

CMP: ₹ 740

Target: ₹ 900 (22%)

Target Period: 12 months

BUY

February 3, 2022

Lower coal imports impact performance...

About the stock: Adani Ports and Special Economic Zone (APSEZ) is the largest commercial port operator with 25% share of India's port cargo movement. The company has evolved from a single port dealing in a single commodity to an integrated logistics platform.

- Total ~70% of APSEZ revenues is contributed by its port operations. Rest is led by harbour (11%), logistics (7%) and others
- Of the total 247 MT cargo volume in FY21, container volumes were at 105 MT (43%), bulk at 110 MT (44%) and rest by liquid at 32 MT (13%)

Q3FY22 Results: Lower coal offtake impacted the performance.

- Revenues remained flat YoY to ₹ 3797 crore (volume de-growth of 11%)
- EBITDA margins remained range-bound at 63-64%. Subsequently, absolute EBITDA also remained flat at ₹ 2431 crore
- However, PAT de-grew 10% to ₹ 1423 crore due to forex gain of ₹ 206 crore in the base quarter

What should investors do? APSEZ expects to reach 500 MT volumes by FY25 on the back of strong double digit volume growth in containers, liquid and bulk cargo (ex-coal: which is expected to grow at lower single digits).

- We remain positive on the long term growth prospects of the stock and maintain our BUY recommendation

Target Price and Valuation: We value the stock at ₹ 900 on an SOTP basis

Key triggers for future price performance: Diversified cargo mix (44%, 42%, 14% for container, bulk, liquid, respectively in Q3), overall leadership in Indian ports (extended MS by 350 bps in Q3 to reach 28.1%, container MS improved to 42.2%) and development of strength in verticals like logistics and warehousing would enable APSEZ to capture loyalty and higher wallet share of its customers.

- DFC connectivity to Mundra (normalisation in the medium term) to provide faster port evacuation, quicker transit time
- Inorganic opportunities such as acquisition of Concor (~67% market share (MS) in CTO business)

Alternate Stock Idea: Apart from Adani Ports, we remain positive on GPPL.

- Gujarat Pipavav is a South-West Gujarat based port with an MNC promoter (Maersk Group). The port container capacity is at 1.35 million TeUs
- We have a BUY rating on the stock, with a target price of ₹ 120

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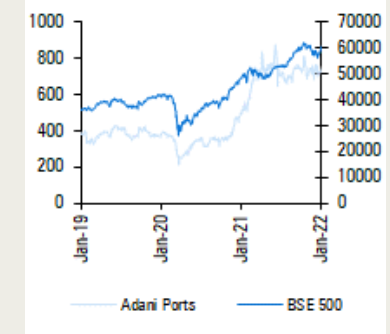
Particulars

Particular	Amount
Market Capitalization (₹ cr)	1,50,350
Total Debt (FY21) (₹ cr)	33,335.5
Cash (FY21) (₹ cr)	4,700.8
EV (₹ cr)	1,78,984.4
52 week H/L	901/542
Equity Capital (₹ cr)	408.4
Face Value (₹)	2.0

Shareholding pattern

(in %)	Mar-21	Jun-21	Sep-21	Dec-21
Promoter	63.7	63.8	63.8	63.8
Others	36.3	36.2	36.2	36.2

Price Chart



Recent event & key risks

- Acquisition of Gangavaram port in Q4
- Key Risk:** (i) Slowdown in Exim trade (ii) Delay in DFC normalisation

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Key Financial Summary

₹ crore	FY20	FY21	5 Years CAGR % (FY16-21)	FY22E	FY23E	FY24E	3-Years CAGR (%)
Net Sales	11873.1	12549.6	12.0	16664.5	20247.6	23443.9	23.2
EBITDA	7565.4	7983.4	11.8	10665.3	13100.2	15215.1	24.0
EBITDA margin (%)	63.7	63.6		64.0	64.7	64.9	
PAT	3880.4	4994.3	11.5	6653.3	7625.5	9464.8	23.8
P/E (x)	40.0	30.1		29.4	19.8	16.0	
RoCE (%)	11.2	12.7		11.5	14.2	15.8	
RoE (%)	14.5	16.3		11.9	16.7	17.7	

Source: Company, ICICI Direct Research

Key takeaways

Q3FY22 Results: Gangavaram to be consolidated by Q4 (merger appointment date of April 1, 2021)

- Of the 8.9 MMT lower coal offtake during the quarter, volumes declined of Adani Power: 4.5 MMT, Tata Power: 1.5 MMT, Sembcorp: 0.8 MMT, etc
- Sarguja rail acquisition was completed in Q3. Gangavaram acquisition (58.1% stake is expected in the next few months)

Q3FY22 Earnings Conference Call highlights

- Two new container lines were added, one each in Mundra and Kattupali, with a potential of 35000 TeU
- The management expects the current coal situation (lower offtake) to reverse from mid-February onwards
- The company has received an Lol from Haldia Port Trust for setting up 5 MMT bulk terminal
- The management is geared for Concor acquisition (raised debt of ~₹ 10000 crore in Q2) in the next fiscal
- The management does not see impact of Omicron variant, on APSEZ volumes
- APSEZ has signed an MoU and long term contract with Posco (to set up steel plant) and HRRL (development of crude terminal), respectively
- In warehousing, added capacity of 0.08 mn sq ft

Exhibit 1: SOTP valuation

		FY24 EBITDA	multiple (x)	EV per share value	
Ports (ex-JV terminals)	EV/EBITDA	11957	15	174332	854
JV terminals	EV/EBITDA	1572	15	23585	116
Logistics and others	EV/EBITDA	1261	15	18922	93
Less: Net Debt				31800	156
Less: Minority stakes				11793	58
Equity value					849
Land Bank (Mundra SEZ) 21K acres ₹ 5 mil/acre		10500		10500	51
Total					900

Source: Company, ICICI Direct Research

Exhibit 2: Variance Analysis

Standalone	Q3FY22	Q3FY22E	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Revenue	3,797.1	3,445.5	3,746.5	1.4	3,620.7	4.9	YoY flattish revenues as weak volumes (11% de-growth) were negated by higher realisation
Consumption of RM	1,011.0	964.8	916.3	10.3	977.7	3.4	
Employee Expenses	160.1	165.4	160.7	-0.4	169.0	-5.2	
Other Expense	195.4	186.1	181.5	7.7	192.1	1.7	
Total Expense	1,366.6	1,316.2	1,258.5	8.6	1,338.7	2.1	
EBITDA (ex-forex gain/loss)	2,430.6	2,129.3	2,488.0	-2.3	2,282.0	6.5	
EBITDA Margin (%)	64.0	61.8	66.4	-240 bps	63.0	98 bps	Higher-than-expected margins due to better product mix
Foreign Exchange Gain/(Loss)	-12.8	0.0	206.2	NA	53.2	NA	
Depreciation	693.1	605.2	594.1	16.7	692.2	0.1	
Interest	666.5	598.0	612.3	8.9	648.5	2.8	
Other Income	625.6	521.2	528.3	18.4	554.0	12.9	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	-405.2	NA	
PBT	1,683.9	1,447.4	2,016.2	-16.5	1,143.3	47.3	
Total Tax	260.7	275.2	436.0	-40.2	208.4	25.1	
PAT	1,423.2	1,172.2	1,580.2	-9.9	934.9	52.2	

Key Metrics	Q3FY22	Q3FY22E	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Container volume (MMT)	30.0	29.7	30.2	-0.7	29.7	1.0	YoY flat due to disruption in global exim movement
Bulk volume (MMT)	28.2	28.4	36.6	-23.0	29.6	-4.6	Bulk impacted due to higher international commodity prices, leading to lower imports by power plants
Liquid volume (MMT)	9.7	9.5	9.6	1.1	9.1	7.3	
Overall volume (MMT)	67.9	67.6	76.5	-11.2	68.3	-0.6	

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

₹ Crore)	FY22E				FY23E			FY24E	Comments
	FY21	Old	New	% Change	Old	New	% Change	Introduced	
Revenue	12,549.6	18,088.7	16,664.5	-7.9	21,413.7	20,247.6	-5.4	23,443.9	Revised downward topline due to lower coal imports
EBITDA	7,983.4	11,395.9	10,665.3	-6.4	13,512.0	13,100.2	-3.0	15,215.1	
EBITDA Margin (%)	63.6	63.0	64.0	100 bps	63.1	64.7	160 bps	64.9	Margins improved due to better product mix
PAT	4,994.3	5,919.7	5,146.5	-13.1	7,638.6	7,625.5	-0.2	9,464.8	
EPS (₹)	24.6	29.0	25.2	-13.1	37.4	37.3	-0.2	46.4	

Source: ICICI Direct Research

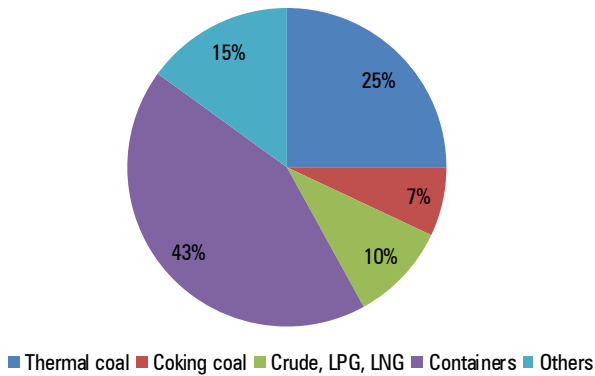
Exhibit 4: Assumptions

	Current			Earlier		Introduced	Comments
	FY21	FY22E	FY23E	FY22E	FY23E	FY24E	
Container volume (MMT)	105.7	121.1	139.1	133.1	153.3	160.3	
Bulk volume (MMT)	109.8	158.4	196.9	180.5	211.7	214.9	Lower coal volumes impact bulk
Liquid volume (MMT)	31.8	37.2	42.8	36.6	41.2	49.3	
Overall volume (MMT)	247.3	316.8	378.9	350.3	406.2	424.5	

Source: ICICI Direct Research

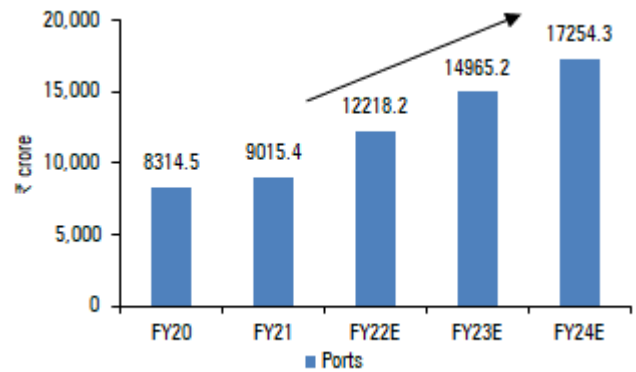
Key Metrics

Exhibit 5: FY21 APSEZ cargo mix



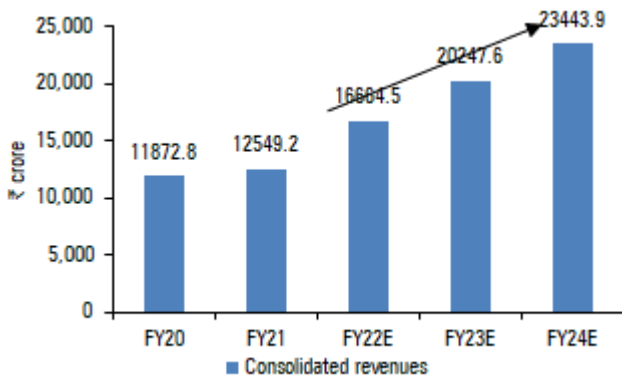
Source: ICICI Direct Research, Company

Exhibit 6: Ports revenues expected to grow at 24% CAGR



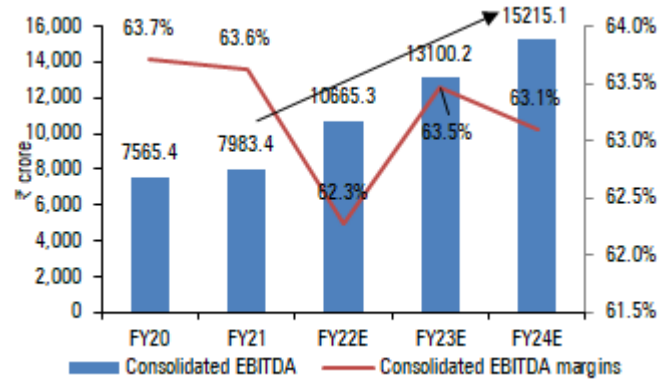
Source: ICICI Direct Research, Company

Exhibit 7: Consolidated revenues to grow at 37% CAGR (FY21-24E)



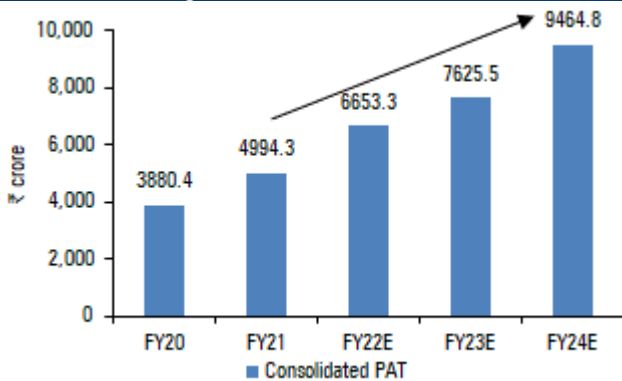
Source: ICICI Direct Research, Company

Exhibit 8: Consolidated EBITDA to grow at 38% CAGR (FY21-24E)



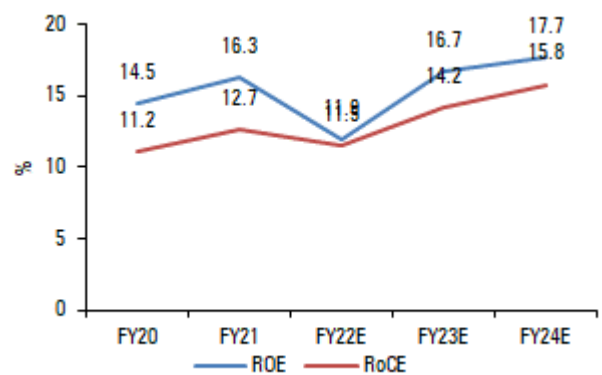
Source: ICICI Direct Research, Company

Exhibit 9: PAT to grow at 38% CAGR (FY21-24E)



Source: Company, ICICI Direct Research

Exhibit 10: Return ratios trend



Source: Company, ICICI Direct Research

Exhibit 11: Valuation parameters

	Sales (₹ cr)	Sales Growth (%)	EPS (₹)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	11873.1	8.7	18.2	-7.2	40.0	28.8	11.2	11.2
FY21	12549.6	5.7	24.6	34.8	30.1	20.4	12.7	12.7
FY22E	16664.5	32.8	23.2	-5.5	29.4	17.6	11.5	11.5
FY23E	20247.6	21.5	37.3	60.8	19.8	13.6	14.2	14.2
FY24E	23443.9	15.8	46.4	24.1	16.0	11.3	17.7	15.8

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E
Total Operating Income	12,549.6	16,664.5	20,247.6	23,443.1
Growth (%)	5.7	32.8	21.5	15.1
Operating Expenses	3,259.5	4,499.4	5,264.4	6,095.1
Gross Profit	9,290.1	12,165.1	14,983.2	17,348.0
Gross Profit Margins (%)	74.0	73.0	74.0	74.0
Employee Expenses	615.1	666.6	769.4	844.1
Other Expenditure	691.6	833.2	1,113.6	1,289.1
Total Operating Expenditure	4,566.2	5,999.2	7,147.4	8,228.1
EBITDA	7,983.4	10,665.3	13,100.2	15,215.1
Growth (%)	5.5	33.6	22.8	16.1
Foreign Exchange Gain/(Loss)	715.2	348.2	0.0	0.0
Interest	2,255.3	2,624.8	2,662.1	2,530.1
Depreciation	2,107.3	2,674.5	2,842.5	3,010.1
Other Income	1,970.2	2,167.3	2,492.3	2,866.1
PBT before Exceptional Items	6,306.3	7,881.4	10,087.9	12,540.1
Less: Exceptional Items	0.0	-405.2	0.0	0.0
PBT after Exceptional Items	6,306.3	8,286.6	10,087.9	12,540.1
Total Tax	1,243.3	1,706.5	2,539.1	3,156.1
PAT before MI	5,063.0	6,580.1	7,548.7	9,384.1
Minority Interest & Oth ad	54.4	57.2	60.0	63.1
Profit from Associates	-14.3	130.3	136.8	143.1
PAT	4,994.3	6,653.3	7,625.5	9,464.1
Growth (%)	28.7	33.2	14.6	24.1
EPS (Adjusted)	24.6	23.2	37.3	46.1

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E
Profit/(Loss) after taxation	4,994.3	5,146.5	7,625.5	9,464.8
Add: Depreciation & Amortization	2,107.3	2,674.5	2,842.5	3,010.5
Add: Interest Paid	2,255.3	2,624.8	2,662.1	2,530.1
Net Increase in Current Assets	503.1	-1,169.0	-1,026.9	-924.0
Net Increase in Current Liabilities	663.6	448.5	407.8	379.0
Others	-3,014.5	0.0	0.0	0.0
CF from Operating activities	7,509.1	9,725.3	12,511.1	14,460.4
(Purchase)/Sale of Fixed Assets	-1,949.7	-8,212.0	-3,889.1	-3,900.2
Long term Loans & Advances	278.1	0.0	0.0	0.0
Investments	-1,058.2	-30.0	-30.0	-30.0
Others	-3,552.6	-6,444.7	-496.1	-530.6
CF from Investing activities	-6,282.3	-14,686.7	-4,415.2	-4,460.8
(inc)/Dec in Loan	-739.9	9,000.0	-2,000.0	-2,000.0
Dividend & Dividend tax	-844.6	-1,526.2	-1,761.0	-1,761.0
Less: Interest Paid	-2,255.3	-2,624.8	-2,662.1	-2,530.1
Other	0.0	5,582.2	0.0	0.0
CF from Financing activities	-3,839.8	10,431.1	-6,423.2	-6,291.2
Net Cash Flow	-2,613.1	5,469.7	1,672.7	3,708.5
Cash and Cash Equivalent at the	7,313.9	4,700.8	10,170.5	11,843.2
Cash	4,700.8	10,170.5	11,843.2	15,551.7

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	406.4	422.5	422.5	422.5
Reserve and Surplus	30,221.9	39,408.2	45,272.7	52,976.5
Total Shareholders funds	30,628.3	39,830.7	45,695.2	53,399.0
Minority Interest	1,468.5	1,027.9	1,048.5	1,069.5
Total Debt	33,335.5	42,335.5	40,335.5	38,335.5
Deferred Tax Liability	1,203.2	1,227.2	1,251.8	1,276.8
Long-Term Provisions	26.7	27.2	27.8	28.3
Other Non Current Liabilities	1,845.7	1,882.6	1,920.3	1,958.7
Source of Funds	68507.8	86331.2	90279.0	96067.8
Gross Block - Fixed Assets	52,879.1	63,679.1	67,679.1	71,679.1
Accumulated Depreciation	8,778.6	11,453.1	14,295.6	17,306.1
Net Block	44,100.5	52,226.0	53,383.4	54,372.9
Capital WIP	3,697.1	1,109.1	998.2	898.4
Fixed Assets	47,797.6	53,335.1	54,381.7	55,271.3
Goodwill	4,036.4	10,036.4	10,538.3	11,065.2
Investments	2,236.2	2,266.2	2,296.2	2,326.2
Other non-Current Assets	8,575.4	8,641.1	8,718.7	8,807.4
Inventory	991.9	1,317.1	1,600.3	1,852.9
Debtors	2,385.9	3,168.2	3,849.4	4,457.1
Loans and Advances	2,069.1	2,079.9	2,090.8	2,101.9
Other Current Assets	2,530.5	2,581.2	2,632.8	2,685.4
Cash	4,700.8	10,170.5	11,843.2	15,551.7
Total Current Assets	12,678.1	19,316.8	22,016.5	26,648.9
Creditors	1,013.9	1,346.3	1,635.7	1,894.0
Provisions	95.8	97.7	99.6	101.6
Other Current Liabilities	5,706.4	5,820.5	5,936.9	6,055.6
Total Current Liabilities	6,816.0	7,264.4	7,672.3	8,051.2
Net Current Assets	5,862.2	12,052.4	14,344.2	18,597.7
Application of Funds	68,507.8	86,331.2	90,279.0	96,067.8

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Reported EPS	24.6	23.2	37.3	46.4
Cash EPS	18.8	15.7	28.7	37.7
BV per share	150.7	195.1	223.8	261.5
Cash per Share	23.1	49.8	58.0	76.2
Dividend per share	5.8	7.5	8.6	8.6
Operating Ratios (%)				
Gross Profit Margins	74.0	73.0	74.0	74.0
EBITDA margins	69.3	61.9	64.7	64.9
PAT Margins	39.8	28.5	37.7	40.4
Inventory days	28.8	28.8	28.8	28.8
Debtor days	69.4	69.4	69.4	69.4
Creditor days	29.5	29.5	29.5	29.5
Asset Turnover	0.2	0.3	0.3	0.3
Return Ratios (%)				
RoE	16.3	11.9	16.7	17.7
RoCE	12.7	11.5	14.2	15.8
RoIC	11.3	10.5	13.6	15.7
Valuation Ratios (x)				
P/E	30.1	29.4	19.8	16.0
EV / EBITDA	20.4	17.6	13.6	11.3
EV / Net Sales	14.2	10.9	8.8	7.3
Market Cap / Sales	12.0	9.0	7.4	6.4
Price to Book Value	4.9	3.8	3.3	2.8
Solvency Ratios				
Debt / EBITDA	3.8	4.1	3.1	2.5
Debt / Equity	1.1	1.1	0.9	0.7
Current Ratio	1.0	1.1	1.2	1.3
Quick Ratio	0.9	0.9	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 16: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
APSEZ	740	900	BUY	1,50,350	24.6	23.2	37.3	40.0	30.1	29.4	28.8	20.4	17.6	11.2	12.7	11.5	14.5	16.3	11.9
Container Corporation	660	780	BUY	38,020	8.3	21.0	28.4	99.4	79.6	31.4	6.3	10.0	5.9	10.9	4.5	9.9	12.1	5.4	11.0
Transport Corp. of India	730	860	BUY	5,325	18.9	32.0	40.1	39.8	38.6	22.8	23.6	21.1	14.6	12.4	13.3	17.9	14.0	12.9	18.0
TCI Express	1,950	2,300	BUY	7,464	23.3	26.2	34.0	102.5	83.8	74.5	62.7	61.5	55.6	42.3	36.3	31.9	30.7	29.5	26.1
Mahindra Logistics	569	750	BUY	4,195	4.2	5.6	10.3	139.2	104.9	56.7	29.5	19.8	15.6	18.8	25.4	32.3	5.8	6.8	11.5
BlueDart Express	6,700	6,300	BUY	15,919	44.4	93.1	125.0	151.0	71.9	53.6	22.6	18.6	15.8	50.5	63.4	63.4	13.5	29.7	29.5
Gateway Distriparks	285	350	BUY	3,558	7.6	9.9	15.3	37.7	28.7	18.7	12.5	10.8	8.5	12.2	14.4	18.3	6.4	8.1	11.6

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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