

# Adani Ports & SEZ

BSE SENSEX 69,654 S&P CNX 20,938

**CMP: INR1,018 TP: INR1,210 (+19%)**

**Buy**



## Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2160
M.Cap.(INRb)/(USDb)	2198.9 / 26.4
52-Week Range (INR)	1083 / 395
1, 6, 12 Rel. Per (%)	19/24/1
12M Avg Val (INR M)	6373
Free float (%)	34.5

## Financials Snapshot (INR b)

Y/E March	2023	2024E	2025E
Net Sales	208.5	271.5	314.6
EBITDA	128.3	160.1	187.4
Adj. PAT	75.6	87.2	102.9
EBITDA Margin (%)	61.5	59.0	59.6
Adj. EPS (INR)	35.0	40.4	47.6
EPS Gr. (%)	25.5	15.4	18.0
BV/Sh. (INR)	211.0	242.0	277.8

## Ratios

Net D/E (x)	0.8	0.8	0.6
RoE (%)	17.3	17.8	18.3
RoCE (%)	10.8	10.9	11.6
Payout (%)	14.3	23.8	25.0

## Valuations

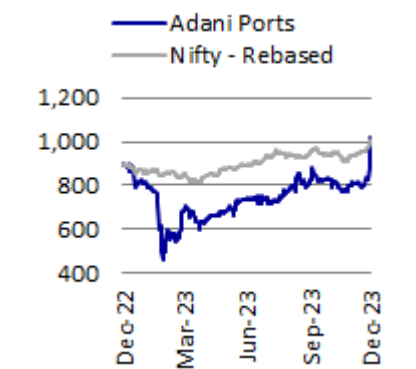
P/E (x)	29.1	25.2	21.4
P/BV (x)	4.8	4.2	3.7
EV/EBITDA (x)	19.9	16.4	13.8
Div. Yield (%)	0.5	0.9	1.2
FCF Yield (%)	1.4	4.1	4.7

## Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	65.5	62.9	66.0
DII	13.3	12.4	15.4
FII	13.8	17.0	14.4
Others	7.4	7.7	4.3

FII Includes depository receipts

## Stock's performance (one-year)



## On track to surpass FY24 volume guidance; positive development at group level to support

- APSEZ clocked a cargo value of 36MMT in Nov'23, recording 42% YoY growth, taking its YTD FY24 volume to 275MMT (up 21% YoY). Management had highlighted that the company is well on its path to achieve its FY24 volume guidance of 390 MMT, however, during Apr-Nov'23, APSEZ achieved more than 70% of the top-end of the company's full-year guidance range of 390 MMT.
- During 1HFY24, APSEZ's domestic cargo volume growth was over 2x India's cargo volume growth rate. Eight of the company's ports achieve record-breaking half-yearly cargo volumes. With the current monthly volume run rate of ~35 MMT, we believe that APSEZ will effortlessly surpass its volume guidance for FY24.
- Additionally, in a positive development at Group level, Bloomberg reported that the US government deemed Hindenburg Research's accusations as irrelevant. This decision was made by International Development Finance Corporation (DFC) before approving \$553m loan for container terminal project in Sri Lanka.
- **With higher-than-expected cargo growth in the first eight months of FY24, we have increased our volume estimates by 2% to 410 MMT for FY24. We now expect APSEZ to register 16% volume growth over FY23-25 and revenue/EBITDA/PAT CAGR of 23%/21%/17% over the same period. Further, with positive development at the Group level related to the Hindenburg case, we expect re-rating in valuation multiples. We reiterate our BUY rating with a revised TP of INR1,210 based of 16x FY25E EV/EBITDA (against 15x assigned earlier).**

## APSEZ records highest-ever cargo volume YTD FY24 with focus on increasing share of containers in overall cargo mix

- On YTD basis (Apr-Nov' 23), APSEZ has handled 275 MMT of total cargo, registering a YoY growth of 21%. The growth was broad based across Bulk, Container and other cargo.
- Adani International Container Terminal Private Limited (AICTPL), the JV terminal at Mundra, has handled over 0.3m TEUs in a single month. This underscores the emphasis on increasing the container cargo mix within the overall cargo operations (containers made up 37% of the cargo in 1HFY24).

## Logistics volumes continue to witness record growth

- Logistics volumes continue to witness record growth with YTD rail volumes of around 0.38m TEUs (up 23% YoY). Further, APSEZ recorded the highest monthly GPWIS volume of 1.7 MMT in Nov'23, taking YTD GPWIS volumes to 12.3 MMT (up 44% YoY).
- ALL currently operates 10 multi-modal logistics parks (MMLPs), equipped with 104 trains, 2.4m sq. ft. of warehousing space, and 1.1mmt of grain silos.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

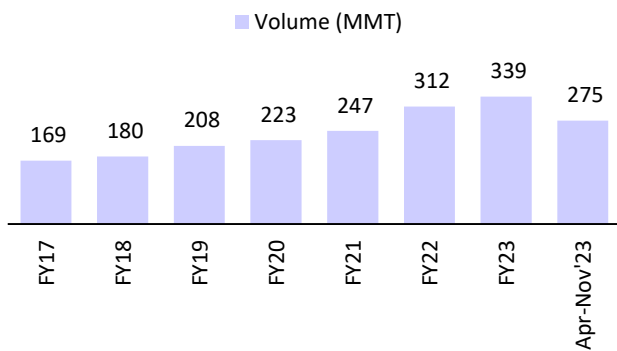
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and view**

- We anticipate sustained volume growth due to enhanced utilization of current ports and favorable global trade trends. The company's: a) strong market leadership in ports, b) focus on value-added areas such as logistics, and c) focus on strategic acquisitions position it favorably for the future.
- The operational ramp-up at recently acquired ports is expected to drive a 16% growth in cargo volumes over FY23-25. This would drive a revenue/ EBITDA/PAT CAGR of 23%/21%/17% over FY23-25. We reiterate our BUY rating with a revised TP of INR1,210 (premised on 16x FY25E EV/EBITDA).

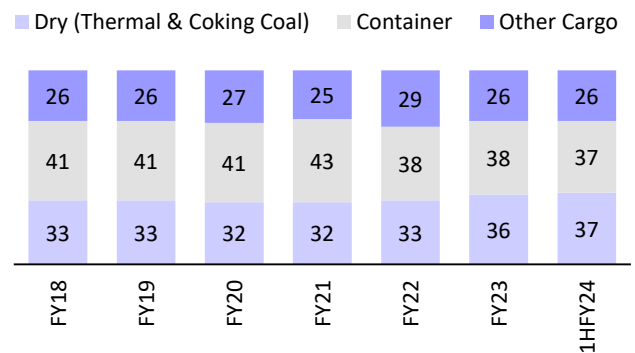
**APSEZ records volume growth across cargo categories**

**Exhibit 1: Port Cargo volume increased ~21% YoY over Apr-Nov'23**



Source: Company, MOFSL

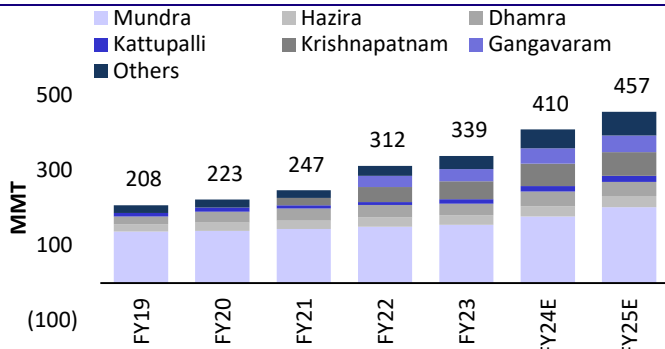
**Exhibit 2: Container cargo gains higher share in overall mix**



Source: Company, MOFSL

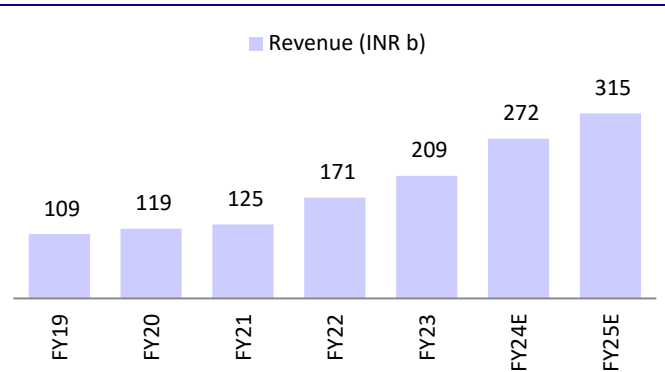
## Story in charts

**Exhibit 3: APSEZ – volumes (MMT)**



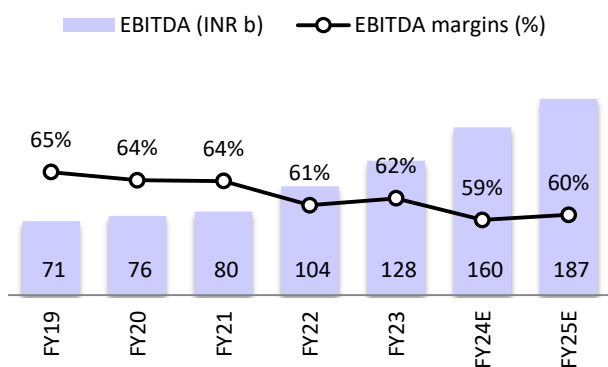
Source: Company, MOFSL

**Exhibit 4: Revenue growth to remain strong**



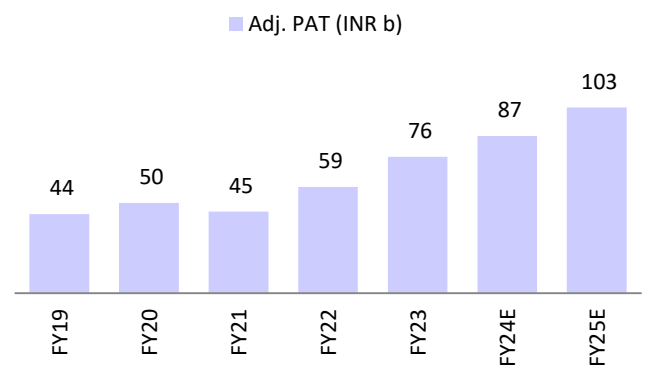
Source: Company, MOFSL

**Exhibit 5: Margin to stabilize at ~60%**



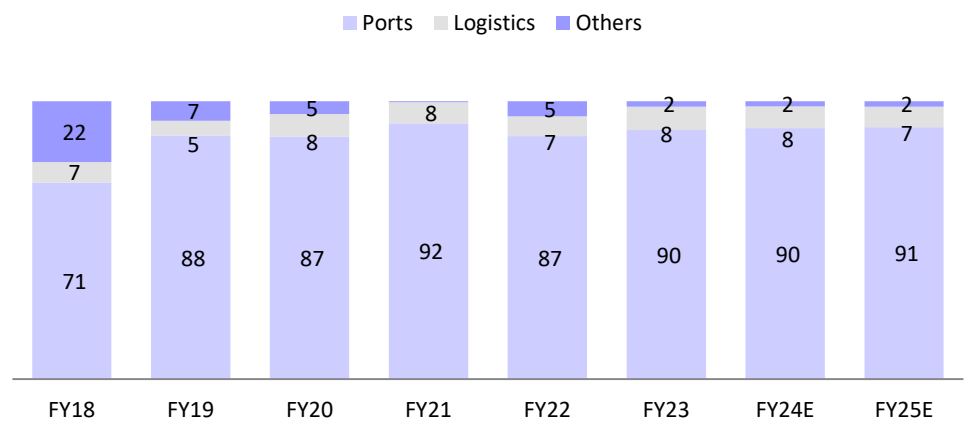
Source: Company, MOFSL

**Exhibit 6: Strong operating performance to drive PAT**



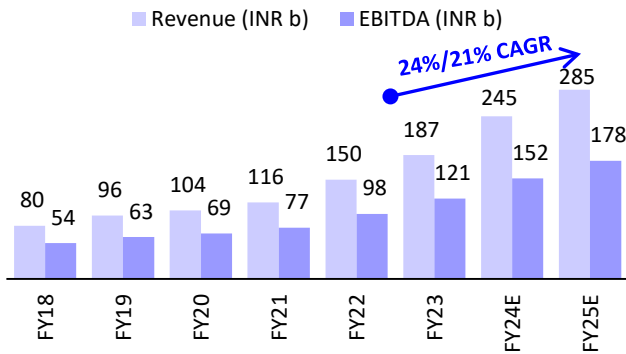
Source: Company, MOFSL

**Exhibit 7: Revenue share (%)**



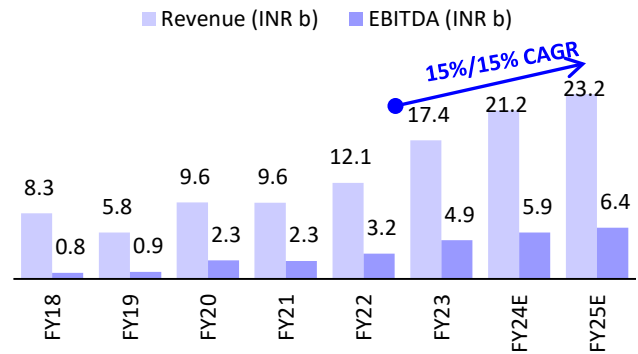
Source: Company, MOFSL

**Exhibit 8: Ports revenue to report 24% CAGR**



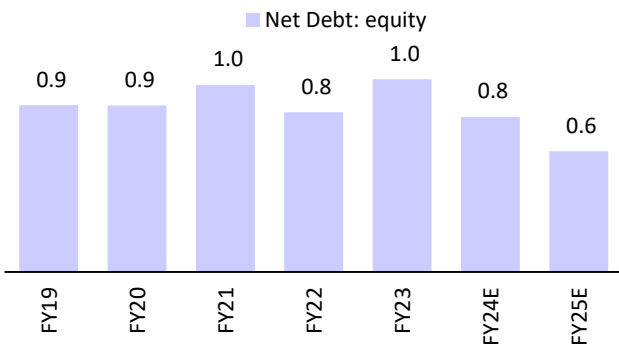
Source: Company, MOFSL

**Exhibit 9: Logistics segment to report 15% CAGR in revenue and EBITDA**



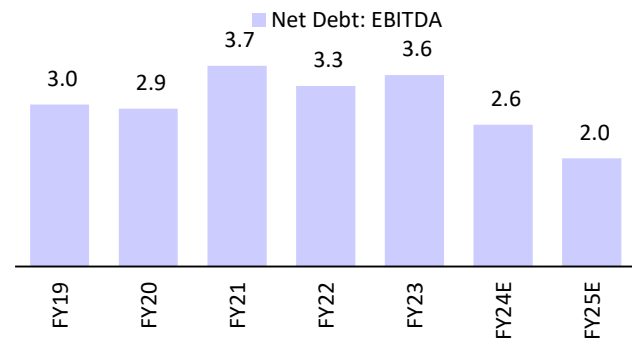
Source: Company, MOFSL

**Exhibit 10: Net debt/equity to decrease**



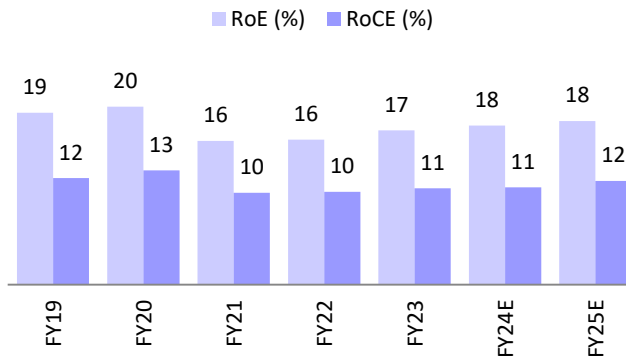
Source: Company, MOFSL

**Exhibit 11: Net debt/EBITDA to improve with better efficiency**



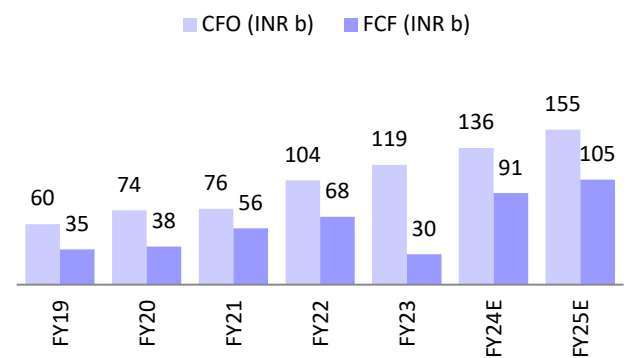
Source: Company, MOFSL

**Exhibit 12: Return ratios to remain stable**



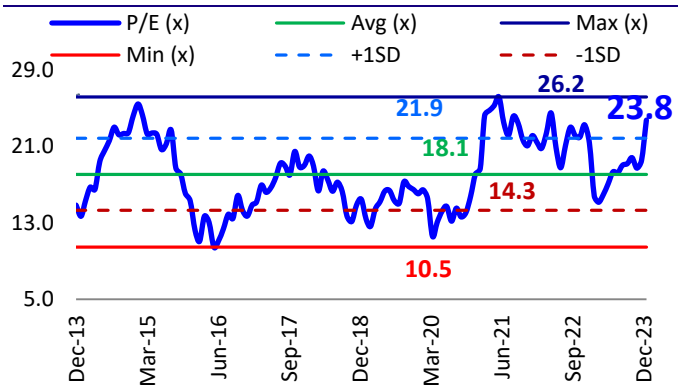
Source: Company, MOFSL

**Exhibit 13: CFO and FCF generation to pick up**



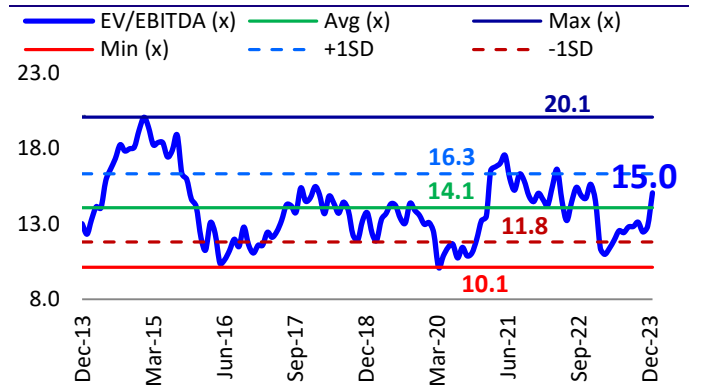
Source: Company, MOFSL

**Exhibit 14: APSEZ – P/E trend**



Source: Company, MOFSL

**Exhibit 15: APSEZ – EV/EBITDA trend**



Source: Company, MOFSL

## Financials and valuation

### Consolidated Income Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Sales</b>	<b>1,09,254</b>	<b>1,18,731</b>	<b>1,25,496</b>	<b>1,71,188</b>	<b>2,08,519</b>	<b>2,71,507</b>	<b>3,14,563</b>
Change in Net Sales (%)	-3.5	8.7	5.7	36.4	21.8	30.2	15.9
Total Expenses	38,580	43,077	45,662	67,223	80,185	1,11,388	1,27,124
<b>EBITDA</b>	<b>70,675</b>	<b>75,654</b>	<b>79,834</b>	<b>1,03,965</b>	<b>1,28,335</b>	<b>1,60,119</b>	<b>1,87,439</b>
Margin (%)	64.7	63.7	63.6	60.7	61.5	59.0	59.6
Depn. & Amortization	13,735	16,803	21,073	30,993	34,232	39,019	41,323
<b>EBIT</b>	<b>56,940</b>	<b>58,851</b>	<b>58,761</b>	<b>72,972</b>	<b>94,102</b>	<b>1,21,100</b>	<b>1,46,117</b>
Net Interest	14,283	19,507	21,292	25,596	25,936	28,750	28,460
Other income	13,623	18,614	19,702	22,237	15,535	13,515	14,191
<b>PBT</b>	<b>56,280</b>	<b>57,958</b>	<b>57,172</b>	<b>69,613</b>	<b>83,701</b>	<b>1,05,865</b>	<b>1,31,847</b>
EO expense	5,018	15,475	-5,891	12,930	33,907	-631	0
PBT after EO	51,263	42,483	63,063	56,684	49,794	1,06,496	1,31,847
Tax	10,815	4,594	12,433	7,640	964	23,429	29,006
Rate (%)	21.1	10.8	19.7	13.5	1.9	22.0	22.0
<b>PAT before JV, MI</b>	<b>40,448</b>	<b>37,889</b>	<b>50,630</b>	<b>49,044</b>	<b>48,830</b>	<b>83,067</b>	<b>1,02,841</b>
Share of loss from JV, MI	-546	-258	-687	-498	-348	127	68.7
<b>Reported PAT</b>	<b>39,902</b>	<b>37,631</b>	<b>49,943</b>	<b>48,547</b>	<b>48,482</b>	<b>83,194</b>	<b>1,02,910</b>
<b>Adjusted PAT</b>	<b>43,916</b>	<b>50,011</b>	<b>45,230</b>	<b>58,890</b>	<b>75,608</b>	<b>87,241</b>	<b>1,02,910</b>
Change (%)	8.3	13.9	-9.6	30.2	28.4	15.4	18.0
Margin (%)	40.2	42.1	36.0	34.4	36.3	32.1	32.7

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	5,18,589	5,95,771
<b>Net Worth</b>	<b>2,45,382</b>	<b>2,56,235</b>	<b>3,06,283</b>	<b>4,19,882</b>	<b>4,55,836</b>	<b>5,22,909</b>	<b>6,00,091</b>
Minority Interest	2,099	2,196	14,685	3,928	13,385	14,050	14,904
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
<b>Capital Employed</b>	<b>5,11,237</b>	<b>5,43,834</b>	<b>6,68,191</b>	<b>8,94,871</b>	<b>9,77,279</b>	<b>10,40,017</b>	<b>11,13,053</b>
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	1,87,023	2,28,346
<b>Net Fixed Assets</b>	<b>2,48,535</b>	<b>2,94,283</b>	<b>4,41,005</b>	<b>5,58,415</b>	<b>6,34,014</b>	<b>6,39,995</b>	<b>6,48,672</b>
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
<b>Curr. Assets</b>	<b>2,53,798</b>	<b>2,71,715</b>	<b>2,44,083</b>	<b>3,53,029</b>	<b>3,24,299</b>	<b>3,66,579</b>	<b>4,14,713</b>
Inventories	8,067	2,883	9,919	3,956	4,520	5,885	6,818
Account Receivables	24,319	25,891	23,859	22,219	32,417	42,209	48,903
Cash and Bank Balance	59,673	73,139	47,008	1,06,674	42,488	72,668	1,12,215
-Cash and cash equivalents	47,982	71,955	41,980	86,530	9,320	39,500	79,047
-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
<b>Curr. Liability &amp; Prov.</b>	<b>43,754</b>	<b>66,106</b>	<b>76,229</b>	<b>88,409</b>	<b>1,49,774</b>	<b>1,55,296</b>	<b>1,59,071</b>
Account Payables	5,721	7,287	10,139	11,596	18,282	23,805	27,580
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
<b>Net Curr. Assets</b>	<b>2,10,044</b>	<b>2,05,608</b>	<b>1,67,854</b>	<b>2,64,619</b>	<b>1,74,525</b>	<b>2,11,282</b>	<b>2,55,641</b>
<b>Appl. of Funds</b>	<b>5,11,237</b>	<b>5,43,834</b>	<b>6,68,191</b>	<b>8,94,871</b>	<b>9,77,279</b>	<b>10,40,017</b>	<b>11,13,053</b>

Source: MOFSL, Company

## Financials and valuation

### Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>							
EPS	21.2	24.6	22.3	27.9	35.0	40.4	47.6
EPS Growth	8.3	16.1	-9.6	25.2	25.5	15.4	18.0
Cash EPS	27.8	32.9	32.6	42.6	50.8	58.4	66.8
BV/Share	118.5	126.1	150.7	198.8	211.0	242.0	277.8
Payout (%)	0.9	13.0	22.5	17.9	14.3	23.8	25.0
Dividend yield (%)	0.0	0.4	0.6	0.6	0.6	0.9	1.1
<b>Valuation (x)</b>							
P/E	48.1	41.4	45.8	36.6	29.1	25.2	21.4
Cash P/E	36.6	31.0	31.2	23.9	20.0	17.4	15.3
P/BV	8.6	8.1	6.8	5.1	4.8	4.2	3.7
EV/EBITDA	34.0	31.9	31.0	23.7	19.9	16.4	13.8
Dividend Yield (%)	0.0	0.3	0.5	0.5	0.5	0.9	1.2
<b>Return Ratios (%)</b>							
RoE	19.3	19.9	16.1	16.2	17.3	17.8	18.3
RoCE (post-tax)	11.9	12.8	10.3	10.4	10.8	10.9	11.6
RoIC (post-tax)	12.3	12.7	9.5	9.9	12.5	12.2	14.5
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	0.4	0.4	0.3	0.3	0.3	0.4	0.5
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2	0.3	0.3
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
<b>Leverage Ratio (x)</b>							
Current Ratio	5.8	4.1	3.2	4.0	2.2	2.4	2.6
Interest Cover Ratio	4.9	4.0	3.7	3.7	4.2	4.7	5.6
Net Debt/EBITDA	3.0	2.9	3.7	3.3	3.6	2.6	2.0
Net Debt/Equity	0.9	0.9	1.0	0.8	1.0	0.8	0.6

### Cash Flow Statement (INR m)

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>OP/(Loss) before Tax</b>	<b>51,263</b>	<b>42,439</b>	<b>62,920</b>	<b>57,171</b>	<b>54,891</b>	<b>1,11,966</b>	<b>1,32,770</b>
Depreciation	13,735	16,803	21,073	30,993	34,232	39,019	41,323
Direct Taxes Paid	-11,065	-8,496	-8,728	-9,597	-8,339	-23,429	-29,006
(Inc)/Dec in WC	317	9,909	4,084	7,584	-8,546	-6,577	-4,812
Other Items	6,045	13,363	-3,791	18,050	47,094	15,235	14,269
<b>CF from Operations</b>	<b>60,294</b>	<b>74,018</b>	<b>75,558</b>	<b>1,04,201</b>	<b>1,19,333</b>	<b>1,36,213</b>	<b>1,54,544</b>
(Inc)/Dec in FA	-28,867	-35,584	-19,497	-36,458	-89,210	-45,000	-50,000
<b>Free Cash Flow</b>	<b>31,427</b>	<b>38,434</b>	<b>56,061</b>	<b>67,743</b>	<b>30,123</b>	<b>91,213</b>	<b>1,04,544</b>
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	13,515	14,191
<b>CF from Investments</b>	<b>-44,242</b>	<b>-7,504</b>	<b>-1,41,427</b>	<b>-52,818</b>	<b>-1,96,036</b>	<b>-51,485</b>	<b>-55,809</b>
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	-28,750	-28,460
Dividend	-5,051	-8,446	-212	-10,267	-10,929	-20,798	-25,727
Others	-176	821	0	-54,455	-5,607	0	0
<b>Cash from financing activity</b>	<b>23,133</b>	<b>-42,556</b>	<b>35,139</b>	<b>-5,858</b>	<b>-27,338</b>	<b>-54,549</b>	<b>-59,188</b>
Net change in cash & equi.	39,186	23,958	-30,730	45,526	-1,04,042	30,180	39,547
Opening cash balance	8,235	47,982	71,955	43,118	86,714	9,320	39,500
change in control of subs.	561	15	756	-2,113	26,648	0	0
<b>Closing cash balance</b>	<b>47,982</b>	<b>71,955</b>	<b>41,980</b>	<b>86,530</b>	<b>9,320</b>	<b>39,500</b>	<b>79,047</b>

Source: MOFSL, Company

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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