

Adani Ports & SEZ

BSE SENSEX 73,503 S&P CNX 22,333

CMP: INR1,327 TP: INR1,600 (+21%)

Buy



Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2160
M.Cap.(INRb)/(USDb)	2866.4 / 34.6
52-Week Range (INR)	1357 / 571
1, 6, 12 Rel. Per (%)	2/39/62
12M Avg Val (INR m)	5762
Free float (%)	34.1

Financials Snapshot (INR b)

Y/E March	2024E	2025E	2026E
Net Sales	274.2	317.8	359.7
EBITDA	163.1	189.4	219.3
Adj. PAT	93.0	107.9	130.3
EBITDA Margin (%)	59.5	59.6	61.0
Adj. EPS (INR)	43.0	50.0	60.3
EPS Gr. (%)	23.0	16.1	20.7
BV/Sh. (INR)	244.5	281.9	327.2

Ratios

Net D/E (x)	0.8	0.6	0.4
RoE (%)	18.9	19.0	19.8
RoCE (%)	11.4	12.0	13.0
Payout (%)	23.5	25.0	20.7

Valuations

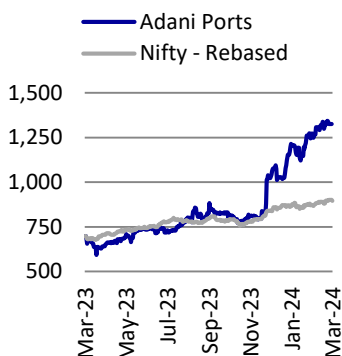
P/E (x)	30.8	26.6	22.0
P/BV (x)	5.4	4.7	4.1
EV/EBITDA (x)	20.1	17.1	14.4
Div. Yield (%)	0.8	0.9	0.9
FCF Yield (%)	3.2	3.7	4.5

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	65.9	65.5	65.1
DII	12.0	13.3	14.5
FII	14.7	13.8	13.8
Others	7.4	7.7	6.6

FII Includes depository receipts

Stock's performance (one-year)



Well positioned to surpass revised guidance of FY24

- APSEZ clocked a cargo volume of 382 MMT in 11 months of FY24, recording 24% YoY growth on YTD basis. With a monthly cargo run rate of ~35 MMT (APSEZ handled 35.4 MMT of cargo in Feb'24), we expect APSEZ to surpass even its revised cargo volume guidance of 400 MMT during FY24. The logistics business continues to do well, with YTD rail volume up 21% YoY in FY24.
- APSEZ has an extensive pan-India presence, strong pricing power and a high proportion of sticky cargo (>50%). With robust volume driven by consistent markets share gains, APSEZ recorded its strongest 9M performance in FY24, with the highest-ever revenue, EBITDA, and cargo volumes till date.
- APSEZ is continuously investing in building infrastructure for its logistics business, which is expected to improve long-term cash flows and earnings for the company.
- **APSEZ is well on track to cross its revised cargo volume guidance of 400 MMT during FY24. It 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 increase our volume estimates by 2-3% for FY24-26. Over FY24-26, we expect APSEZ to register 10% volume growth and a CAGR of 15%/16%/18% in revenue/EBITDA/PAT. With consistent outperformance in cargo volumes, we increase the target multiple to 17x EV/EBITDA (earlier 16x) and reiterate our BUY rating with a revised TP of INR1,600.**

APSEZ records highest-ever cargo volume YTD FY24; limited impact of Red Sea crisis on volumes

- On YTD basis (Apr'23-Feb'24), APSEZ handled 382 MMT of total cargo, up 24% YoY. The growth was broad-based across bulk, container and other cargo.
- The impact of the Red Sea issue is not yet visible on the volumes handled (~10% of its traffic come through the Red Sea). If the situation persists for a longer term, it could have some impact on volumes.

Building infrastructure for strong future growth in logistics business

- APSEZ expects robust growth in the logistics sector. In 3QFY24, it achieved its highest quarterly rail volume of 0.16m TEU, registering growth of 17% YoY.
- As per the management, APSEZ holds a ~12% share in the EXIM container train operators (CTO) market. With the addition of 23 rakes in 3QFY24, APSEZ now boasts a total of 116 rakes as of Dec'23. Looking ahead, the company has placed orders for another 15 rakes and aims to reach a total of 300 rakes by FY28.
- The total warehousing capacity has increased to 2.4m sq. ft. as of 9MFY24, with two new warehouses added in Mumbai and Indore.
- The management expects substantial growth in the logistics segment, driven by capacity expansions in rakes, MMLPs, warehouses, and agri-silos. Furthermore, the company has seen an improvement in margins, which have risen from 17-18% in FY18 to 29-30% currently, enhancing its return profile.

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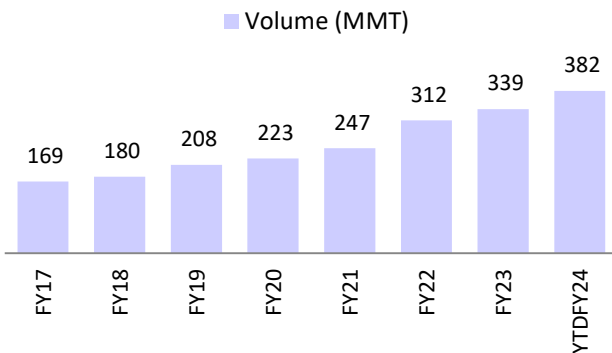
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Valuation and view

- APSEZ reported a robust cargo volume of 382MMT in the 11 months of FY24. The management recently revised its FY24 cargo volume guidance to 400 MMT from ~380 MMT earlier. We expect APSEZ to surpass the revised guidance.
- APSEZ has a diversified cargo mix along with sticky cargo and customer base. We increase our volume estimates by 2-3% for FY24-26. Over FY24-26, we expect APSEZ to register 10% volume growth and a CAGR of 15%/16%/18% in revenue/EBITDA/PAT. With consistent outperformance in cargo volumes, we increase the target multiple to 17x EV/EBITDA (earlier 16x) and reiterate our BUY rating with a revised TP of INR1,600.

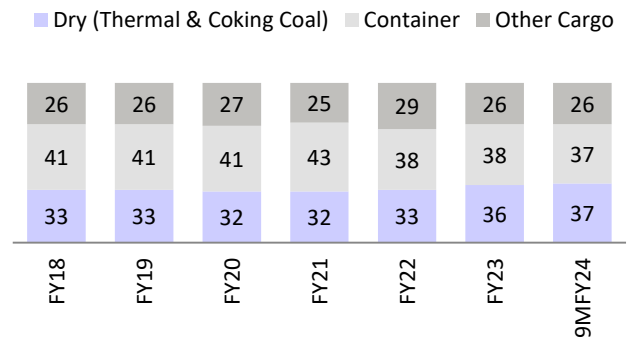
Well positioned to surpass revised volume guidance in FY24

Exhibit 1: Port cargo volume up ~24% YoY over Apr'23-Feb'24



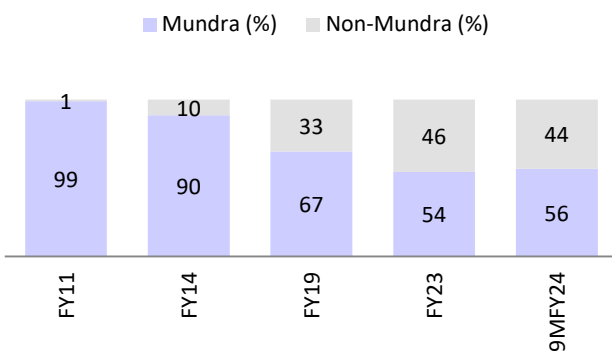
Source: Company, MOFSL

Exhibit 2: Share of container cargo rises in overall mix



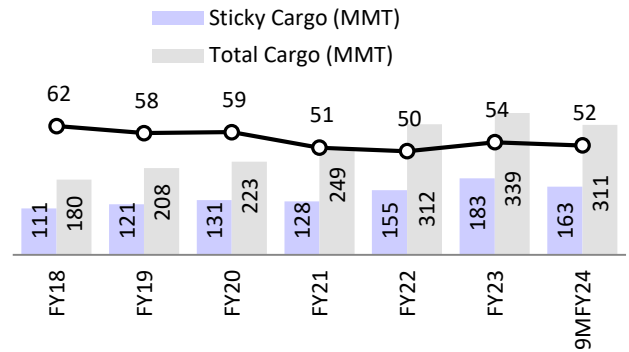
Source: Company, MOFSL

Exhibit 3: Growing share of non-Mundra ports (volume)



Source: Company, MOFSL

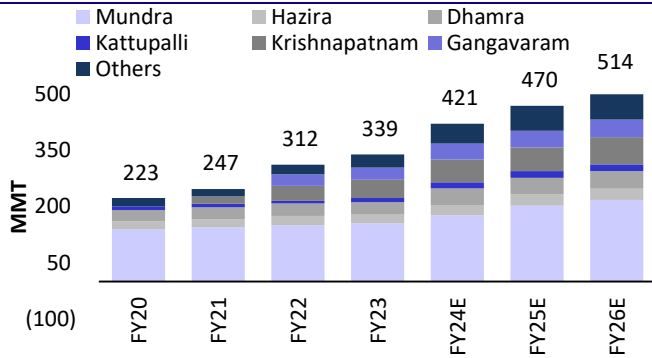
Exhibit 4: Sticky cargo volumes – more than 50% of cargo



Source: Company, MOFSL

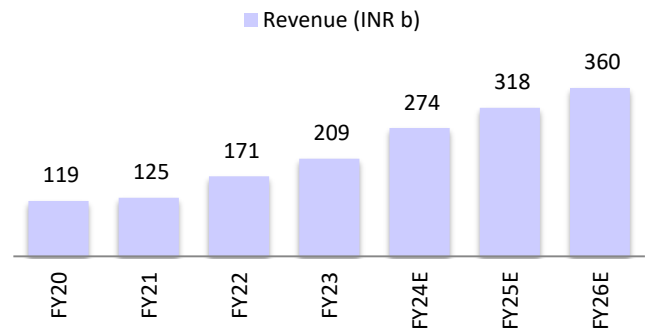
Story in charts

Exhibit 5: APSEZ – volumes (MMT)



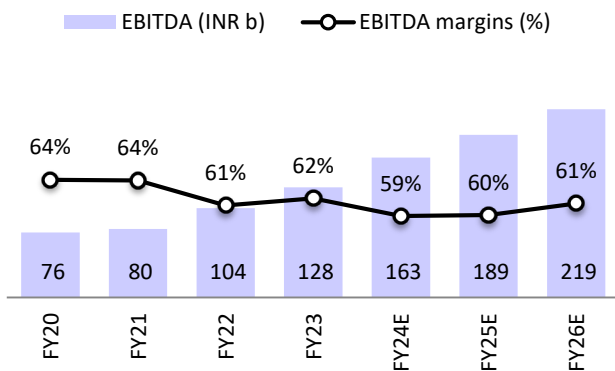
Source: Company, MOFSL

Exhibit 6: Revenue growth to remain strong



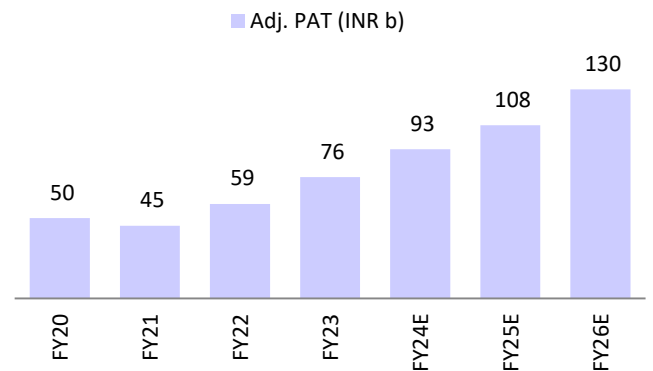
Source: Company, MOFSL

Exhibit 7: Margin to stabilize at ~60%



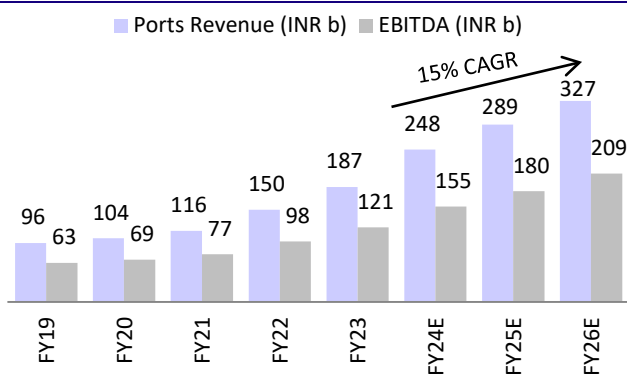
Source: Company, MOFSL

Exhibit 8: Strong operating performance to drive PAT



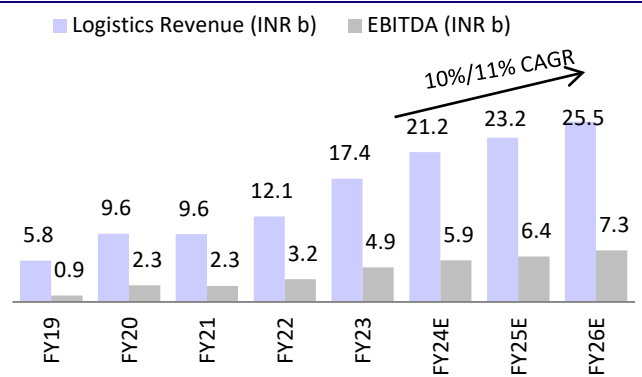
Source: Company, MOFSL

Exhibit 9: Ports revenue to report 15% CAGR



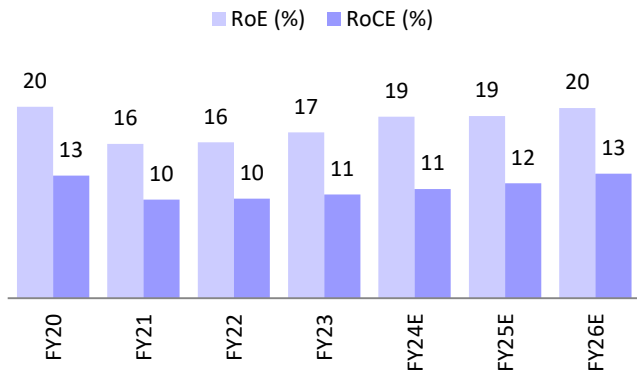
Source: Company, MOFSL

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



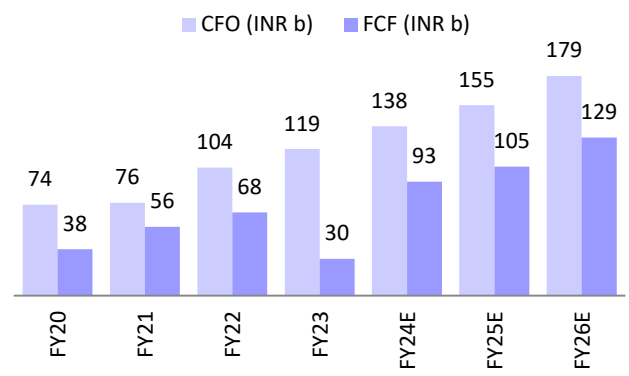
Source: Company, MOFSL

Exhibit 11: Return ratios to remain stable



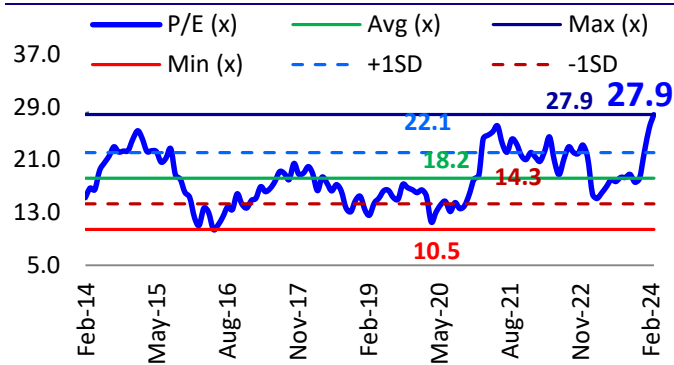
Source: Company, MOFSL

Exhibit 12: CFO and FCF generation to pick up



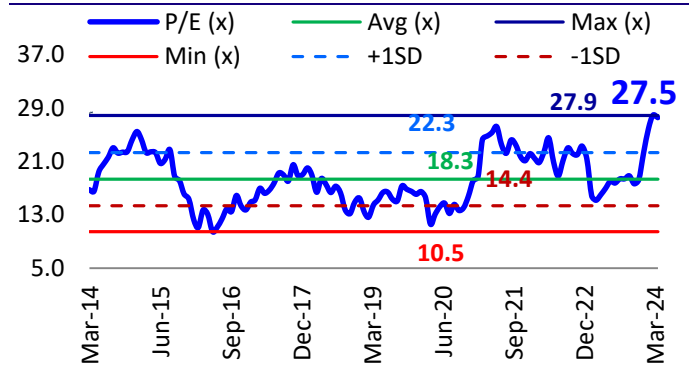
Source: Company, MOFSL

Exhibit 13: APSEZ – P/E trend



Source: Company, MOFSL

Exhibit 14: APSEZ – EV/EBITDA trend



Source: Company, MOFSL

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	2,74,152	3,17,837	3,59,723
Change in Net Sales (%)	8.7	5.7	36.4	21.8	31.5	15.9	13.2
Total Expenses	43,077	45,662	67,223	80,185	1,11,053	1,28,392	1,40,457
EBITDA	75,654	79,834	1,03,965	1,28,335	1,63,098	1,89,446	2,19,267
Margin (%)	63.7	63.6	60.7	61.5	59.5	59.6	61.0
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	1,24,079	1,48,123	1,75,519
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	1,13,161	1,38,341	1,66,917
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	1,14,352	1,38,341	1,66,917
Tax	4,594	12,433	7,640	964	24,633	30,435	36,722
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	89,719	1,07,906	1,30,195
Share of loss from JV, MI	-258	-687	-498	-348	127	37.0	80.9
Reported PAT	37,631	49,943	48,547	48,482	89,846	1,07,943	1,30,276
Adjusted PAT	50,011	45,230	58,890	75,608	92,968	1,07,943	1,30,276
Change (%)	13.9	-9.6	30.2	28.4	23.0	16.1	20.7
Margin (%)	42.1	36.0	34.4	36.3	33.9	34.0	36.2

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	5,23,809	6,04,766	7,02,474
Net Worth	2,56,235	3,06,283	4,19,882	4,55,836	5,28,129	6,09,087	7,06,794
Minority Interest	2,196	14,685	3,928	13,385	14,050	14,936	15,911
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	10,45,237	11,22,080	12,15,763
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	3,72,031	4,24,027	4,95,130
Inventories	2,883	9,919	3,956	4,520	5,942	6,889	7,797
Account Receivables	25,891	23,859	22,219	32,417	42,620	49,411	55,923
Cash and Bank Balance	73,139	47,008	1,06,674	42,488	77,651	1,20,949	1,83,654
-Cash and cash equivalents	71,955	41,980	86,530	9,320	44,484	87,781	1,50,486
-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	1,55,528	1,59,358	1,63,031
Account Payables	7,287	10,139	11,596	18,282	24,037	27,867	31,539
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	2,16,503	2,64,669	3,32,099
Appl. of Funds	5,43,834	6,68,191	8,94,871	9,77,279	10,45,237	11,22,080	12,15,763

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	43.0	50.0	60.3
EPS Growth	16.1	-9.6	25.2	25.5	23.0	16.1	20.7
Cash EPS	32.9	32.6	42.6	50.8	61.1	69.1	80.6
BV/Share	126.1	150.7	198.8	211.0	244.5	281.9	327.2
Payout (%)	13.0	22.5	17.9	14.3	23.5	25.0	20.7
Dividend yield (%)	0.4	0.6	0.6	0.6	0.8	1.0	1.0
Valuation (x)							
P/E	53.9	59.6	47.6	37.9	30.8	26.6	22.0
Cash P/E	40.4	40.7	31.2	26.1	21.7	19.2	16.5
P/BV	10.5	8.8	6.7	6.3	5.4	4.7	4.1
EV/EBITDA	40.7	39.3	30.0	25.1	20.1	17.1	14.4
Dividend Yield (%)	0.2	0.4	0.4	0.4	0.8	0.9	0.9
Return Ratios (%)							
RoE	19.9	16.1	16.2	17.3	18.9	19.0	19.8
RoCE (post-tax)	12.8	10.3	10.4	10.8	11.4	12.0	13.0
RoC (post-tax)	12.7	9.5	9.9	12.5	12.6	14.7	17.2
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	2.7	3.0
Interest Cover Ratio	4.0	3.7	3.7	4.2	5.0	6.0	7.1
Net Debt/EBITDA	2.9	3.7	3.3	3.6	2.5	1.9	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	1,19,458	1,39,264	1,67,973
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	-24,633	-30,435	-36,722
(Inc)/Dec in WC	9,909	4,084	7,584	-8,546	-6,814	-4,868	-4,725
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	1,37,948	1,55,065	1,78,876
(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	92,948	1,05,065	1,28,876
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	-21,866	-26,986	-32,569
Others	821	0	-54,455	-5,607	0	0	0
Cash from financing activity	-42,556	35,139	-5,858	-27,338	-54,872	-59,710	-65,011
Net change in cash & equi.	23,958	-30,730	45,526	-1,04,042	35,164	43,298	62,705
Opening cash balance	47,982	71,955	43,118	86,714	9,320	44,484	87,781
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	44,484	87,781	1,50,486

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

*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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