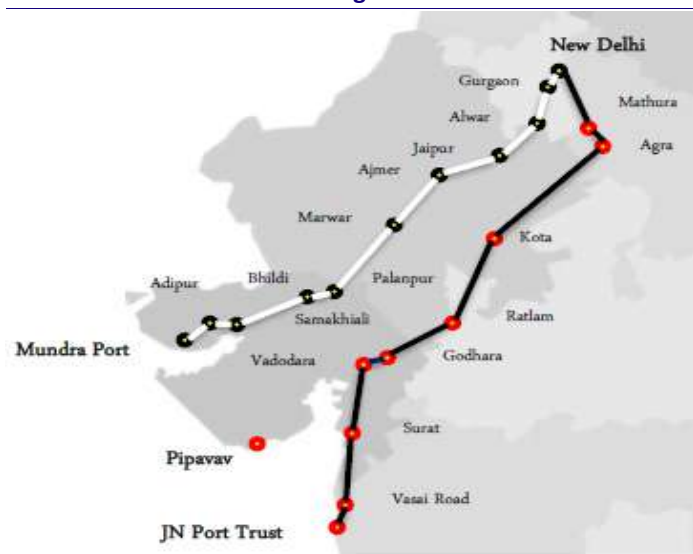
Note: Haldia Port (West Bengal), Vizhinjam Port (Kerala) and Karaikal Port (Tamil Nadu) are under construction

Source: MOFSL, Company

Strategic location, infrastructure and efficient operations play a key role

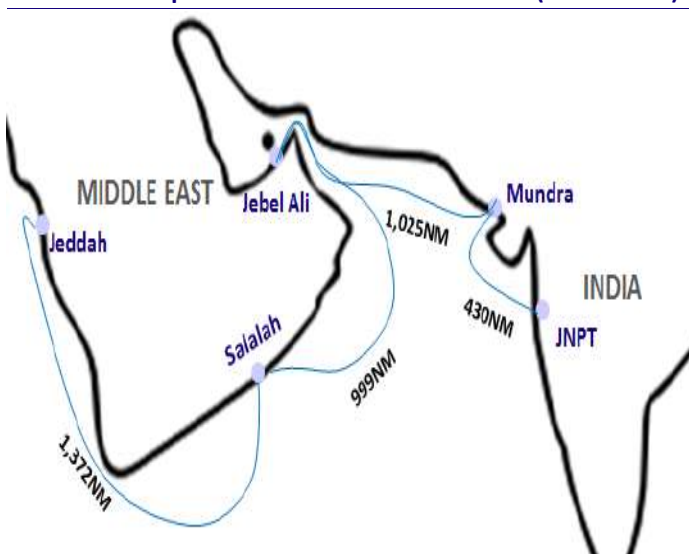
- Much of APSEZ's gains are attributable to competitive advantages, such as strategic locations with access to hinterland, strong infrastructure development and efficient operations.
- At the Mundra port, the country's largest commercial port by volume, the rail line connecting to Delhi/Bhatinda is ~245km/408km closer than the line from Mumbai to Delhi/Bhatinda. Given the port's proximity to key northern areas and lower traffic on this line (vs. the Mumbai–Delhi line), Mundra has emerged as the preferred port of call for ships.
- Further, the port's proximity to the Middle East, a key trading partner of India, particularly for crude, is also beneficial. At Mundra, the company has set up single-point mooring (SPM) facilities and recently added LPG/LNG terminals. The company's tie-ups with global shipping companies help it handle a sizeable amount of east-bound container traffic.

Exhibit 21: Rail route connecting Mundra to northern India



Source: Company, MOFSL

Exhibit 22: Snapshot of route for Maersk's ME2 (east-bound)



Source: MOFSL, Maersk

APSEZ renders an integrated services portfolio – ranging from marine (such as berthing and tug pulling) and logistic solutions to SEZ services, offering clients with single-point interface vs. dealing with multiple points of interaction

- APSEZ also has robust infrastructure to ensure efficient cargo evacuation. The deep draft at its ports is able to provide berthing for large capesize vessels. Furthermore, in-house dredging has helped the company efficiently deploy dredgers and maintain draft availability.
- The company also puts strong emphasis on automation and digitization, ensuring minimal approval requirements (vs. bureaucratic procedures at major ports). Moreover, the mapping of each step of the process ensures that the requirements of the vessels are planned and taken care of before de-loading/loading, thereby reducing the turnaround time.
- A key factor that gives APSEZ an edge is its integrated services portfolio, ranging from marine (such as berthing and tug pulling) and logistic solutions to SEZ services. This integrated offering provides clients with single-point interface vs. dealing with multiple points of interaction. Such capabilities have helped improve efficiency with a lower turnaround and pre-berthing time at its ports.
- As a result, APSEZ is able to maintain strong margins and certain pricing power (depending on demand and cargo type). This is particularly noteworthy as the country's 13 major ports (including Kandla, which is <100km away from Mundra) run at lower-than-desired utilization. These 13 ports, which handle ~55% of the country's cargo, have traditionally been regulated by the Tariff Authority for Major Ports (TAMP). Tariffs at private ports, such as Mundra, on the other hand, are more flexible and market-determined, allowing them to better react to changing dynamics.

Prioritizing growth

Building on its market leadership position

- We expect APSEZ to enhance its market leadership with a 12% volume CAGR over FY23-25.
- Existing assets have headroom for growth as their utilization stands at below 70% across ports. Capacity optimization at Mundra and Dhamra, the addition of LPG and LNG cargo, and long-term tie-ups highlight the growth potential of existing ports.
- Its increasing presence on the eastern coast through the acquisition of Krishnapatnam and Gangavaram and the commissioning of Vizhinjam would provide a major fillip.

APSEZ will continue to build on its market leadership position with better utilization levels of exiting ports and increasing presence on the eastern coast

- APSEZ attained market leadership by building strategic advantages and setting up capacities, even well ahead of demand.
- With an overall utilization level of 56% for existing ports (as of FY23) and an expanding portfolio, it has significant headroom for growth. APSEZ has set a target of achieving cargo volume of 500mmt per year by FY25.
- With an increased focus on the eastern belt, we expect the company to build on its market leadership position. We expect a 12% CAGR in cargo volume over FY23-25 on the back of: 1) additional growth levers at existing ports in terms of new facilities and containerization, and 2) expansion on the eastern coast, led by the acquisition of Krishnapatnam and Gangavaram, and the commissioning of Vizhinjam. Besides, the company's logistics business could contribute to overall profitability.

Levers in place for continued growth at existing ports

- APSEZ still has ample capacity at existing ports (FY23 utilization: Mundra-59%, Dhamra-70%, Hazira-84%). Besides, the company is undertaking measures to keep long-term growth momentum intact. APSEZ has recently optimized its existing berths at Mundra with the addition of the T2 terminal (extension of CT2) with an initial capability of handling 0.5mn TEU (~7mmt) and potential of up to 1.2mn TEU. At Dhamra, measures are underway to double rail lines and road lanes, which would improve evacuation infrastructure of the port. APSEZ expects work on the rail line and related infra to be completed over the next 18-24 months. This would enable it to improve capacity at Dhamra by 20-25mmt.
- APSEZ also plans to develop and handle LNG and LPG facilities, given the increased government focus on improving gas share in the country's energy mix. The company, though, does not intend to have any stake in such terminals as it transfers the stake to a strategic partner upon the terminal's development. Income for APSEZ would thus be in the form of port development as well as related to marine services and royalty.
- In FY20, it commissioned 5mtpa of LNG capacity and 3.2mtpa of LPG capacity at Mundra. Moreover, the company entered into a JV with Total to develop a 5mtpa LNG terminal, along with retail fuel stations, and introduced gas trading and marketing services. The terminal is further expandable up to 10mtpa. With the introduction of these facilities, APSEZ expects to handle 13mmt by FY25. Besides, it is still evaluating the prospect of developing and tying up long-term customers for an LPG terminal at Dhamra.

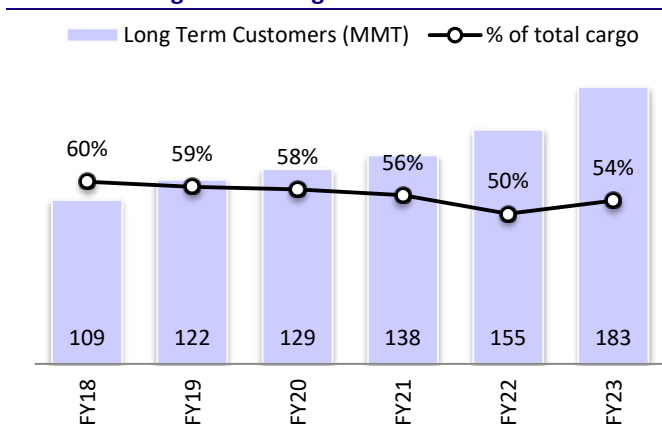
Given government's thrust on improving gas share in the country's energy mix, APSEZ focuses on development of LNG and LPG capacity at its ports

Exhibit 23: Existing and planned LNG/LPG capacities

	Capacity (mtpa)		Cargo handled (mtpa)	
	Current	Expandable	FY23A	FY25E
Mundra				
LPG & LNG	8.2	15.2	2.25	3.0
Dhamra				
LNG	5.0	10.0	-	5.0
Total	13.2	25.2	2.25	13.0

Source Company, MOFSL

- For the upcoming LNG terminal at Dhamra, the company has signed long-term contracts with GAIL (1.5mtpa) and IOC (3mtpa). Similarly, its LPG terminal at Mundra has three off-take agreements with IOC, HPCL and BPCL for five years on a take-or-pay basis. The LNG terminal at Mundra, on the other hand, has been in partnership with Gujarat State Petroleum Corporation (GSPC).
- Such partnerships (Petronet at Dahej, GSPC at Mundra LNG, Total at Dhamra LNG, MSC at CT3 in Mundra, CMA-CGM at CT4 in Mundra) have helped it sign long-term arrangements with ship-liners and end customers. Over the past five years, ~55% of APSEZ's cargo volume has been tied up in the form of long-term contracts. This helps drive stable cargo, which is pertinent in current dynamics of global trade. In our view, this has been a key facet of APSEZ's story as it not only provides APSEZ with much-needed protection on the volume front (given the upfront investment in building such capacities), but also allows it to focus on other growth prospects.

Exhibit 24: Cargo under long-term contracts

Source: Company, MOFSL

Exhibit 25: Some of APSEZ's key customers

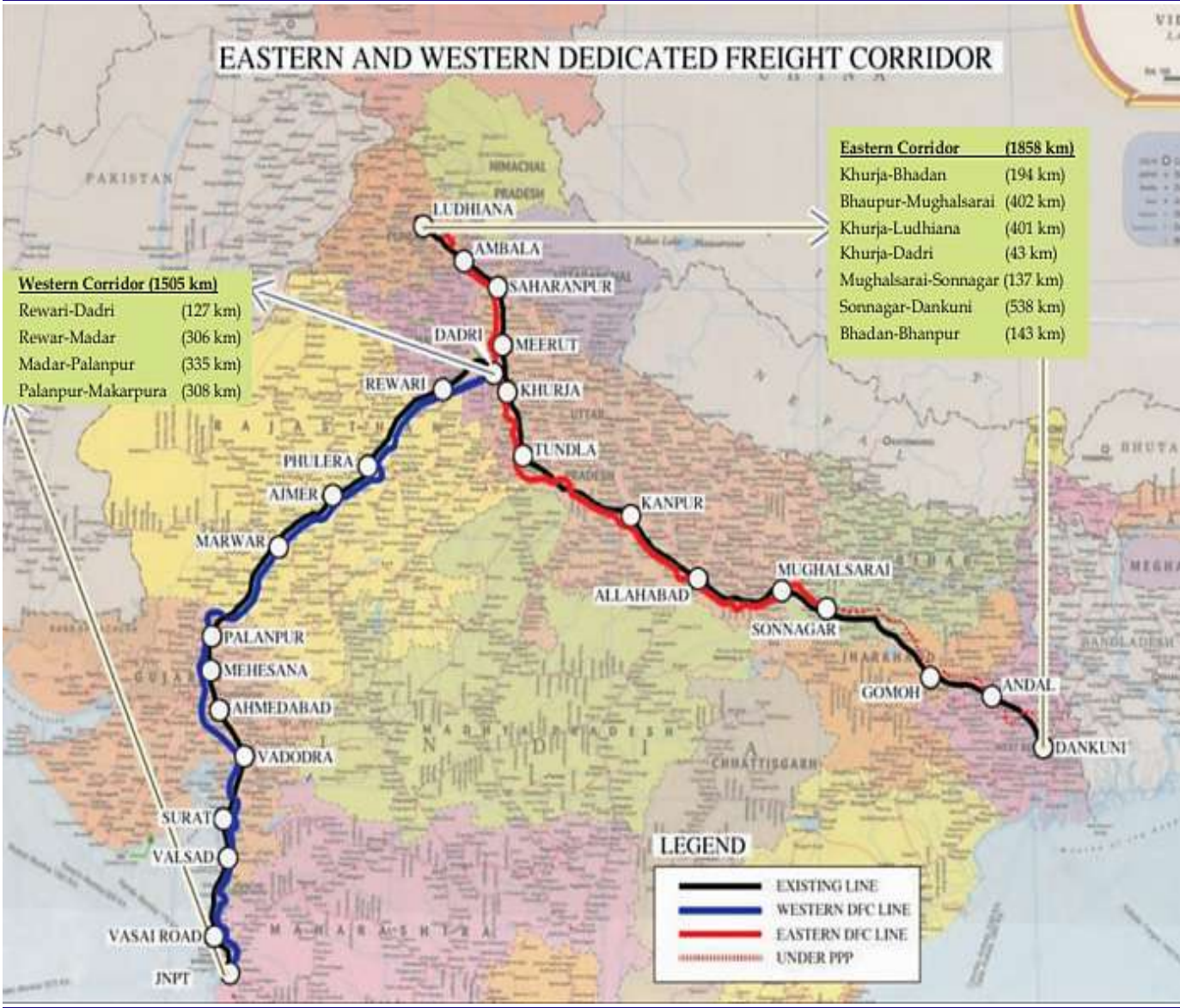
Source: Company, MOFSL

Commissioning of Western DFC could provide another fillip to Mundra

- The implementation of a dedicated freight corridor (DFC) has been considered a landmark step in transforming India's transportation scenario. The DFC plans to provide a dedicated route for the transport of heavier goods faster. It should bring about a shift from road to rail given its efficiency over long distances.
- The western belt, known as the Western DFC (WDFC), would cover a distance of 1,504km from JNPT to Dadri. Notably, the Sachin-Vaitarna-JNPT stretch, which connects JNPT to the WDFC, is expected to be completed in Mar'24. On the other hand, the Madar-Palanpur stretch, which connects Mundra to the DFC (through Mundra-Adilpur-Palanpur line), has already been commissioned.

- Thus, Mundra (based on its location) was connected to the WDFC network earlier, which presented an opportunity for the port to garner share from JNPT. About 15-20% of JNPT’s cargo demand still comes from the northern hinterland.

Exhibit 26: Eastern and Western DFCs



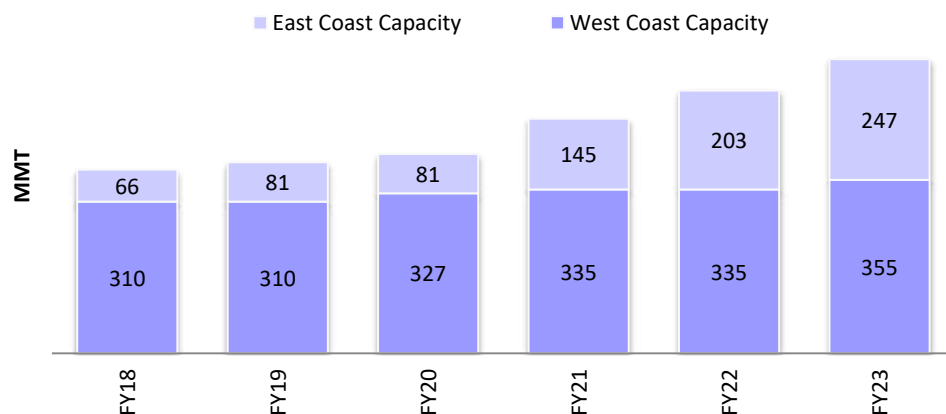
Source: DFCCIL, MOFSL

Expansions on the eastern coast to attain east-west parity

In order to achieve east-west coast parity, APSEZ has been increasing its presence on the eastern coast with acquisition of Dhamra, Kattupalli, Krishnapatnam, and Gangavaram.

- Over the years, APSEZ has developed a strong position on the western coast of India. However, in a bid to achieve east-west parity, the company has been increasing its presence on the eastern coast. In our view, factors such as 1) increasing traffic at the eastern ports, 2) trans-shipment opportunity, and 3) the potential for deploying efficiency measures and improving profitability at these ports have played a key part in this strategy.
- APSEZ made its foray into the eastern belt with the acquisition of Dhamra in FY15. This provided the company with access to customers in the rich mineral and industrial belt of eastern India. Volumes at Dhamra reported a 13% CAGR to 31mmt during FY15-23. APSEZ also acquired the Kattupalli port (took over port operations in Nov'15, with the acquisition being completed in June 2018), thereby providing it access to the key container market of southern India. Volumes at Kattupalli increased to 11.5mmt in FY23 from 5.5mmt in FY17.
- APSEZ acquired a 31.5% stake in the Gangavaram port from Warbug Pincus at INR19.5b and 10.4% from GoAP for a consideration of INR 6.5b, taking its total stake to 41.9% in FY22. Further, the acquisition of the remaining 58.1% stake from DVS Raju and family through a share swap arrangement was completed in 3QFY23. The Gangavaram port is an all-weather deep-water multi-purpose port situated at Vizag with an operational capacity of 64mmt (expandable up to 250mmt). It has a freehold land area of 1,800 acres out of which 800 acres are available for future development. Notably, the port handled 32.5mmt of cargo in FY23.

Exhibit 27: Looking to achieve east-west parity (MMT)



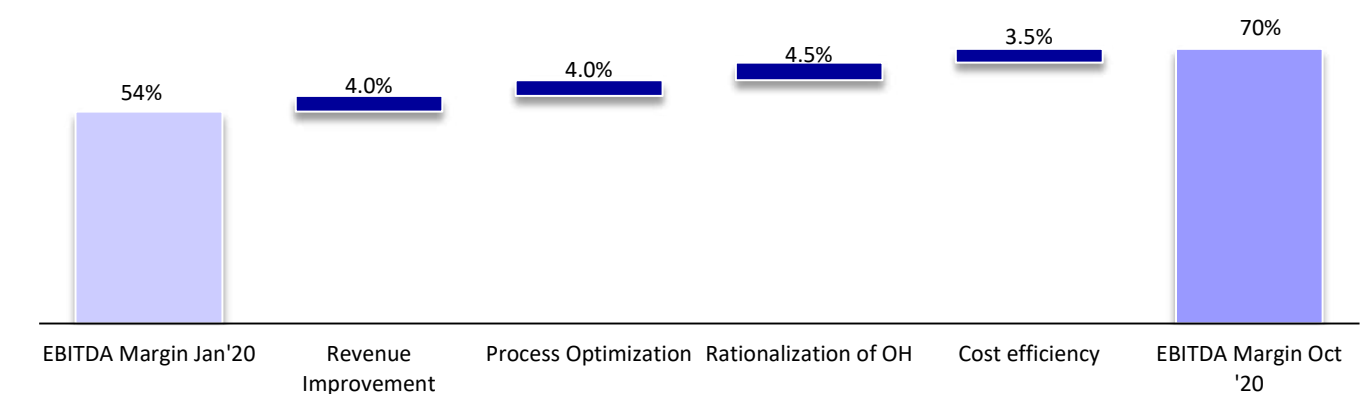
Source: Company, MOFSL

Krishnapatnam is the largest private port on the eastern coast, with capacity of 64mmt. It is further scalable to 300mmt thereby presenting the potential for Krishnapatnam to become Mundra of the east.

Krishnapatnam port: Mundra of the east

- APSEZ acquired a 75% stake in the Krishnapatnam port in Oct'20 and the remaining 25% stake in Apr'21 for an enterprise value of INR137b. It is the largest private port on the eastern coast, with capacity of 75mmt, handling 48mmt (in FY23). It is further scalable to 300mmt, as per its master plan, thereby presenting the potential for Krishnapatnam to become Mundra of the east. It is a multi-purpose port (handling coal, containers, and other bulk) and is well-connected by rail (double-line till main junction) and road (four-lane road connecting the Chennai-Kolkata corridor). Moreover, 35-40% of its cargo is tied up under long-term contracts, which provides stability.
- APSEZ's ability to scale up acquisitions with minimal capex and efficiency measures is visible here. EBITDA margin is expected to improve, led by the rationalization of overheads, improving business processes, and tariff hikes.

Exhibit 28: Margin improvement at Krishnapatnam



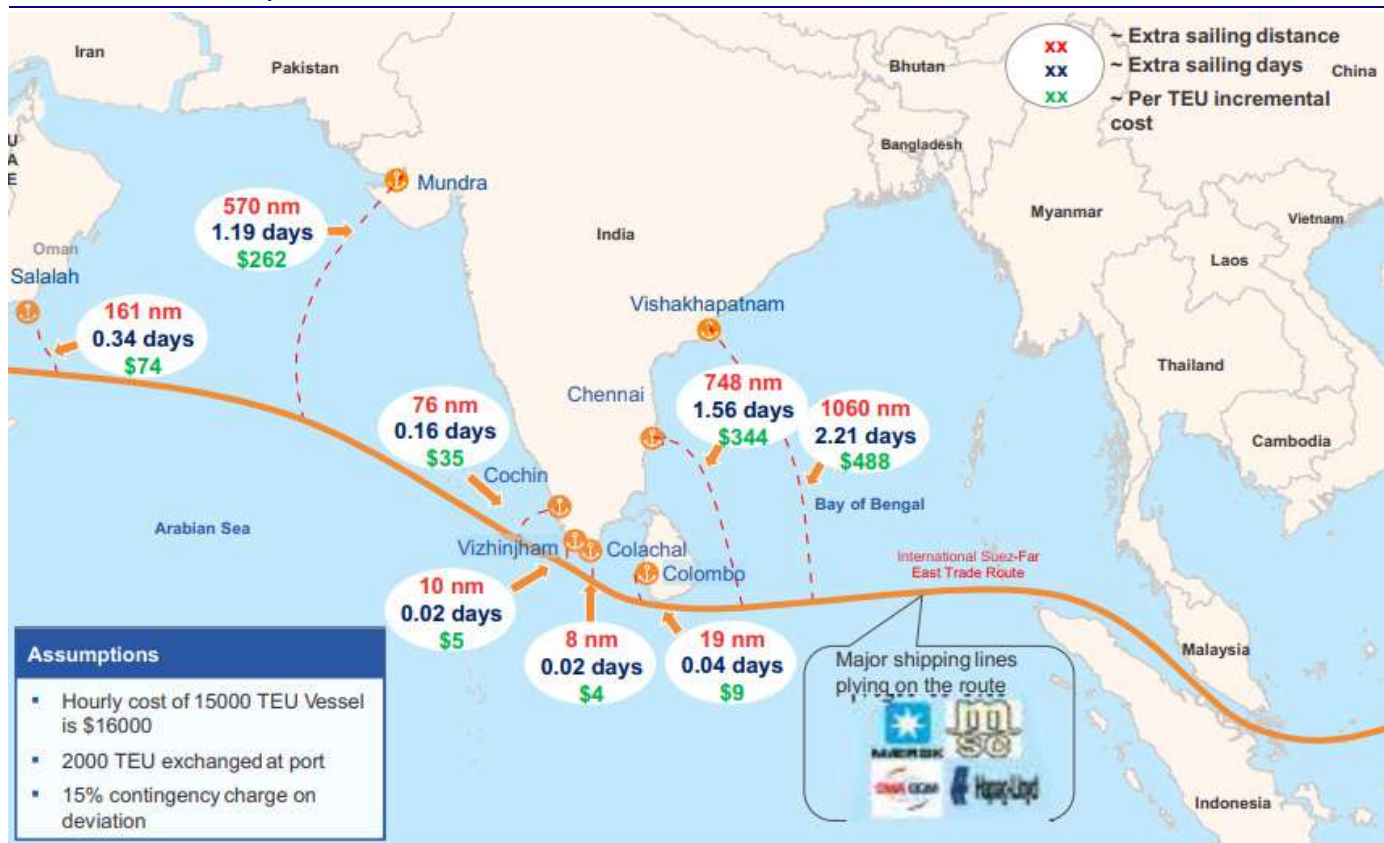
Source: Company, MOFSL

Trans-shipment potential

- As per industry estimates, 25% of container volumes (~4m TEU) meant for India are trans-shipped at foreign ports such as Colombo, Singapore, and Port Klang. It is because of the lack of port infrastructure (such as deep drafts), evacuation facilities and impeding regulations for foreign liners. The situation is changing with the relaxation of the cabotage law (in May'18), which now enables foreign-flagged vessels to carry coastal cargo. In fact, Mundra also appears to be a beneficiary, with the port handling ~12mmt (up 16% YoY) of trans-shipment-based container volumes in CY19. Overall, 14% of total container volumes handled by APSEZ in FY20 were trans-shipment based vs. 12% in FY19 and 11% in FY18.
- Notably, the company is developing a pure trans-shipment port at Vizhinjam with a capacity of 18mmt. Apart from infrastructure characteristics, the location of the port is also pertinent; for example, for large container vessels travelling from the trunk route between China and Europe via the Suez Canal, deviations would have to be minimal given the size/bulk of goods. In this context, Vizhinjam is well-located (see Exhibit 30). APSEZ's Vizhinjam port is likely to be commissioned in FY24 and would look to shift volumes from Colombo, which handled an estimated ~60% of India's trans-shipment container volumes in FY19.

In order to cater to large container volumes, APSEZ is developing a pure trans-shipment port at Vizhinjam with a capacity of 18mmt, which is likely to be commissioned in FY24.

Exhibit 29: Route for rapid east trade and incremental cost of deviation

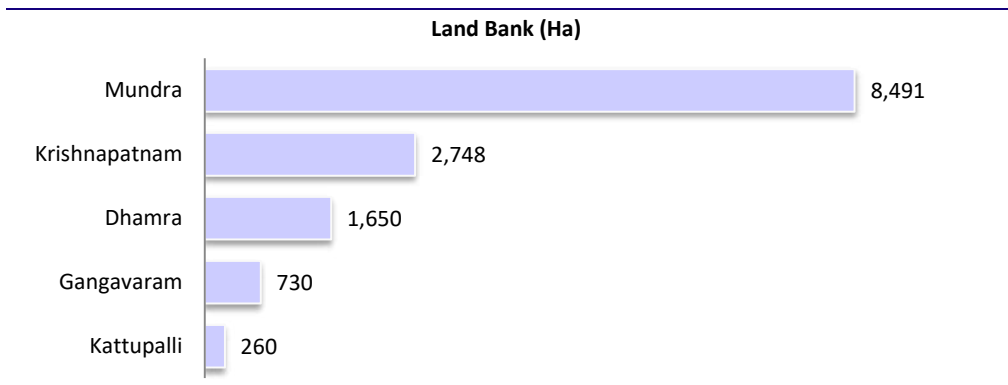


Source: Ministry of Shipping, AECOM, MOFSL

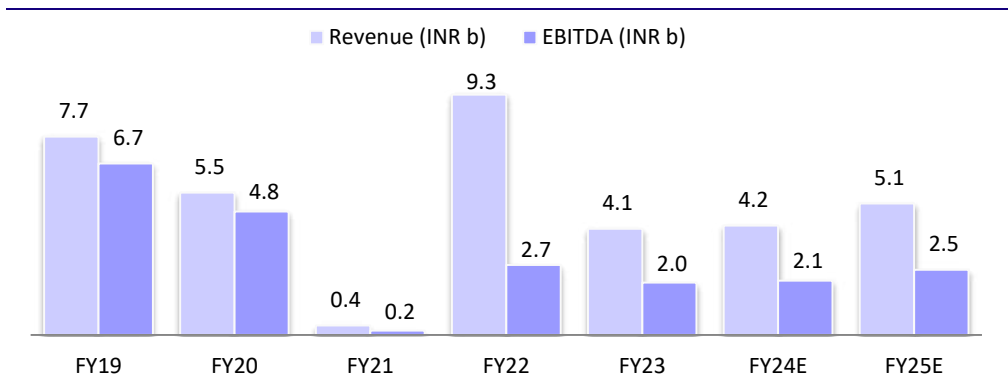
APSEZ has a big opportunity to monetize land as just 30% of the total land bank has been put on lease. We expect SEZ revenue to be at ~INR4-5b p.a. for the next two years, led by development-related income and recurring lease income of INR1–1.2b p.a.

SEZ: Leveraging its land bank for additional income

- With an industrial land bank of ~8,500Ha near Mundra, APSEZ provides industries with an opportunity to access its robust port and evacuation infrastructure through its manufacturing zone. The zone offers a holistic space for industries through 1) a ready land bank for setting up projects, 2) necessary infrastructure (electricity and water), and 3) access to the Mundra port with associated evacuation infra, such as road and rail.
- The leverage of such a vast land bank has led to an additional source of income for the company. SEZ income consists of: 1) port development income (for construction and the leasing of assets), 2) an upfront land lease premium, and 3) recurring rental income on leased land. The opportunity to monetize this land remains huge as just 30% of the total land bank has been put on lease. As of FY23, the company has total land area of 12,000Ha at Mundra, Dhamra and Krishnapatnam.
- We expect SEZ revenue to be at ~INR4-5b p.a. for the next two years, led by development-related income and recurring lease income of INR1-1.2b p.a. This would largely come on the back of the development of the LNG terminals at Mundra and Dhamra, and possibly the LPG terminal at Dhamra. It is pertinent to note, though, that incomes from development and upfront land lease premium do make SEZ revenue lumpy in nature and it could fluctuate over quarters and even annually.

Exhibit 30: APSEZ – land bank

Source: Company, MOFSL

Exhibit 31: SEZ – revenue and EBITDA

Source: Company, MOFSL

Transforming into a complete solutions provider

Logistics could render leg-up

- ALL, a wholly owned subsidiary of APSEZ, has gradually evolved into a provider of end-to-end logistic services, including CTOs, containers handling through logistic parks, and warehouses that provide storage space and trucking solutions for last-mile connectivity. Further, with the acquisition of Adani Agri Logistics (AALL), the company provides agri storage through silo capacities across India.
- ALL currently operates nine multi-modal logistic parks (MMLPs) with 95 trains, 1.6m sqft of warehousing space, and 1.1mmt of grain silos. ALL plans to expand its footprint and build a pan-India presence with logistic parks and warehouses. It is currently developing three logistic parks at Virochanagar, Taloja and Panipat, and warehouses at multiple locations. These initiatives, in particular, would help ALL build synergies with its port operations and bring in more cargo.

Exhibit 32: Logistics asset base has grown significantly over the last few years

Assets	Trains	MMLPs	Grain Silos	Ware-housing	Rail Tracks	Marine Flotilla*
FY20	58 Trains	5 MMLP	0.88 MMT	0.4 mn Sq. ft.	540 KMs	26
Q1 FY24	95 Trains	9 MMLP	1.1 MMT	1.6 mn Sq. ft.	620 KMs	112

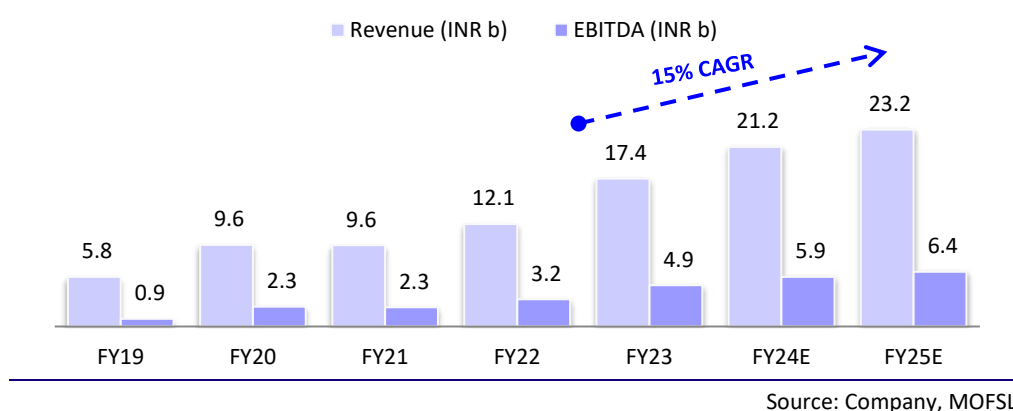
Source: Company, MOFSL

- ALL plans to have 15 MMLPs, 200+ rakes, 60m sqft of warehousing space, 2.5mmt of grain silos and 25 inland waterways vessels by FY26.
- 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 15% CAGR in revenue and EBITDA over FY23-25.

APSEZ is transforming into a complete solution provider by expanding the footprint of its logistics business and building a pan-India presence with logistic parks and warehouses.

- To provide end-to-end logistic solutions, APSEZ has been moving toward becoming an integrated logistics player. To leverage synergies, it has been creating and developing rail tracks, which would provide competitive advantage to its ports. APSEZ has invested in rail tracks of almost 690km under a subsidiary Adani Tracks Management Services (ATMS). APSEZ acquired Sarguja rail corridor through a scheme of merger and paid the consideration through the issuance of new shares of APSEZ to the promoters of Sarguja rail corridor (SRCPL) in FY22. SRCPL operates and maintains 70km of private siding common rail corridor from Parsa East and Kansa Basan near Hasdeo coal fields in Chhattisgarh. It has capacity to operate 16 rakes per day and has land lease till 2065. It has a take-or-pay contract with Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRUVNL) for supplying coal to its power plants.

Exhibit 33: ALL's revenue and EBITDA



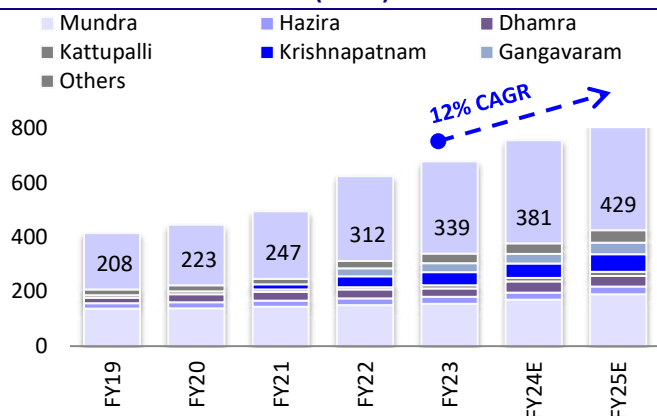
Expect revenue/EBITDA to report 15% CAGR each

Expanding reach to drive 12% volume CAGR; FCF generation to be strong

- Expect revenue to clock 15% CAGR over FY23–25 aided by volume growth, continued SEZ-related income, and an uptick in its logistics business.
- Overall EBITDA margin would be in the range of 62-63%, with the acquisitions of Krishnapatnam and Gangavaram ports, SEZ income, and operational efficiencies (given cargo growth).
- Cash flow generation would remain strong with operating income growth. Expect operating cash flows at ~INR383b over FY23–25.

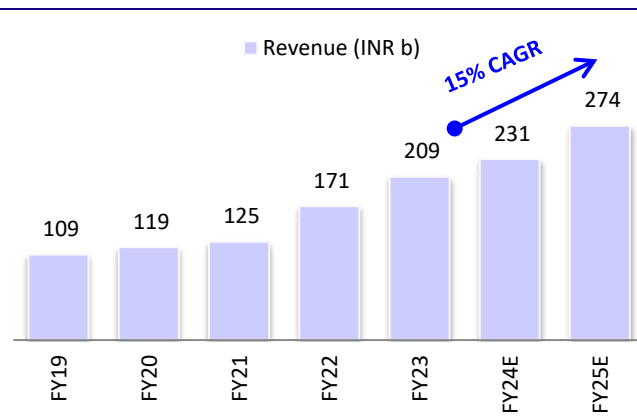
- We expect APSEZ's revenue to clock 15% CAGR over FY23–25, fueled by: 1) 12% volume CAGR at its ports, 2) SEZ income of INR4-5b p.a., and 3) an uptick in its logistics business.
- Volume growth is attributable to the recent acquisitions of Krishnapatnam, Vizhinjam and Gangavaram ports (to contribute ~95 mmt in FY25). With the additions of new ports, we expect the cargo mix to diversify further. The share of Mundra in APSEZ's cargo handled would fall to 44% in FY25E from 46% in FY23.

Exhibit 34: APSEZ – volumes (MMT)



Source: Company, MOFSL

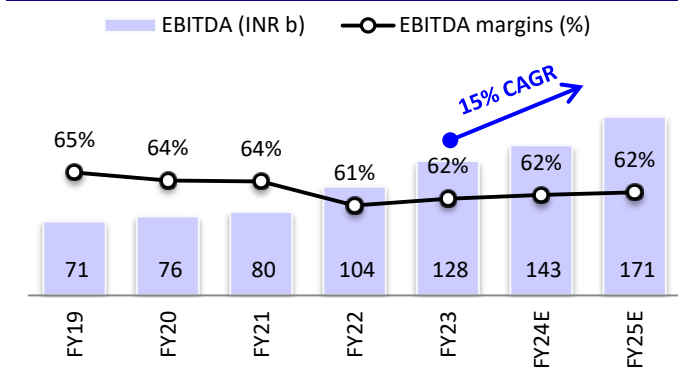
Exhibit 35: APSEZ – revenue



Source: Company, MOFSL

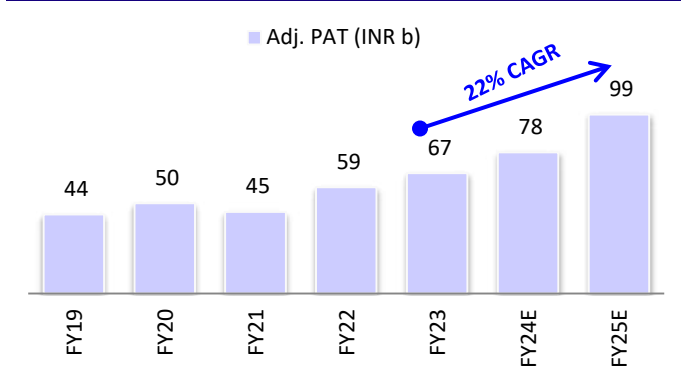
- EBITDA margin has been hovering around 62–64% over the past five years. With operating leverage and efficiency measures, overall EBITDA margin is expected to remain steady at similar levels over FY23–25 despite the significant growth in low-margin logistics segment.
- This would result in a 15% EBITDA CAGR over FY23–25E. PAT, on the other hand, would report 22% CAGR over FY23–25E.

Exhibit 36: APSEZ – EBITDA and EBITDA margin (%)



Source: Company, MOFSL

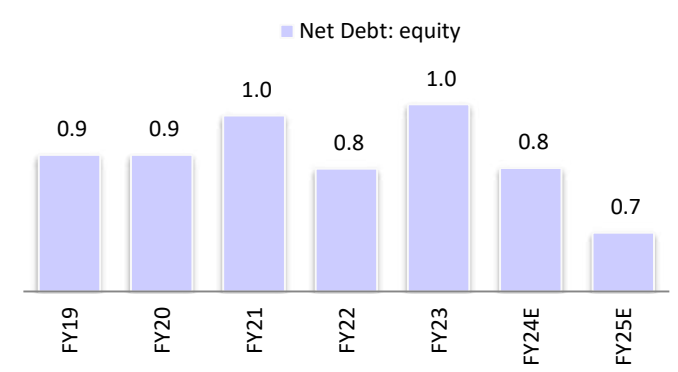
Exhibit 37: APSEZ – adj. PAT



Source: Company, MOFSL

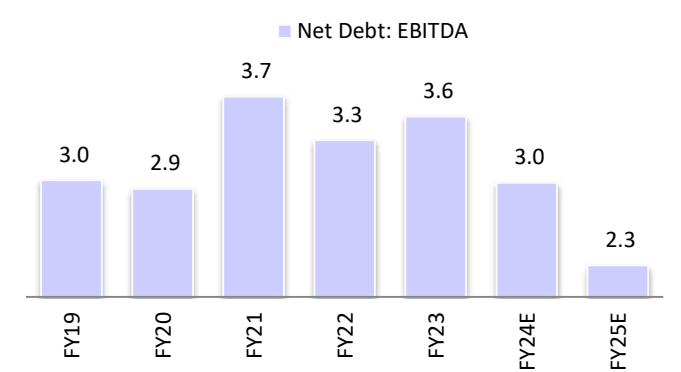
- APSEZ's debt is under control, with its net D/E ratio at 1x in FY23. Even with the recent acquisitions of Krishnapatnam and Gangavaram, the company's net debt to EBITDA has remained flat at 3.6x in FY23. For FY24E, management intends to reduce net debt to EBITDA to ~2.5x.
- APSEZ would continue to generate solid operating cash flows with increased operating income/profitability and a focus on working capital management. Cash flow from operations (CFO) has remained high over the last five years (FY19-23) at INR433b (cumulative); we estimate INR383b of cumulative CFO for FY23-25.

Exhibit 38: APSEZ – net debt/equity



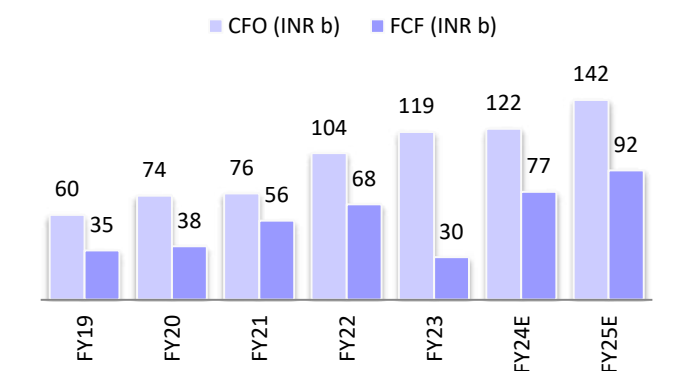
Source: Company, MOFSL

Exhibit 39: APSEZ – net debt/EBITDA



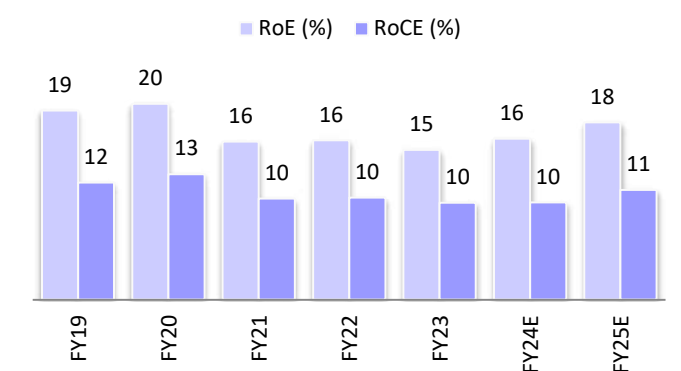
Source: Company, MOFSL

Exhibit 40: APSEZ – CFO and FCF



Source: Company, MOFSL

Exhibit 41: APSEZ – RoE and RoCE



Source: Company, MOFSL

Valuation and risks: Ideally positioned; initiate with BUY

APSEZ's cash flow generation is likely to remain high with the addition of new ports, improved utilization levels of existing ports, and a reducing capex. Despite the latest acquisitions, we estimate the business to earn INR383b in cumulative CFO during FY23-25, which would help keep its debt under control.

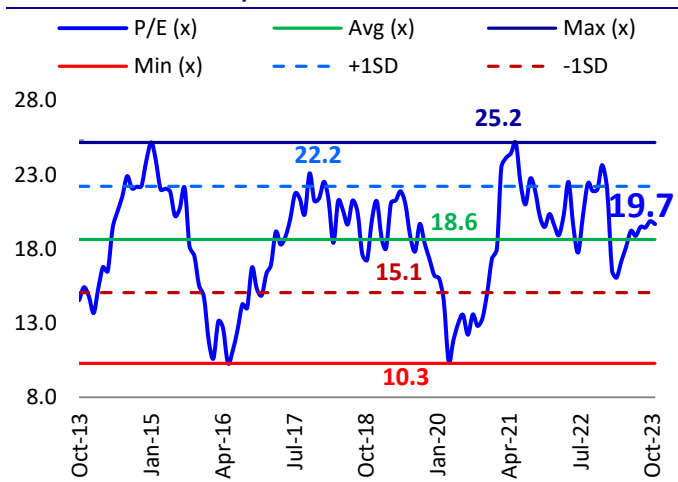
We initiate coverage on the stock with a BUY rating and a TP of INR1,010 (premised on 15x FY25E EV/EBITDA, in line with its historical average of 14x). The company's: a) market leadership in the ports category, b) concentration on value-added areas such as logistics, and c) emphasis on strategic acquisitions place it in a favorable position. APSEZ is particularly well positioned to capitalize on the transportation industry's growth potential.

Exhibit 42: Target price derivation

Particulars	Per share (INR)
Consolidated	
EV – Based on 15x EV/EBITDA on FY25	1,188
Less – Net Debt FY25	178
Target price	1,010

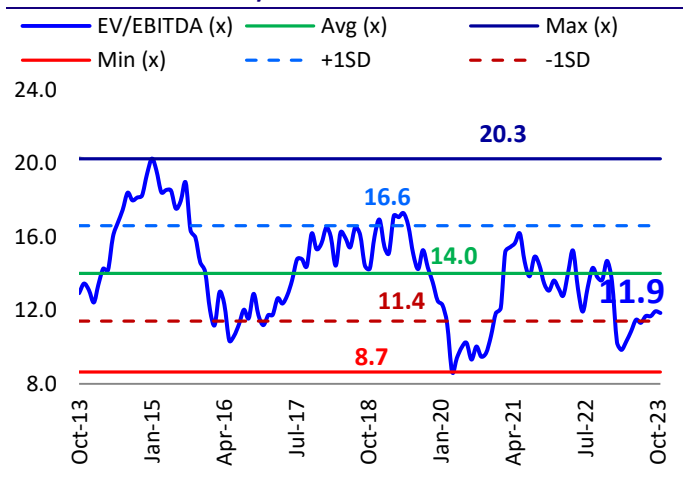
Source: MOFSL, Company

Exhibit 43: APSEZ – P/E trend



Source: Company, MOFSL

Exhibit 44: APSEZ – EV/EBITDA trend



Source: Company, MOFSL

Key risks

Slowdown in trade and economy

- Cargo growth has resumed as India's economy gradually recovers. However, another wave of slowdown – both domestic and worldwide – caused by economic variables such as geopolitical concerns originating from the Russia-Ukraine crisis could have a negative influence on APSEZ's port-wise traffic and profitability.

Foreign exchange movement and leverage

- At the end of FY23, a considerable portion of the company's debt was in foreign currency. There is a natural hedge at play, as the company earns foreign currency revenue from its container and marine operations.
- However, because of the substantial unhedged debt position, INR devaluation has a theoretical negative impact on the P&L statement due to MTM accounting. Our estimates do not consider such notional losses or gains.
- Further, while adequately covered at present, a severe slowdown in its business (leading to lower FX revenue) along with a sharp FX movement could pose a risk, given the leverage.

Intensified competition

- The government has been undertaking efforts to modernize and improve the efficiency of Indian ports. The major domestic ports also have the potential to grow in terms of utilization levels; hence, severe competition could hamper the growth for APSEZ.

Pledged shares

- According to the management, the promoter's shares have been pledged as part of the financing strategy. However, the pledged shares are on a declining trend and have been brought down to 4.02% as of Jun'23 from 58% in Mar'20.

Expiry of concession agreement at Mundra

- The concession period at the Mundra port is set to expire in 2031 – however, the agreement does have a clause of a 20-year extension. APSEZ is currently negotiating the terms of the extension and expects the renewal process to be completed with a potential 2.5-3.0% increase in royalty.
- We factor in the extension of the concession period in our model. Non-applicability of the same could pose uncertainty. We note that in case this agreement is not extended, APSEZ would receive the depreciated replacement value of assets from the state government.

As the largest private port operator in India, slowdown in domestic and global trade due to geopolitical disruptions could adversely impact the company's operations at its various ports

A large part of the company's debt is in foreign currency that could pose foreign exchange risk in case of any severe slowdown in its business.

Company profile

- 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. Since FY21, the company has completed the acquisition of Gangavaram and has another three ports – Vizhinjam, Haldia and Colombo – under construction.
- APSEZ has transformed 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 45: Transformation of Mundra Port over the years

Mundra today

264

MMTPA cargo
handling
capacity

5

Number of
container
terminals

~8

million TEU
container
terminal
capacity

>35

Number of services
operating from
Mundra, offering a
global coverage of
trade lanes

Then

72

MMT, Mundra
Port's total
capacity,
FY 2004-05

8.6

MMT, Mundra
Port's cargo
volume,
FY 2004-05

Now

264

MMT, Mundra
Port's total
capacity,
FY 2022-23

155.4

MMT, Mundra
Port's cargo
volume,
FY 2022-23

Source: MOFSL, Company

- The company also provides logistics and SEZ services to its clients. Logistics services are provided through its wholly owned subsidiary, ALL. It provides end-to-end logistic services, encompassing CTOs, container handling through logistic parks, warehouses that provide storage space, and trucking solutions for last-mile connectivity. Further, the company also provides agri-storage through silo capacities across the country.

Management profile



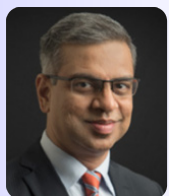
Mr. Gautam Adani, Chairman & Managing Director

Mr. Gautam Adani is the Founder of the Adani Group and serves as the Chairman & Managing Director of APSEZ and the Adani Group. Under his leadership, the Adani Group diversified into various business verticals, including Power, Ports, and Transmission. He has over 36 years of business experience and has led the emergence of APSEZ as the largest private port operator in the country.



Mr. Karan Adani, Chief Executive Officer and Whole-Time Director

Mr. Karan Adani serves as the Chief Executive Officer of APSEZ. He began his career in the Ports industry by managing operations at the Mundra port, and has gained experience across the company's operations since 2009. He oversees the day-to-day operations of Adani Ports and is responsible for strategic decisions at the Group level as well. Mr. Karan Adani has a degree in Economics from Purdue University, US.



Mr. D. Muthukumaran, Chief Financial Officer

Mr. D Muthukumaran is a Chartered Accountant of 1995 batch. He has over 25 years of relevant experience in various disciplines of finance and accounts. He has an extensive experience of driving different businesses, M&A deals, and raising of funds in debt and equity. Muthukumaran specializes in structured finance, leverage buyouts and regulatory & tax structuring. Earlier, he has worked with Deloitte, Lazard India Ltd, Aditya Birla Group and Renew Power.



Mr. Rajesh Adani, Director

Mr. Rajesh Adani has been a vital part of the Adani Group since its inception. With strong leadership and interpersonal skills, he heads the Group's operations and is responsible for developing its business relationships. His proactive and personalized approach toward business and his competitive spirit have contributed greatly to the growth of the Group and its diverse businesses.



Dr. Malay Mahadevia, Director

Dr. Malay Mahadevia holds a master's degree in dental surgery from Nair Hospital Dental College. He completed his Doctor of Philosophy in coastal ecology around the Mundra area, Kutch District, from the Gujarat University in 2008. He has contributed to the development of the Mundra Port since its conceptualization. He is also a member of the Gujarat Chamber of Commerce and Industry.

SWOT analysis

- ❖ Long-term tie-ups and partnerships with ship-liners and end-customers
- ❖ Strong presence across the Indian coast
- ❖ Integrated service offerings across logistics, SEZ and ports

S

STRENGTH

- ❖ About 36% of cargo constitutes coal; thereby exposing APSEZ to the decline in the country's need/ imports of coal

W

WEAKNESS

- ❖ Govt. focus on improving trans-shipment and coastal shipping
- ❖ Continuous slowdown in China could see increased opportunity for India in EXIM

O

OPPORTUNITY

- ❖ Slowdown in trade and economy
- ❖ Geopolitical tension due to the ongoing war between Russia and Ukraine could dampen EXIM trade opportunities.

T

THREATS

Bull and Bear cases



Bull case

- ✓ In our Bull case, we factor in an 18% revenue CAGR driven by a sharp uptick in cargo volumes accompanied by higher revenue from logistics services (against 15% revenue CAGR in the Base case).
- ✓ As a result, EBITDA/PAT is likely to register 20%/29% CAGR to INR186b/INR112b over FY23–25.
- ✓ Based on the above assumptions, the company's valuation would be INR1,125/sh on an EV/EBITDA basis.



Bear case

- ✓ In our Bear case, we factor in a 9% revenue CAGR considering slower economic recovery and lack of market share gains (vs. 15% revenue CAGR in the Base case).
- ✓ As a result, EBITDA/PAT is likely to post a 10%/13% CAGR to INR154b/INR85.7b over FY23–25.
- ✓ Based on the above assumptions, the company's valuation would be INR890/sh on an EV/EBITDA basis.

Exhibit 46: Scenario analysis – Bull and Bear cases

Amount (INR m)	Base case	Bull case	Bear case
FY25 EBITDA	1,70,570	1,86,323	1,54,196
EV/EBITDA multiple (x)	15	15	15
EV	25,58,556	27,94,845	23,12,935
Net Debt	3,87,435	3,68,443	3,97,734
Target Market cap (INR m)	21,71,121	24,26,402	19,15,202
Equity shares (m)	2,160	2,160	2,160
Target Price (INR)	1,010	1,125	890
CMP (INR)	790	790	790
Upside/Downside	28%	42%	13%

Source: MOFSL



Key ESG Initiatives

Environment

- APSEZ aims to turn carbon-neutral by CY25, and has set the following mitigation plans:
 - Reduce energy intensity by 50% in 2025 from the 2016 level
 - Achieve fuel-switching through the electrification of equipment such as RTGs, MHCs, ITVs, and locomotives
 - Source the entire electricity from renewable sources and offset the remaining emissions.
- APSEZ implemented initiatives such as zero liquid discharge (ZLD) projects to improve the efficiency of its effluent treatment plants (ETPs), recycling 85% of total wastewater generated in FY23 and increasing wastewater reuse by 282 ml over FY22.
- APSEZ achieved a commendable 14% of renewable energy consumption in FY23. The company remains committed to its long-term objective of achieving 100% electricity consumption from renewable sources by 2025.

Social

- APSEZ performs its CSR obligations either directly or through Adani Foundation – the social arm of Adani group. Adani Foundation provides health interventions, quality education, rural infrastructure development, and sustainable livelihoods.
- The Adani Foundation is committed towards tribal development. It is implementing various development works in the Umarpada Block of Surat District. A total of 150 tribal students are living and studying here, of which 75 are girls and 75 are boys from 6th to 8th std. All the students are from the surrounding tribal villages of Surat, Narmada, and Tapi districts. The Foundation constructed two halls in the hostel that can accommodate 75 girls.
- Gujarat Adani Institute of Medical Sciences (GAIMS) is the first public-private partnership endeavor between the Government of Gujarat and Adani Education & Research Foundation. In FY23, GAIMS registered more than 0.3m OPD and 40,558 IPD footfalls.
- APSEZ incurred CSR spends of INR0.3b in FY23.

Governance

- The Board's composition is in accordance with regulatory requirements. Of its total Board strength of 10 members, 50% and 20% are independent and women directors, respectively.
- All members of the audit/nomination and remuneration committees are independent directors.

Financials and valuation

Consolidated Income Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	1,09,254	1,18,731	1,25,496	1,71,188	2,08,519	2,31,099	2,73,685
Change in Net Sales (%)	-3.5	8.7	5.7	36.4	21.8	10.8	18.4
Total Expenses	38,580	43,077	45,662	67,223	80,185	87,818	1,03,115
EBITDA	70,675	75,654	79,834	1,03,965	1,28,335	1,43,281	1,70,570
Margin (%)	64.7	63.7	63.6	60.7	61.5	62.0	62.3
Deprn. & Amortization	13,735	16,803	21,073	30,993	34,232	37,161	39,355
EBIT	56,940	58,851	58,761	72,972	94,102	1,06,120	1,31,215
Net Interest	14,283	19,507	21,292	25,596	25,936	24,785	24,535
Other income	13,623	18,614	19,702	22,237	15,535	16,312	17,127
PBT	56,280	57,958	57,172	69,613	83,701	97,647	1,23,808
EO expense	5,018	15,475	-5,891	12,930	33,907	0	0
PBT after EO	51,263	42,483	63,063	56,684	49,794	97,647	1,23,808
Tax	10,815	4,594	12,433	7,640	964	19,529	24,762
Rate (%)	21.1	10.8	19.7	13.5	1.9	20.0	20.0
PAT before JV, MI	40,448	37,889	50,630	49,044	48,830	78,117	99,046
Share of loss from JV, MI	-546	-258	-687	-498	-348	167	198.6
Reported PAT	39,902	37,631	49,943	48,547	48,482	78,284	99,245
Adjusted PAT	43,916	50,011	45,230	58,890	66,793	78,284	99,245
Change (%)	8.3	13.9	-9.6	30.2	13.4	17.2	26.8
Margin (%)	40.2	42.1	36.0	34.4	32.0	33.9	36.3

Source: MOFSL, Company

Consolidated Balance Sheet

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	4,142	4,064	4,064	4,225	4,320	4,320	4,320
Reserves	2,41,240	2,52,171	3,02,219	4,15,658	4,51,516	5,10,228	5,84,662
Net Worth	2,45,382	2,56,235	3,06,283	4,19,882	4,55,836	5,14,549	5,88,982
Minority Interest	2,099	2,196	14,685	3,928	13,385	14,011	14,725
Total Loans	2,71,879	2,94,630	3,44,010	4,54,530	4,98,193	4,93,193	4,88,193
Deferred Tax Liability	-8,124	-9,227	3,214	16,530	9,865	9,865	9,865
Capital Employed	5,11,237	5,43,834	6,68,191	8,94,871	9,77,279	10,31,617	11,01,765
Gross Block	2,99,844	3,62,512	5,51,805	7,00,208	7,82,018	8,27,018	8,77,018
Less: Accum. Deprn.	51,309	68,229	1,10,800	1,41,793	1,48,004	1,85,165	2,24,520
Net Fixed Assets	2,48,535	2,94,283	4,41,005	5,58,415	6,34,014	6,41,853	6,52,498
Capital WIP	44,835	32,163	36,971	40,229	68,140	68,140	68,140
Investments	7,823	11,780	22,362	31,607	1,00,599	1,20,599	1,40,599
Curr. Assets	2,53,798	2,71,715	2,44,083	3,53,029	3,24,299	3,52,778	3,96,015
Inventories	8,067	2,883	9,919	3,956	4,520	5,009	5,932
Account Receivables	24,319	25,891	23,859	22,219	32,417	35,927	42,547
Cash and Bank Balance	59,673	73,139	47,008	1,06,674	42,488	66,025	1,00,759
-Cash and cash equivalents	47,982	71,955	41,980	86,530	9,320	32,857	67,591
-Bank balance	11,691	1,184	5,027	20,144	33,168	33,168	33,168
Loans & advances	27,672	31,173	20,691	18,738	19,970	20,174	20,388
Other current assets	1,34,068	1,38,630	1,42,607	2,01,441	2,24,905	2,25,643	2,26,389
Curr. Liability & Prov.	43,754	66,106	76,229	88,409	1,49,774	1,51,753	1,55,487
Account Payables	5,721	7,287	10,139	11,596	18,282	20,262	23,996
Provisions	1,032	1,145	1,224	1,418	17,498	17,498	17,498
Other current liabilities	37,002	57,674	64,867	75,396	1,13,994	1,13,994	1,13,994
Net Curr. Assets	2,10,044	2,05,608	1,67,854	2,64,619	1,74,525	2,01,025	2,40,528
Appl. of Funds	5,11,237	5,43,834	6,68,191	8,94,871	9,77,279	10,31,617	11,01,765

Source: MOFSL, Company

Financials and valuation

Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	21.2	24.6	22.3	27.9	30.9	36.2	45.9
EPS Growth	8.3	16.1	-9.6	25.2	10.9	17.2	26.8
Cash EPS	27.8	32.9	32.6	42.6	46.8	53.4	64.2
BV/Share	118.5	126.1	150.7	198.8	211.0	238.2	272.6
Payout (%)	0.9	13.0	22.5	17.9	16.2	25.0	25.0
Dividend yield (%)	0.0	0.4	0.6	0.6	0.6	1.1	1.4
Valuation (x)							
P/E	37.3	32.1	35.5	28.3	25.6	21.8	17.2
Cash P/E	28.4	24.0	24.2	18.6	16.9	14.8	12.3
P/BV	6.7	6.3	5.2	4.0	3.7	3.3	2.9
EV/EBITDA	27.0	25.3	24.8	19.1	16.1	14.9	12.3
Dividend Yield (%)	0.0	0.4	0.6	0.6	0.6	1.1	1.5
Return Ratios (%)							
RoE	19.3	19.9	16.1	16.2	15.3	16.1	18.0
RoCE (post-tax)	11.9	12.8	10.3	10.4	9.9	9.8	11.1
RoIC (post-tax)	12.3	12.7	9.5	9.9	12.5	11.0	13.4
Working Capital Ratios							
Fixed Asset Turnover (x)	0.4	0.4	0.3	0.3	0.3	0.4	0.4
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Debtor (Days)	81	80	69	47	57	57	57
Creditors (Days)	19	22	29	25	32	32	32
Inventory (Days)	27	9	29	8	8	8	8
Leverage Ratio (x)							
Current Ratio	5.8	4.1	3.2	4.0	2.2	2.3	2.5
Interest Cover Ratio	4.9	4.0	3.7	3.7	4.2	4.9	6.0
Net Debt/EBITDA	3.0	2.9	3.7	3.3	3.6	3.0	2.3
Net Debt/Equity	0.9	0.9	1.0	0.8	1.0	0.8	0.7

Cash Flow Statement (INR m)

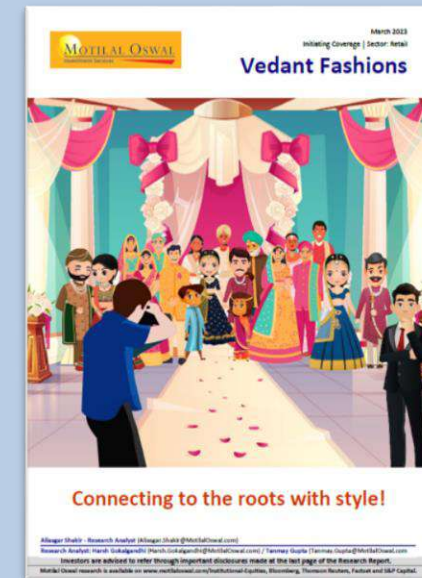
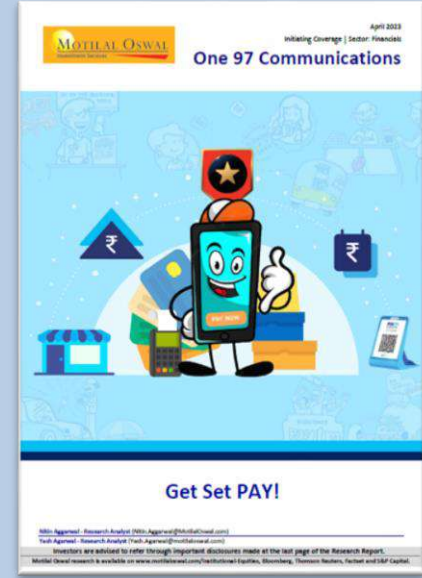
	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	51,263	42,439	62,920	57,171	54,891	98,439	1,24,721
Depreciation	13,735	16,803	21,073	30,993	34,232	37,161	39,355
Direct Taxes Paid	-11,065	-8,496	-8,728	-9,597	-8,339	-19,529	-24,762
(Inc)/Dec in WC	317	9,909	4,084	7,584	-8,546	-2,962	-4,770
Other Items	6,045	13,363	-3,791	18,050	47,094	8,473	7,408
CF from Operations	60,294	74,018	75,558	1,04,201	1,19,333	1,21,581	1,41,952
(Inc)/Dec in FA	-28,867	-35,584	-19,497	-36,458	-89,210	-45,000	-50,000
Free Cash Flow	31,427	38,434	56,061	67,743	30,123	76,581	91,952
Acquisitions/Divestment	-14,782	-2,735	-1,49,912	-6,538	-1,44,291	0	0
Change in Investments	-7,197	10,961	6,350	-28,056	22,851	-20,000	-20,000
Others	6,604	19,854	21,632	18,233	14,614	16,312	17,127
CF from Investments	-44,242	-7,504	-1,41,427	-52,818	-1,96,036	-48,688	-52,873
Share issue	0	-19,707	0	9,093	9,455	0	0
Inc/(Dec) in Debt	43,077	4,015	54,909	75,276	3,453	-5,000	-5,000
Interest	-14,717	-19,239	-19,558	-25,505	-23,710	-24,785	-24,535
Dividend	-5,051	-8,446	-212	-10,267	-10,929	-19,571	-24,811
Others	-176	821	0	-54,455	-5,607	0	0
Cash from financing activity	23,133	-42,556	35,139	-5,858	-27,338	-49,356	-54,346
Net change in cash & equi.	39,186	23,958	-30,730	45,526	-1,04,042	23,537	34,734
Opening cash balance	8,235	47,982	71,955	43,118	86,714	9,320	32,857
change in control of subs.	561	15	756	-2,113	26,648	0	0
Closing cash balance	47,982	71,955	41,980	86,530	9,320	32,857	67,591

Source: MOFSL, Company

NOTES

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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
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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