

Adani Ports & SEZ

BSE SENSEX

79,033

S&P CNX

24,011



Ports and
Logistics

Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2160
M.Cap.(INRb)/(USDb)	3192.9 / 38.3
52-Week Range (INR)	1621 / 708
1, 6, 12 Rel. Per (%)	1/35/69
12M Avg Val (INR m)	6668
Free float (%)	34.1

Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Net Sales	267.1	307.7	349.9
EBITDA	158.6	182.5	210.9
Adj. PAT	89.1	106.1	126.4
EBITDA Margin (%)	59.4	59.3	60.3
Adj. EPS (INR)	41.3	49.1	58.5
EPS Gr. (%)	16.5	19.1	19.1
BV/Sh. (INR)	245.1	286.8	336.6

Ratios

Net D/E (x)	0.6	0.6	0.5
RoE (%)	18.1	18.5	18.8
RoCE (%)	11.1	11.9	12.7
Payout (%)	14.5	15.0	12.6

Valuations

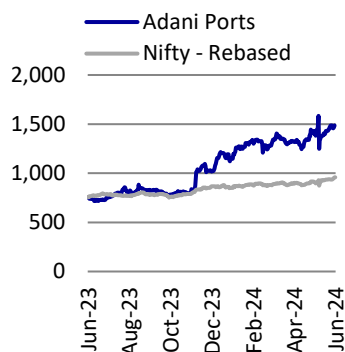
P/E (x)	35.8	30.1	25.3
P/BV (x)	6.0	5.2	4.4
EV/EBITDA (x)	22.2	19.5	16.8
Div. Yield (%)	0.4	0.5	0.5
FCF Yield (%)	2.4	2.1	2.4

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)


CMP: INR1,478 TP: INR1,700 (+15%)
Buy

Healthy expansion in the scale of operations and robust profitability to continue

- Adani Ports & SEZ (APSEZ) ended FY24 on a strong note with >20% volume growth. The outlook remains bright, and growth momentum is likely to sustain as APSEZ continues to gain market share from other operators and grow at twice the industry growth rate.
- APSEZ invested significantly in FY24 to expand its portfolio, cementing its position as India's largest private port player and integrated logistics provider. The company strengthened its presence on the eastern coast by inking a definitive agreement to acquire a 95% stake in Gopalpur Port. The port has a capacity to handle 20 MMTPA.
- APSEZ successfully scaled up its operations at Karaikal Port and commenced commercial operations at the Dhamra LNG Terminal. Additionally, its Haldia terminal is expected to be operational in FY26.
- APSEZ's upcoming deep-water international seaport in Vizhinjam (expected to be operational by 2QFY25), being developed through a public-private partnership, will transform maritime trade for India, handling ultra-large ships and diverting traffic from the Colombo Port.
- APSEZ, as an integrated transport utility company, has built up its logistics assets base, comprising trains, multi-modal logistics parks (MMLPs), rail tracks, warehousing, and an inland container depot, thus building operational synergies. This one-stop solution service has led to a robust volume CAGR of 15% over FY19-FY24 vs. 4% CAGR only for all India ports. We expect APSEZ to record an 11% volume growth and a revenue/EBITDA/PAT CAGR of 14%/ 15%/19% over FY24-26. Driven by consistent outperformance in cargo volumes, we reiterate our BUY rating with a revised TP of INR1,700.**

Robust operating efficiency and diversified coast parity

- The company's overall cargo volumes grew to 420MMT in FY24 from 208MMT in FY19, at a 15% CAGR, compared to 4% CAGR for all India ports. In FY24, APSEZ's domestic cargo volumes rose 21% YoY, outperforming India's 7.5% growth due to higher volumes at older ports and ramp-up in the recently acquired ports.
- The cargo concentration from Mundra port has steadily reduced to 43% in FY24 from 66% in FY19, due to the east coast-west coast parity. The diversification has helped APSEZ outperform the industry sustainably.
- While volume growth in the first two months of FY25 has been slow due to the suspended operations at Gangavaram, operations have now resumed. From Jun'24, volume growth is expected to normalize.
- The large land banks at Mundra, Dhamra, and Krishnapatnam enhance the prospects for industrial monetization. The government's initiatives in multi-modal logistics, improved rail coefficient, and rising coastal movement are expected to boost APSEZ's growth.
- APSEZ targets cargo volumes of 460-480 MMT in FY25. This would be driven by a ramp-up of newly acquired ports and higher utilization of existing ports. APSEZ sees a minimal impact of the Red Sea crisis on its cargo volumes.

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Transshipment port/terminal to be operational in FY25

- APSEZ is developing a greenfield transshipment container port at Vizhinjam, Kerala, with an initial capacity of 1m TEUs in the first phase, at an estimated cost of ~INR58b. The project was delayed due to multiple factors, including the shortage of rock for breakwater construction, Covid-related disruptions, and cyclones. The project is now likely to be operational by 2QFY25.
- APSEZ is also developing a container terminal in Colombo, Sri Lanka, with a capacity of 3.5m TEUs in a JV with John Keels (34% stake), a local private company, and the Sri Lanka Port Authority (15% stake). The total project cost is around USD 800m.
- In Nov'23, the Sri Lanka project received a sanction of USD553m from the US Development Finance Corporation (US DFC). This investment is a strategic step towards bolstering Sri Lanka's economic recovery through private sector-led initiatives. The first phase of the project is likely to be operational by Dec'24.

Building infrastructure for strong future growth in the logistics business

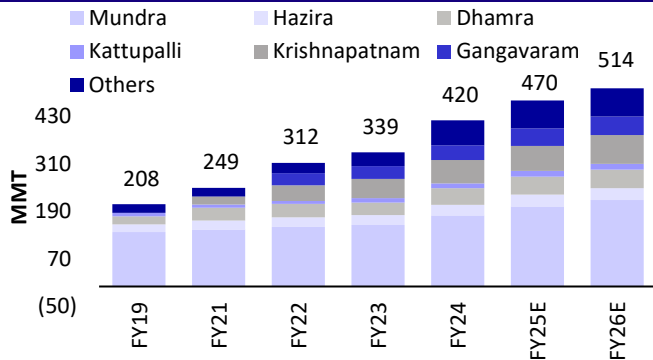
- As APSEZ embarks on becoming India's largest integrated transport utility company by 2030, it is strengthening its capabilities in all logistics segments (ports, CTO, warehousing, last-mile delivery, ICDs, etc.). Hence, it offers end-to-end service to its customers, thereby capturing a higher wallet share and also making the cargo sticky in nature.
- During FY24, APSEZ initiated a trucking business segment, deploying 900 trucks to offer last-mile connectivity for customers from ports, inland container depots (ICDs), and customer premises.
- The company currently operates 12 multi-modal logistics parks (MMLPs), equipped with 127 trains, 2.4m sq. ft. of warehousing space, and 1.2mmt of grain silos. It plans to expand its footprint and build a pan-India presence in the form of logistic parks and warehouses.

Valuation and view

- APSEZ is anticipated to outpace India's overall growth, driven by a balanced port mix along India's western and eastern coastlines and a diversified cargo mix. The company continues to invest heavily in the ports and logistics business to drive growth. The commencement of operations at transshipment hubs will enable the company to further boost volumes.
- We expect APSEZ to report 11% growth in cargo volumes over FY24-26. This would drive a CAGR of 14%/15%/19% in revenue/EBITDA/PAT over FY24-26. **We reiterate our BUY rating with a revised TP of INR1,700 (premised on 19x FY26E EV/EBITDA).**

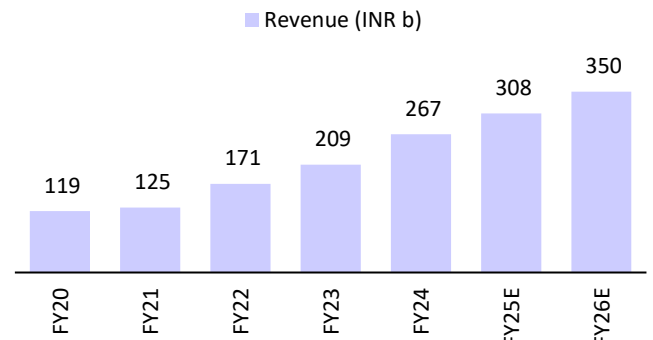
Story in charts

Exhibit 1: APSEZ – volumes (MMT)



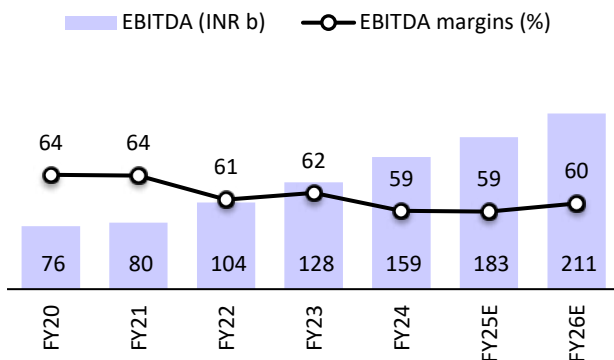
Source: Company, MOFSL

Exhibit 2: Revenue growth to remain strong



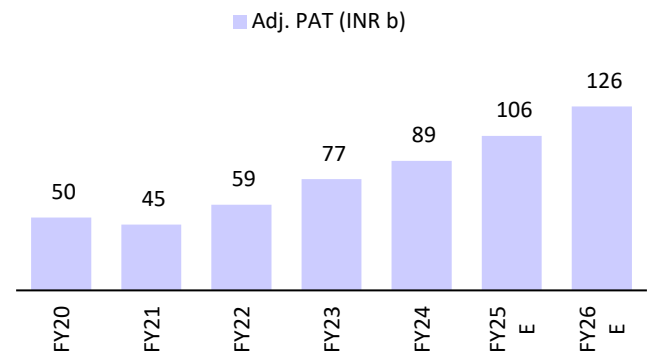
Source: Company, MOFSL

Exhibit 3: Margin to stabilize at ~60%



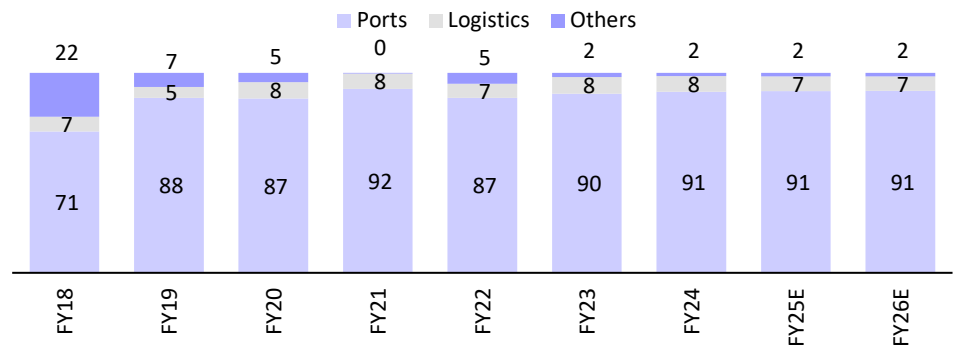
Source: Company, MOFSL

Exhibit 4: Strong operating performance to drive PAT



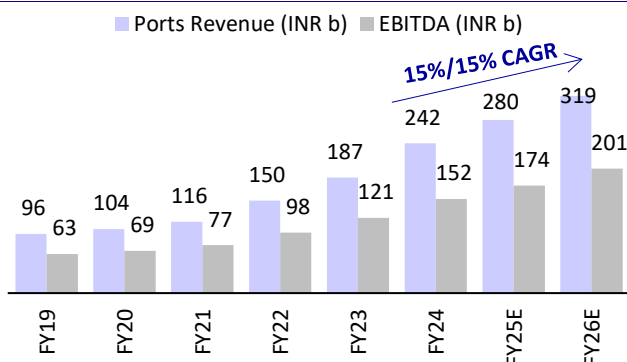
Source: Company, MOFSL

Exhibit 5: Revenue share (%)



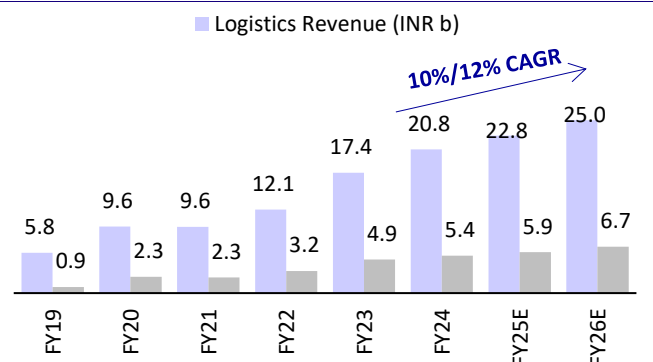
Source: Company, MOFSL

Exhibit 6: Port segment's revenue to report 15% CAGR



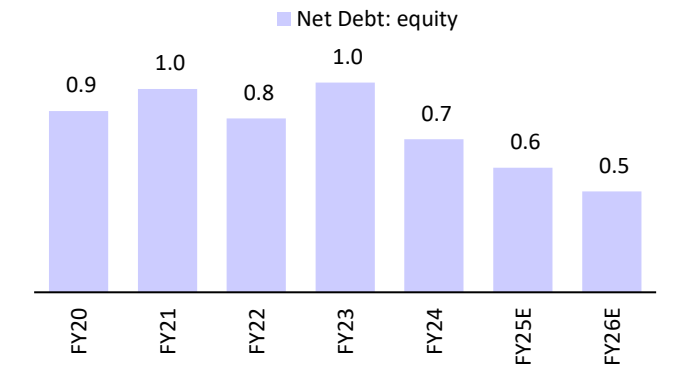
Source: Company, MOFSL

Exhibit 7: Logistics segment to report 10% CAGR in revenue



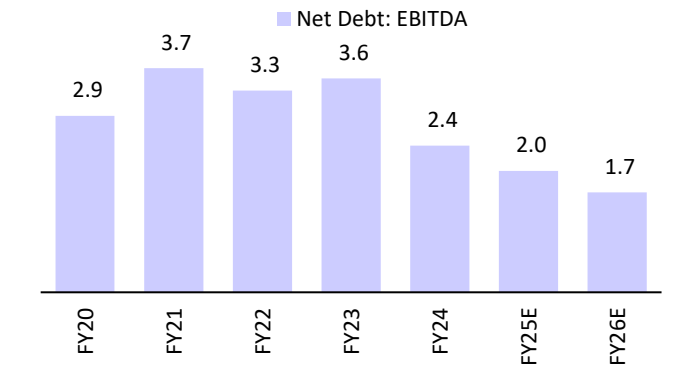
Source: Company, MOFSL

Exhibit 8: Net debt/equity to decrease



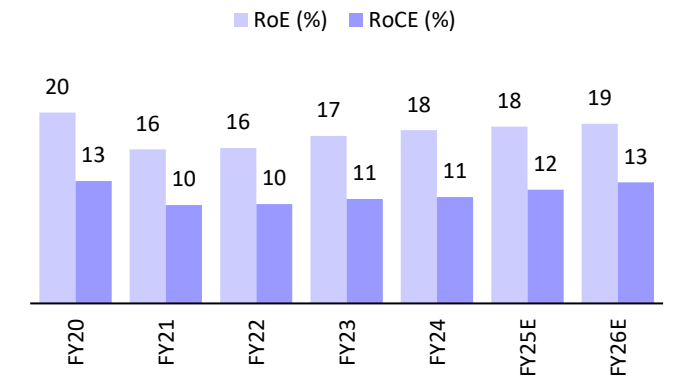
Source: Company, MOFSL

Exhibit 9: Net debt/EBITDA to improve with better efficiency



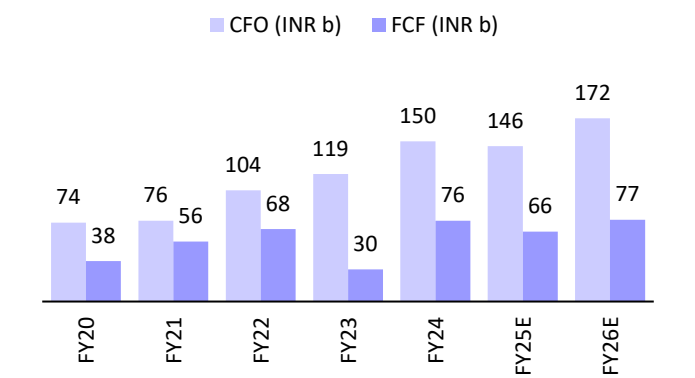
Source: Company, MOFSL

Exhibit 10: Return ratios to remain stable



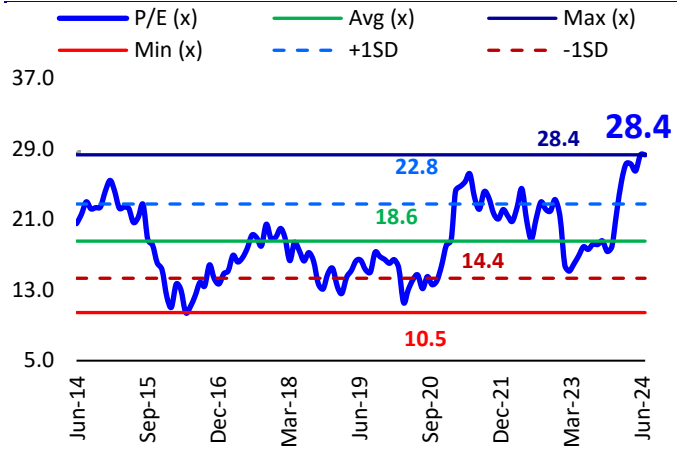
Source: Company, MOFSL

Exhibit 11: CFO and FCF generation to pick up



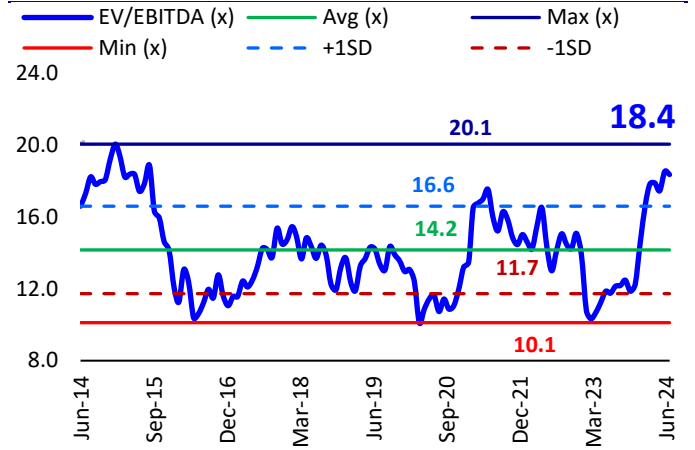
Source: Company, MOFSL

Exhibit 12: APSEZ – P/E trend



Source: Company, MOFSL

Exhibit 13: APSEZ – EV/EBITDA trend



Source: Company, MOFSL

Financials and valuation

Consolidated Income Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	1,18,731	1,25,496	1,71,188	2,08,519	2,67,106	3,07,745	3,49,939
Change in Net Sales (%)	8.7	5.7	36.4	21.8	28.1	15.2	13.7
Total Expenses	43,077	45,662	67,223	80,185	1,08,466	1,25,233	1,39,009
EBITDA	75,654	79,834	1,03,965	1,28,335	1,58,639	1,82,513	2,10,929
Margin (%)	63.7	63.6	60.7	61.5	59.4	59.3	60.3
Depn. & Amortization	16,803	21,073	30,993	34,232	38,885	39,930	44,392
EBIT	58,851	58,761	72,972	94,102	1,19,755	1,42,583	1,66,537
Net Interest	19,507	21,292	25,596	25,936	27,844	26,674	26,239
Other income	18,614	19,702	22,237	15,535	14,994	15,744	16,531
PBT	57,958	57,172	69,613	83,701	1,06,905	1,31,653	1,56,829
EO expense	15,475	-5,891	12,930	33,907	4,351	0	0
PBT after EO	42,483	63,063	56,684	49,794	1,02,554	1,31,653	1,56,829
Tax	4,594	12,433	7,640	964	19,897	25,543	30,428
Rate (%)	10.8	19.7	13.5	1.9	19.4	19.4	19.4
PAT before JV, MI	37,889	50,630	49,044	48,830	82,657	1,06,110	1,26,402
Share of loss from JV, MI	-258	-687	-498	-348	-1,550	32.7	38.0
Reported PAT	37,631	49,943	48,547	48,482	81,106	1,06,143	1,26,440
Adjusted PAT	50,011	45,230	58,890	75,608	89,138	1,06,143	1,26,440
Change (%)	13.9	-9.6	30.2	28.4	16.5	19.1	19.1
Margin (%)	42.1	36.0	34.4	36.3	33.4	34.5	36.1

Source: MOFSL, Company

Consolidated Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	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	5,25,127	6,15,349	7,22,822
Net Worth	2,56,235	3,06,283	4,19,882	4,55,836	5,29,448	6,19,669	7,27,143
Minority Interest	2,196	14,685	3,928	13,385	15,982	16,873	17,893
Total Loans	2,94,630	3,44,010	4,54,530	4,98,193	4,62,792	4,57,792	4,47,792
Deferred Tax Liability	-9,227	3,214	16,530	9,865	22,512	22,512	22,512
Capital Employed	5,43,834	6,68,191	8,94,871	9,77,279	10,30,734	11,16,847	12,15,340
Gross Block	3,62,512	5,51,805	7,00,208	7,82,018	7,43,018	8,23,018	9,18,018
Less: Accum. Deprn.	68,229	1,10,800	1,41,793	1,48,004	1,86,888	2,26,818	2,71,210
Net Fixed Assets	2,94,283	4,41,005	5,58,415	6,34,014	5,56,129	5,96,199	6,46,807
Capital WIP	32,163	36,971	40,229	68,140	1,09,361	1,09,361	1,09,361
Investments	11,780	22,362	31,607	1,00,599	56,340	76,340	1,06,340
Curr. Assets	2,71,715	2,44,083	3,53,029	3,24,299	4,48,163	4,73,287	4,94,018
Inventories	2,883	9,919	3,956	4,520	4,372	5,037	5,727
Account Receivables	25,891	23,859	22,219	32,417	36,669	46,464	57,628
Cash and Bank Balance	73,139	47,008	1,06,674	42,488	76,319	90,035	97,949
-Cash and cash equivalents	71,955	41,980	86,530	9,320	15,757	29,474	37,388
-Bank balance	1,184	5,027	20,144	33,168	60,562	60,562	60,562
Loans & advances	31,173	20,691	18,738	19,970	3,285	3,420	3,561
Other current assets	1,38,630	1,42,607	2,01,441	2,24,905	3,27,518	3,28,331	3,29,152
Curr. Liability & Prov.	66,106	76,229	88,409	1,49,774	1,39,258	1,38,340	1,41,185
Account Payables	7,287	10,139	11,596	18,282	21,674	20,756	23,601
Provisions	1,145	1,224	1,418	17,498	12,942	12,942	12,942
Other current liabilities	57,674	64,867	75,396	1,13,994	1,04,642	1,04,642	1,04,642
Net Curr. Assets	2,05,608	1,67,854	2,64,619	1,74,525	3,08,905	3,34,947	3,52,833
Appl. of Funds	5,43,834	6,68,191	8,94,871	9,77,279	10,30,735	11,16,847	12,15,340

Source: MOFSL, Company

Financials and valuation

Ratios

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)							
EPS	24.6	22.3	27.9	35.0	41.3	49.1	58.5
EPS Growth	16.1	-9.6	25.2	25.5	16.5	19.1	19.1
Cash EPS	32.9	32.6	42.6	50.8	59.3	67.6	79.1
BV/Share	126.1	150.7	198.8	211.0	245.1	286.8	336.6
Payout (%)	13.0	22.5	17.9	14.3	14.5	15.0	12.6
Dividend yield (%)	0.4	0.6	0.6	0.6	0.4	0.5	0.5
Valuation (x)							
P/E	60.0	66.4	53.0	41.7	35.8	30.1	25.3
Cash P/E	44.9	45.3	34.7	28.8	24.9	21.9	18.7
P/BV	11.7	9.8	7.4	7.0	6.0	5.2	4.4
EV/EBITDA	45.0	43.4	33.1	27.6	22.2	19.5	16.8
Dividend Yield (%)	0.2	0.3	0.3	0.3	0.4	0.5	0.5
Return Ratios (%)							
RoE	19.9	16.1	16.2	17.5	18.1	18.5	18.8
RoCE (post-tax)	12.8	10.3	10.4	10.9	11.1	11.9	12.7
RoIC (post-tax)	12.7	9.5	9.9	12.5	12.4	14.1	15.4
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	50	55	60
Creditors (Days)	22	29	25	32	30	25	25
Inventory (Days)	9	29	8	8	6	6	6
Leverage Ratio (x)							
Current Ratio	4.1	3.2	4.0	2.2	3.2	3.4	3.5
Interest Cover Ratio	4.0	3.7	3.7	4.2	4.8	5.9	7.0
Net Debt/EBITDA	2.9	3.7	3.3	3.6	2.4	2.0	1.7
Net Debt/Equity	0.9	1.0	0.8	1.0	0.7	0.6	0.5

Cash Flow Statement (INR m)

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	42,439	62,920	57,171	54,891	1,00,937	1,32,577	1,57,887
Depreciation	16,803	21,073	30,993	34,232	38,885	39,930	44,392
Direct Taxes Paid	-8,496	-8,728	-9,597	-8,339	-12,719	-25,543	-30,428
(Inc)/Dec in WC	9,909	4,084	7,584	-8,546	-95	-12,326	-9,972
Other Items	13,363	-3,791	18,050	47,094	23,169	10,930	9,708
CF from Operations	74,018	75,558	1,04,201	1,19,333	1,50,176	1,45,567	1,71,588
(Inc)/Dec in FA	-35,584	-19,497	-36,458	-89,210	-74,430	-80,000	-95,000
Free Cash Flow	38,434	56,061	67,743	30,123	75,746	65,567	76,588
Acquisitions/Divestment	-2,735	-1,49,912	-6,538	-1,44,291	-31,178	0	0
Change in Investments	10,961	6,350	-28,056	22,851	-5,172	-20,000	-30,000
Others	19,854	21,632	18,233	14,614	41,315	15,744	16,531
CF from Investments	-7,504	-1,41,427	-52,818	-1,96,036	-69,466	-84,256	-1,08,469
Share issue	-19,707	0	9,093	9,455	2,352	0	0
Inc/(Dec) in Debt	4,015	54,909	75,276	3,453	-41,290	-5,000	-10,000
Interest	-19,239	-19,558	-25,505	-23,710	-28,085	-26,674	-26,239
Dividend	-8,446	-212	-10,267	-10,929	-10,797	-15,921	-18,966
Others	821	0	-54,455	-5,607	-180	0	0
Cash from financing activity	-42,556	35,139	-5,858	-27,338	-78,001	-47,595	-55,205
Net change in cash & equi.	23,958	-30,730	45,526	-1,04,042	2,709	13,716	7,914
Opening cash balance	47,982	71,955	43,118	86,714	11,258	15,757	29,474
change in control of subs.	15	756	-2,113	26,648	1,790	0	0
Closing cash balance	71,955	41,980	86,530	9,320	15,757	29,474	37,388

Source: MOFSL, Company

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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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