

Adani Ports & SEZ

BSE SENSEX

73,649

S&P CNX

22,336

CMP: INR1,321 TP: INR1,590 (+20%)
Buy


Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2160
M.Cap.(INRb)/(USDb)	2853.8 / 34.2
52-Week Range (INR)	1425 / 656
1, 6, 12 Rel. Per (%)	2/52/73
12M Avg Val (INR M)	5723
Free float (%)	34.1

Financials Snapshot (INR b)

Y/E March	2024E	2025E	2026E
Net Sales	269.7	311.5	350.8
EBITDA	160.9	185.5	213.7
Adj. PAT	89.2	104.9	125.9
EBITDA Margin (%)	59.6	59.6	60.9
Adj. EPS (INR)	41.3	48.6	58.3
EPS Gr. (%)	18.0	17.5	20.0
BV/Sh. (INR)	243.2	279.6	323.3

Ratios

Net D/E (x)	0.8	0.6	0.4
RoE (%)	18.2	18.6	19.3
RoCE (%)	11.0	11.7	12.7
Payout (%)	23.5	25.0	20.8

Valuations

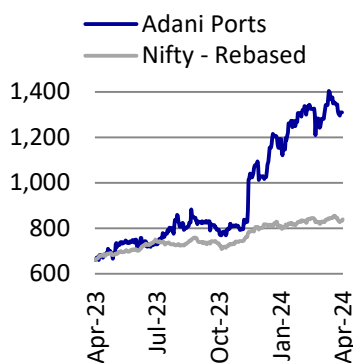
P/E (x)	32.0	27.2	22.7
P/BV (x)	5.4	4.7	4.1
EV/EBITDA (x)	20.3	17.4	14.8
Div. Yield (%)	0.7	0.9	0.9
FCF Yield (%)	3.2	3.6	4.4

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	65.9	65.9	61.0
DII	11.8	12.0	13.0
FII	15.0	14.7	18.0
Others	7.3	7.4	8.0

FII Includes depository receipts

Stock's performance (one-year)



Volume growth trajectory to continue

- We released our Initiating Coverage (IC) report on Adani Ports & SEZ Ltd (APSEZ) in Oct'23 ([LINK](#)). In this report, we highlighted that the company's improving utilization levels at its current ports, along with its ramping up of volumes at newly acquired ports, will position the company to exceed its FY24 volume guidance and expand its market share in cargo handling. We reiterated our strong conviction with APSEZ being one of our top ideas for 2024 ([LINK](#)).
- APSEZ ended FY24 with 24% volume growth in FY24 volumes, taking the total volumes to 420 MMT, well surpassing even its revised guidance of 400 MMT. In FY24, ~25% of all-India cargo volumes was routed through APSEZ ports. For FY25, the company is targeting cargo volumes of 500 MMT.
- APSEZ is continuously investing in building infrastructure for its logistics business. With 11 multi-modal logistics parks, 116 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.
- APSEZ continues to gain market share while generating strong cash flows and maintaining its leverage position, with a net debt-to-EBITDA ratio of 2.5x as of Dec'23. We expect APSEZ to register 10% volume growth and a CAGR of 14%/15%/19% in revenue/EBITDA/PAT over FY24-26. With consistent outperformance in cargo volumes, we reiterate our BUY rating with a TP of INR1,590.

Market share gains driven by operational efficiencies and cargo diversification

- APSEZ achieved a notable 2x industry growth, elevating its market share to ~25% in FY24 from 10% in FY13. The incorporation of new cargo classes at Mundra and Dhamra ports, pickup in coal and coastal coal cargo at Gangavaram and Dhamra, supported by robust economic growth 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.

Building infrastructure for strong future growth in logistics business

- 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.

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Consistently improving balance sheet position; backed by strong cash flow generation

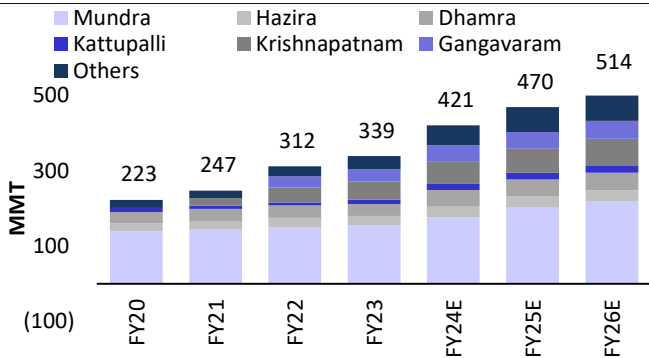
- APSEZ has consistently generated strong cash flow from operations (CFO) over FY18-23 (cumulative CFO of ~INR433b at a CAGR of 16%). During this period, APSEZ had embarked on an acquisition spree. Going ahead, APSEZ is expected to concentrate on optimizing the assets it has acquired, ensuring consistent robust cash flows in the upcoming years.
- We estimate CFO to register a CAGR of 13% over FY24-26. 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.

Valuation and view

- 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 the east coast. The operational ramp-up at the recently acquired ports is expected to drive a 10% growth in cargo volumes over FY24-26. This would drive a revenue/EBITDA/PAT CAGR of 14%/15%/19% over FY24-26.
- We reiterate our BUY rating with a TP of INR1,590 (premised on 17x FY26E EV/EBITDA).

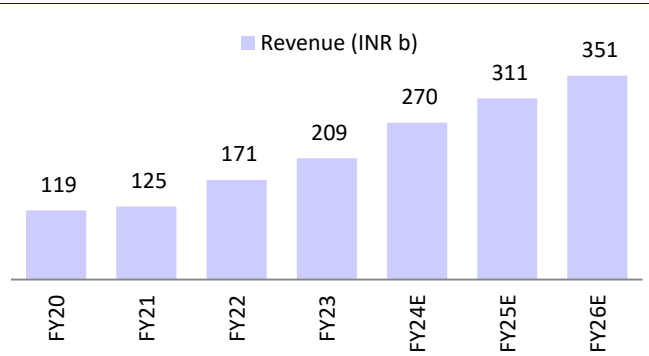
Story in charts

Exhibit 1: APSEZ – volumes (MMT)



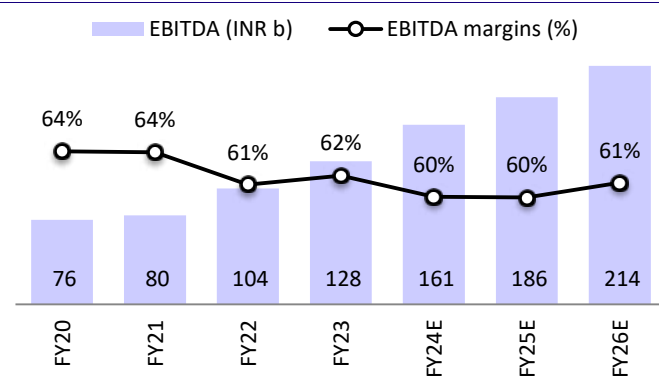
Source: Company, MOFSL

Exhibit 2: Revenue growth to remain strong



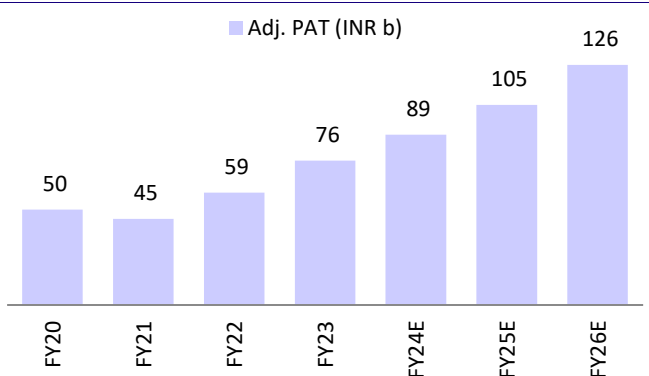
Source: Company, MOFSL

Exhibit 3: Margin to stabilize at ~60%



Source: Company, MOFSL

Exhibit 4: Strong operating performance to drive PAT



Source: Company, MOFSL

Exhibit 5: Ports revenue to report 14% CAGR

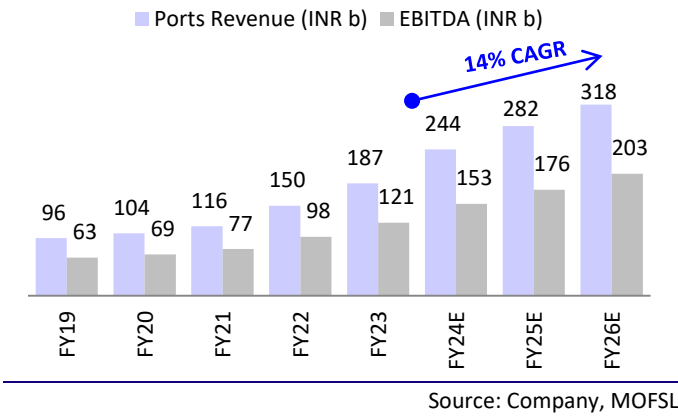


Exhibit 6: Logistics segment to report 10% CAGR in revenue

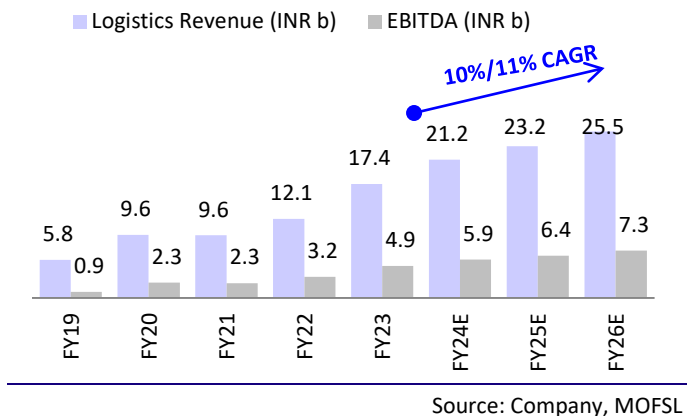


Exhibit 7: Return ratios to remain stable

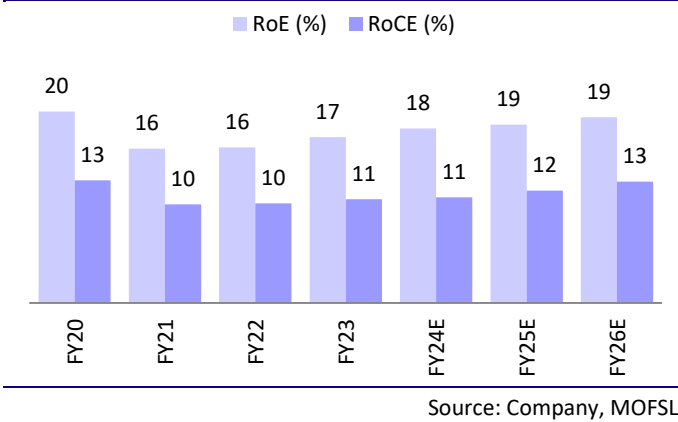


Exhibit 8: CFO and FCF generation to pick up

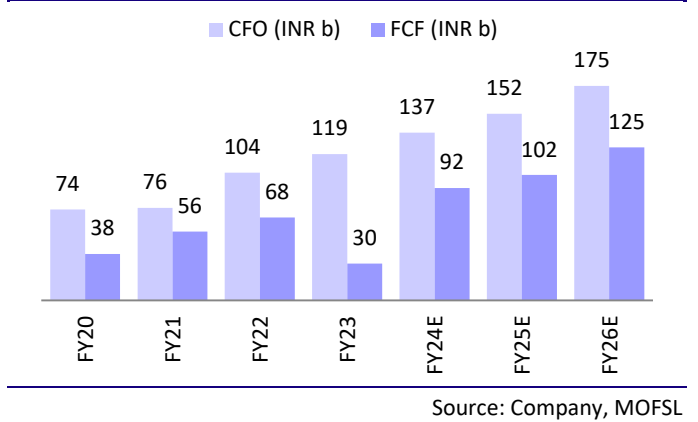


Exhibit 9: APSEZ – P/E trend

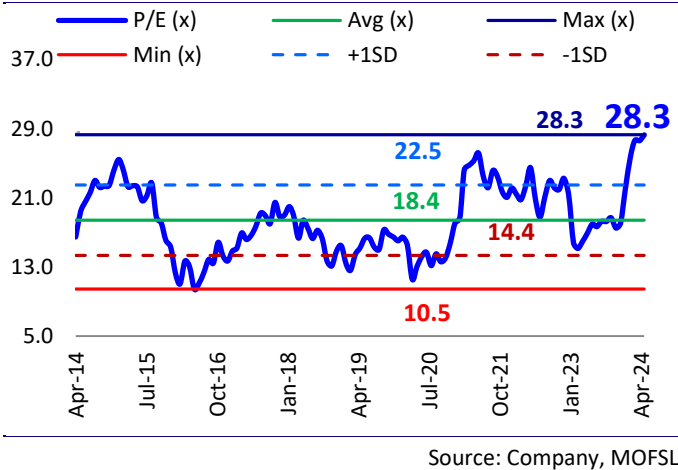
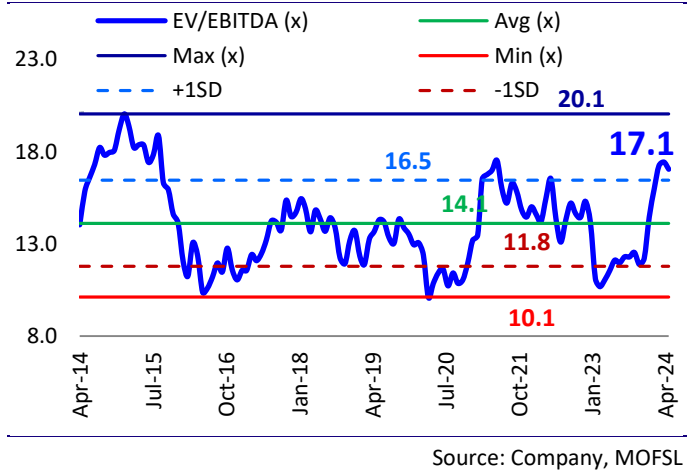


Exhibit 10: APSEZ – EV/EBITDA trend



Financials and valuation

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	2,69,695	3,11,467	3,50,770
Change in Net Sales (%)	8.7	5.7	36.4	21.8	29.3	15.5	12.6
Total Expenses	43,077	45,662	67,223	80,185	1,08,826	1,25,934	1,37,109
EBITDA	75,654	79,834	1,03,965	1,28,335	1,60,869	1,85,533	2,13,660
Margin (%)	63.7	63.6	60.7	61.5	59.6	59.6	60.9
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	1,21,850	1,44,210	1,69,912
Net Interest	19,507	21,292	25,596	25,936	28,007	27,724	27,442
Other income	18,614	19,702	22,237	15,535	17,088	17,943	18,840
PBT	57,958	57,172	69,613	83,701	1,10,931	1,34,428	1,61,311
EO expense	15,475	-5,891	12,930	33,907	-1,191	0	0
PBT after EO	42,483	63,063	56,684	49,794	1,12,123	1,34,428	1,61,311
Tax	4,594	12,433	7,640	964	24,143	29,574	35,488
Rate (%)	10.8	19.7	13.5	1.9	21.5	22.0	22.0
PAT before JV, MI	37,889	50,630	49,044	48,830	87,980	1,04,854	1,25,822
Share of loss from JV, MI	-258	-687	-498	-348	-1,868	37.0	80.9
Reported PAT	37,631	49,943	48,547	48,482	86,112	1,04,891	1,25,903
Adjusted PAT	50,011	45,230	58,890	75,608	89,234	1,04,891	1,25,903
Change (%)	13.9	-9.6	30.2	28.4	18.0	17.5	20.0
Margin (%)	42.1	36.0	34.4	36.3	33.1	33.7	35.9

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	5,21,009	5,99,677	6,94,104
Net Worth	2,56,235	3,06,283	4,19,882	4,55,836	5,25,329	6,03,997	6,98,425
Minority Interest	2,196	14,685	3,928	13,385	16,045	16,930	17,906
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	10,44,431	11,18,985	12,09,388
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	3,70,834	4,20,374	4,87,970
Inventories	2,883	9,919	3,956	4,520	5,846	6,751	7,603
Account Receivables	25,891	23,859	22,219	32,417	41,927	48,421	54,531
Cash and Bank Balance	73,139	47,008	1,06,674	42,488	77,245	1,18,424	1,78,081
-Cash and cash equivalents	71,955	41,980	86,530	9,320	44,077	85,256	1,44,913
-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	1,55,137	1,58,800	1,62,246
Account Payables	7,287	10,139	11,596	18,282	23,646	27,308	30,754
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	2,15,697	2,61,574	3,25,725
Appl. of Funds	5,43,834	6,68,191	8,94,871	9,77,279	10,44,432	11,18,985	12,09,388

Source: MOFSL, Company

Financials and valuation

Ratios

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	24.6	22.3	27.9	35.0	41.3	48.6	58.3
EPS Growth	16.1	-9.6	25.2	25.5	18.0	17.5	20.0
Cash EPS	32.9	32.6	42.6	50.8	59.4	67.7	78.5
BV/Share	126.1	150.7	198.8	211.0	243.2	279.6	323.3
Payout (%)	13.0	22.5	17.9	14.3	23.5	25.0	20.8
Dividend yield (%)	0.4	0.6	0.6	0.6	0.7	0.9	0.9
Valuation (x)							
P/E	53.7	59.3	47.4	37.7	32.0	27.2	22.7
Cash P/E	40.2	40.5	31.0	26.0	22.3	19.5	16.8
P/BV	10.5	8.8	6.6	6.3	5.4	4.7	4.1
EV/EBITDA	40.5	39.2	29.9	25.0	20.3	17.4	14.8
Dividend Yield (%)	0.2	0.4	0.4	0.4	0.7	0.9	0.9
Return Ratios (%)							
RoE	19.9	16.1	16.2	17.3	18.2	18.6	19.3
RoCE (post-tax)	12.8	10.3	10.4	10.8	11.0	11.7	12.7
RoC (post-tax)	12.7	9.5	9.9	12.5	12.4	14.3	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	3.0
Interest Cover Ratio	4.0	3.7	3.7	4.2	5.0	5.8	6.9
Net Debt/EBITDA	2.9	3.7	3.3	3.6	2.6	2.0	1.4
Net Debt/Equity	0.9	1.0	0.8	1.0	0.8	0.6	0.4

Cash Flow Statement (INR m)

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	42,439	62,920	57,171	54,891	1,17,228	1,35,351	1,62,367
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	-24,143	-29,574	-35,488
(Inc)/Dec in WC	9,909	4,084	7,584	-8,546	-6,415	-4,697	-4,494
Other Items	13,363	-3,791	18,050	47,094	10,918	9,781	8,602
CF from Operations	74,018	75,558	1,04,201	1,19,333	1,36,607	1,52,184	1,74,734
(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	91,607	1,02,184	1,24,734
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	17,088	17,943	18,840
CF from Investments	-7,504	-1,41,427	-52,818	-1,96,036	-47,912	-52,057	-51,160
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	-28,007	-27,724	-27,442
Dividend	-8,446	-212	-10,267	-10,929	-20,932	-26,223	-31,476
Others	821	0	-54,455	-5,607	0	0	0
Cash from financing activity	-42,556	35,139	-5,858	-27,338	-53,939	-58,947	-63,917
Net change in cash & equi.	23,958	-30,730	45,526	-1,04,042	34,757	41,180	59,656
Opening cash balance	47,982	71,955	43,118	86,714	9,320	44,077	85,256
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	44,077	85,256	1,44,913

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

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