

# Adani Ports & SEZ

BSE SENSEX 83,185 S&P CNX 25,416

**CMP: INR1,410 TP: INR1,850 (+31%) Buy**



### Stock Info

Bloomberg	ADSEZ IN
Equity Shares (m)	2160
M.Cap.(INRb)/(USD\$b)	3041.9 / 36.3
52-Week Range (INR)	1621 / 755
1, 6, 12 Rel. Per (%)	-9/-3/43
12M Avg Val (INR M)	6357
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	110.7	132.0
EBITDA Margin (%)	59.4	59.3	60.3
Adj. EPS (INR)	41.3	51.2	61.1
EPS Gr. (%)	16.5	24.2	19.2
BV/Sh. (INR)	245.1	290.5	342.4

### Ratios

Net D/E (x)	0.6	0.6	0.4
RoE (%)	18.1	19.1	19.3
RoCE (%)	11.1	12.4	13.1
Payout (%)	14.5	15.6	13.1

### Valuations

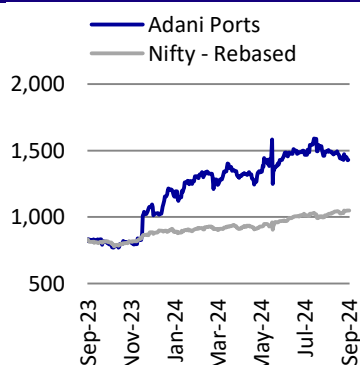
P/E (x)	34.2	27.5	23.1
P/BV (x)	5.8	4.9	4.1
EV/EBITDA (x)	21.3	18.6	16.0
Div. Yield (%)	0.4	0.6	0.6
FCF Yield (%)	2.5	2.5	2.7

### Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	65.9	65.9	62.9
DII	12.5	11.8	12.4
FII	15.2	15.0	17.0
Others	6.4	7.3	7.7

FII Includes depository receipts

### Stock's performance (one-year)



## Temporary volume hit in 1H; growth outlook intact

- Adani Ports & SEZ (APSEZ) handled 183mmt of cargo volumes over Apr-Aug'24. Volumes in 1QFY25 grew 7% YoY but were affected by a worker strike at Gangavaram port during Apr-May'24, which normalized in Jun'24. Aug'24 volumes were also impacted by severe weather in Kutch, affecting operations at Mundra and Tuna. Despite these disruptions in 1HFY25, the management maintains its volume guidance of 460-480mmt for FY25.
- APSEZ continues to focus on capacity expansion. It recently signed a concession agreement with Deendayal Port Authority (DPA) to develop a berth with capacity of 5.7mmt at Kandla, Gujarat. The 300m berth is set to be operational by FY27, expanding APSEZ's presence at Deendayal port.
- Further, APSEZ has agreed to acquire 80% of Astro for USD185m, valuing the company at USD235m with a 4.4x EV/FY25E EBITDA multiple. Founded in 2009, Singapore-headquartered Astro operates 26 vessels across the Middle East, India, Far East Asia and Africa. The acquisition increases APSEZ's fleet size to 168 vessels, expanding its presence in key regions and enhancing its Tier-1 customer base.
- While 1HFY25 volumes were temporarily impacted by a worker strike and weather conditions, the situation is normalized now. For FY25, the volume guidance of 460-480mmt remains unchanged. APSEZ is expected to record 2-3x of India's cargo volume growth. APSEZ targets becoming India's largest integrated transport utility and the world's largest private port company by 2030. We expect APSEZ to report 11% growth in cargo volumes over FY24-26. This would drive a CAGR of 14%/15%/22% in revenue/ EBITDA/PAT over FY24-26. We reiterate our BUY rating with a TP of INR1,850 (based on 20x FY26E EV/EBITDA).**

## Development of multipurpose berth at Kandla port

- APSEZ has signed a concession agreement with DPA to develop Berth No. 13 at Kandla, Gujarat. A new subsidiary, DPA Container and Clean Cargo Terminal Ltd (DPACCCTL), will manage operations. APSEZ received the Letter of Intent (LoI) in Jul'24 for the 30-year concession under the DBFOT model to handle clean cargo, including containers.
- The 300m berth, with a capacity of 5.7mmt, is set to be operational by FY27, expanding APSEZ's presence at Deendayal Port and boosting service to Gujarat and north India.

## APSEZ acquires majority stake in a leading OSV operator

- APSEZ has agreed to acquire an 80% stake in Astro for USD185m, valuing the company at USD235m with an EV/FY25E EBITDA multiple of 4.4x. The existing promoters of Astro will hold the remaining 20% stake.
- Founded in 2009, Astro is a leading global offshore support vessels (OSV) operator with a fleet of 26 vessels, providing services across the Middle East, India, Far East Asia, and Africa. During FY24, Astro reported USD95m in revenue and USD41m in EBITDA, and was net cash positive.

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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.

- The acquisition aligns with APSEZ’s goal to become a leading marine operator, adding Astro's fleet to its 142 tugs and dredgers, bringing the total to 168 vessels. This deal strengthens APSEZ’s presence across the Arabian Gulf, the Indian subcontinent, and far east Asia. It also expands the company’s Tier-1 customer base.

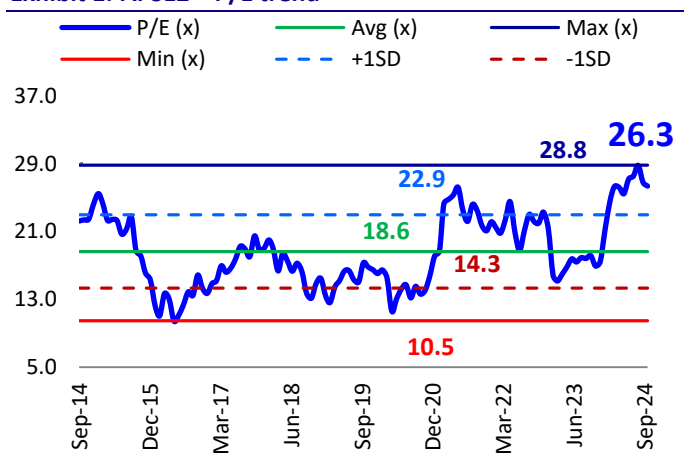
**Building infrastructure for strong future growth in the logistics business**

- As APSEZ aims to become 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 making the cargo sticky in nature.
- The company currently operates 12 multi-modal logistics parks (MMLPs), equipped with 131 trains, 2.9m sq. ft. of warehousing space, and 1.2mmt of grain silos. It plans to expand its footprint and build a pan-India presence with logistic parks and warehouses.

**Valuation and view**

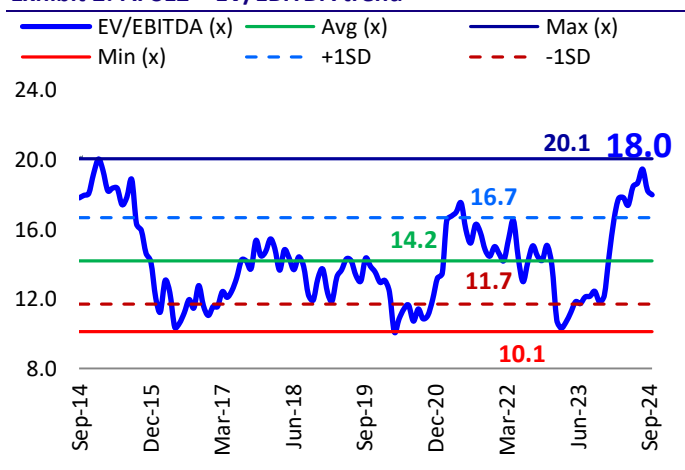
- APSEZ is expected to outpace India's overall growth, driven by a balanced port mix along India's western and eastern coastlines and a diversified cargo mix. The company continues to invest heavily in the port and logistics business to drive growth.
- **We expect APSEZ to report 11% growth in cargo volumes over FY24-26. This would drive a CAGR of 14%/15%/22% in revenue/EBITDA/PAT over FY24-26. We reiterate our BUY rating with a TP of INR1,850 (premised on 20x FY26E EV/EBITDA).**

Exhibit 1: APSEZ – P/E trend



Source: Company, MOFSL

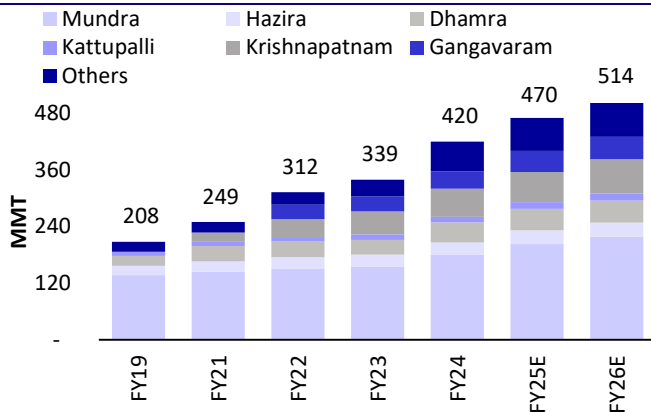
Exhibit 2: APSEZ – EV/EBITDA trend



Source: Company, MOFSL

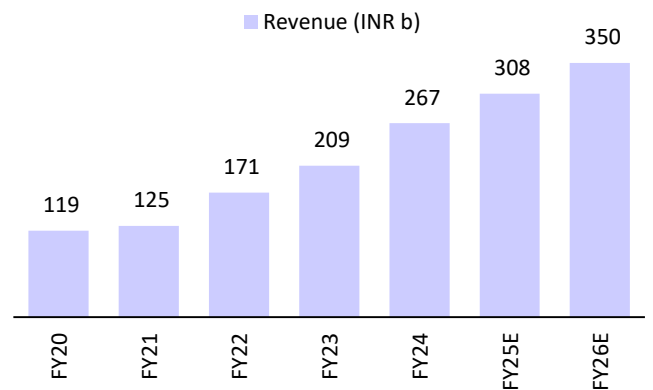
## Story in charts

**Exhibit 1: APSEZ – volumes (MMT)**



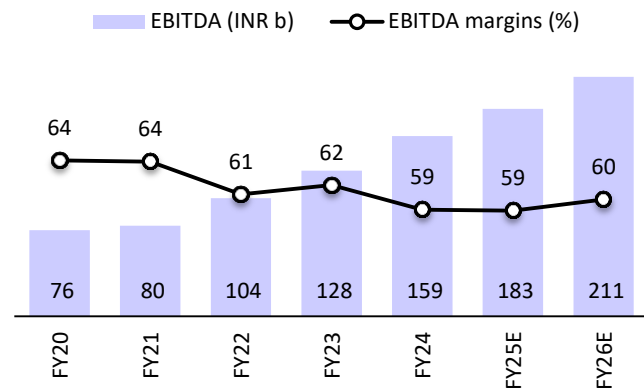
Source: Company, MOFSL

**Exhibit 2: Revenue growth to remain strong**



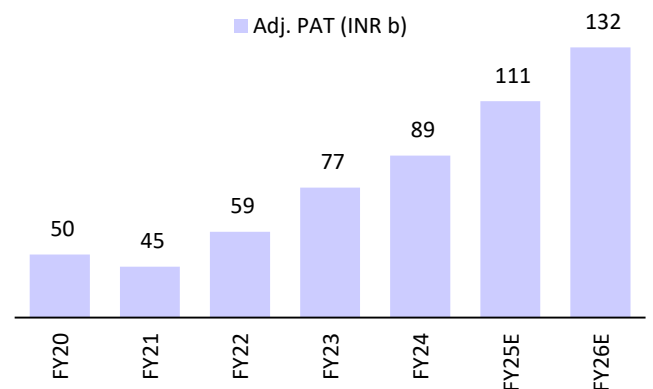
Source: Company, MOFSL

**Exhibit 3: Margin to stabilize at ~60%**



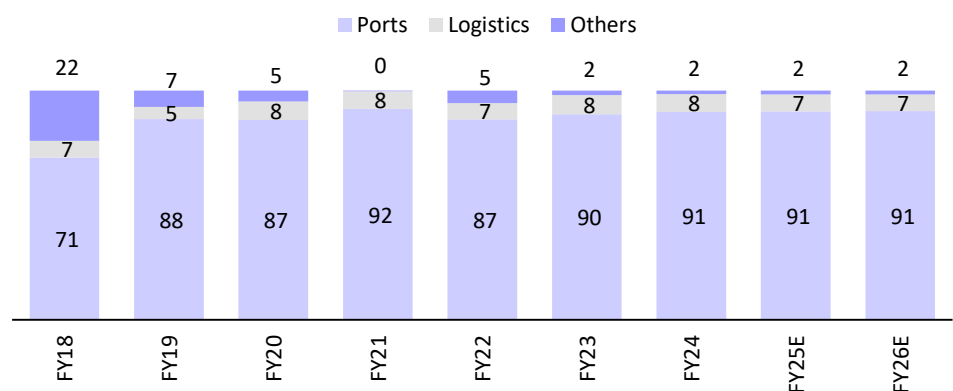
Source: Company, MOFSL

**Exhibit 4: Strong operating performance to drive PAT**



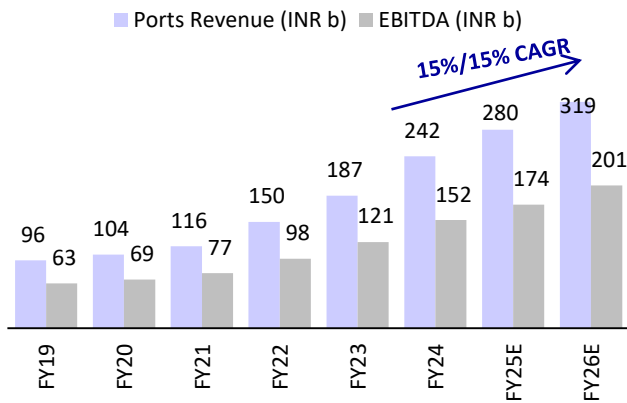
Source: Company, MOFSL

**Exhibit 5: Revenue share (%)**



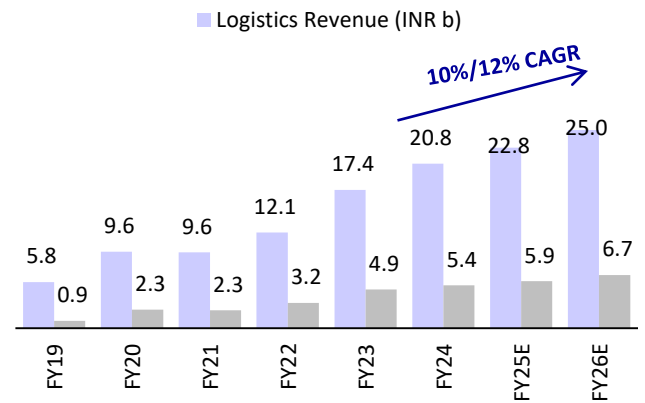
Source: Company, MOFSL

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



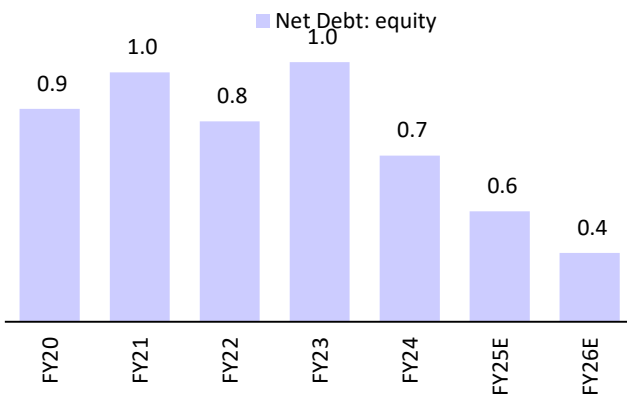
Source: Company, MOFSL

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



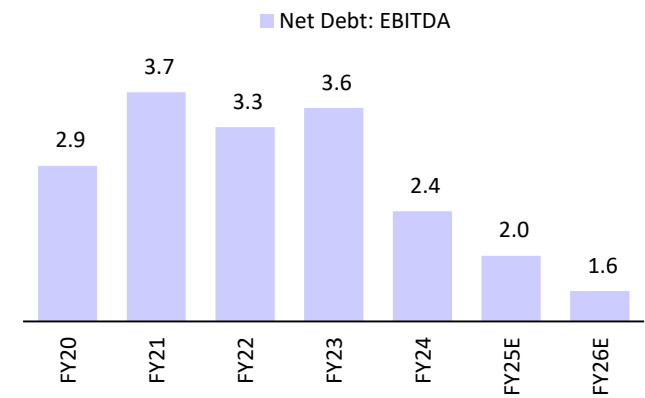
Source: Company, MOFSL

**Exhibit 8: Net debt/equity to decrease**



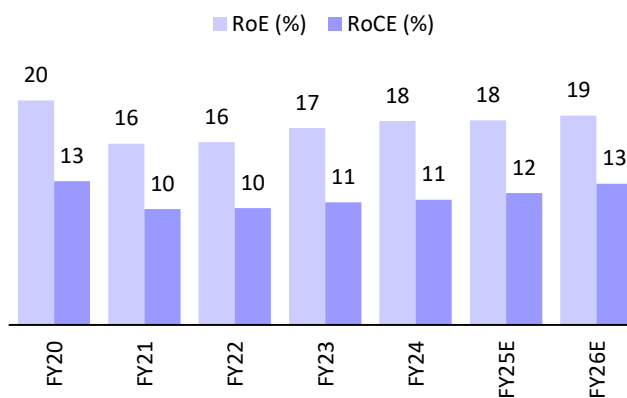
Source: Company, MOFSL

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



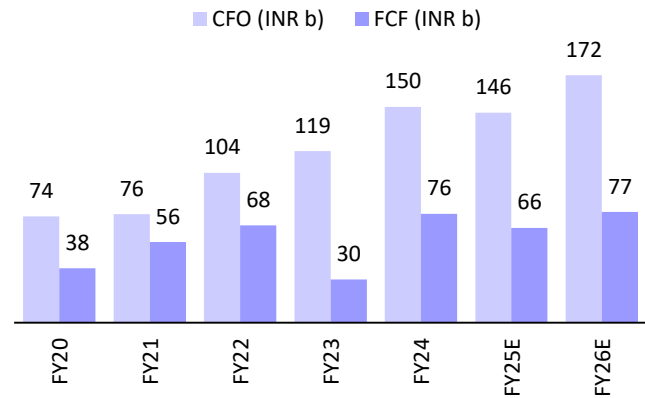
Source: Company, MOFSL

**Exhibit 10: Return ratios to remain stable**



Source: Company, MOFSL

**Exhibit 11: CFO and FCF generation to pick up**



Source: Company, MOFSL

## Financials and valuation

### Consolidated Income Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>1,18,731</b>	<b>1,25,496</b>	<b>1,71,188</b>	<b>2,08,519</b>	<b>2,67,106</b>	<b>3,07,745</b>	<b>3,49,939</b>
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
<b>EBITDA</b>	<b>75,654</b>	<b>79,834</b>	<b>1,03,965</b>	<b>1,28,335</b>	<b>1,58,639</b>	<b>1,82,513</b>	<b>2,10,929</b>
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	42,357	46,533
<b>EBIT</b>	<b>58,851</b>	<b>58,761</b>	<b>72,972</b>	<b>94,102</b>	<b>1,19,755</b>	<b>1,40,156</b>	<b>1,64,396</b>
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	17,993	18,893
<b>PBT</b>	<b>57,958</b>	<b>57,172</b>	<b>69,613</b>	<b>83,701</b>	<b>1,06,905</b>	<b>1,31,475</b>	<b>1,57,050</b>
EO expense	15,475	-5,891	12,930	33,907	4,351	-5,980	0
PBT after EO	42,483	63,063	56,684	49,794	1,02,554	1,37,455	1,57,050
Tax	4,594	12,433	7,640	964	19,897	21,993	25,128
Rate (%)	10.8	19.7	13.5	1.9	19.4	16.0	16.0
<b>PAT before JV, MI</b>	<b>37,889</b>	<b>50,630</b>	<b>49,044</b>	<b>48,830</b>	<b>82,657</b>	<b>1,15,463</b>	<b>1,31,922</b>
Share of loss from JV, MI	-258	-687	-498	-348	-1,550	32.7	38.0
<b>Reported PAT</b>	<b>37,631</b>	<b>49,943</b>	<b>48,547</b>	<b>48,482</b>	<b>81,106</b>	<b>1,15,495</b>	<b>1,31,960</b>
<b>Adjusted PAT</b>	<b>50,011</b>	<b>45,230</b>	<b>58,890</b>	<b>75,608</b>	<b>89,138</b>	<b>1,10,711</b>	<b>1,31,960</b>
Change (%)	13.9	-9.6	30.2	28.4	16.5	24.2	19.2
Margin (%)	42.1	36.0	34.4	36.3	33.4	36.0	37.7

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	6,23,298	7,35,465
<b>Net Worth</b>	<b>2,56,235</b>	<b>3,06,283</b>	<b>4,19,882</b>	<b>4,55,836</b>	<b>5,29,448</b>	<b>6,27,619</b>	<b>7,39,785</b>
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
<b>Capital Employed</b>	<b>5,43,834</b>	<b>6,68,191</b>	<b>8,94,871</b>	<b>9,77,279</b>	<b>10,30,734</b>	<b>11,24,796</b>	<b>12,27,982</b>
Gross Block	3,62,512	5,51,805	7,00,208	7,82,018	8,47,528	9,27,528	10,22,528
Less: Accum. Deprn.	68,229	1,10,800	1,41,793	1,48,004	1,78,578	2,20,935	2,67,468
<b>Net Fixed Assets</b>	<b>2,94,283</b>	<b>4,41,005</b>	<b>5,58,415</b>	<b>6,34,014</b>	<b>6,68,950</b>	<b>7,06,593</b>	<b>7,55,060</b>
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
<b>Curr. Assets</b>	<b>2,71,715</b>	<b>2,44,083</b>	<b>3,53,029</b>	<b>3,24,299</b>	<b>3,35,342</b>	<b>3,70,842</b>	<b>3,98,407</b>
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	1,00,412	1,15,159
-Cash and cash equivalents	71,955	41,980	86,530	9,320	15,757	39,850	54,597
-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	2,14,697	2,15,510	2,16,331
<b>Curr. Liability &amp; Prov.</b>	<b>66,106</b>	<b>76,229</b>	<b>88,409</b>	<b>1,49,774</b>	<b>1,39,258</b>	<b>1,38,340</b>	<b>1,41,185</b>
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
<b>Net Curr. Assets</b>	<b>2,05,608</b>	<b>1,67,854</b>	<b>2,64,619</b>	<b>1,74,525</b>	<b>1,96,084</b>	<b>2,32,503</b>	<b>2,57,221</b>
<b>Appl. of Funds</b>	<b>5,43,834</b>	<b>6,68,191</b>	<b>8,94,871</b>	<b>9,77,279</b>	<b>10,30,734</b>	<b>11,24,796</b>	<b>12,27,982</b>

Source: MOFSL, Company

## Financials and valuation

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>							
EPS	24.6	22.3	27.9	35.0	41.3	51.2	61.1
EPS Growth	16.1	-9.6	25.2	25.5	16.5	24.2	19.2
Cash EPS	32.9	32.6	42.6	50.8	59.3	70.9	82.6
BV/Share	126.1	150.7	198.8	211.0	245.1	290.5	342.4
Payout (%)	13.0	22.5	17.9	14.3	14.5	15.6	13.1
Dividend yield (%)	0.4	0.6	0.6	0.6	0.4	0.5	0.5
<b>Valuation (x)</b>							
P/E	57.3	63.3	50.5	39.8	34.2	27.5	23.1
Cash P/E	42.9	43.2	33.1	27.5	23.8	19.9	17.1
P/BV	11.2	9.4	7.1	6.7	5.8	4.9	4.1
EV/EBITDA	43.0	41.6	31.7	26.5	21.3	18.6	16.0
Dividend Yield (%)	0.2	0.4	0.4	0.4	0.4	0.6	0.6
<b>Return Ratios (%)</b>							
RoE	19.9	16.1	16.2	17.5	18.1	19.1	19.3
RoCE (post-tax)	12.8	10.3	10.4	10.9	11.1	12.4	13.1
RoIC (post-tax)	12.7	9.5	9.9	12.5	12.4	14.5	15.9
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	0.4	0.3	0.3	0.3	0.3	0.4	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
<b>Leverage Ratio (x)</b>							
Current Ratio	4.1	3.2	4.0	2.2	2.4	2.7	2.8
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	1.6
Net Debt/Equity	0.9	1.0	0.8	1.0	0.7	0.6	0.4

### Cash Flow Statement (INR m)

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>OP/(Loss) before Tax</b>	<b>42,439</b>	<b>62,920</b>	<b>57,171</b>	<b>54,891</b>	<b>1,00,937</b>	<b>1,38,379</b>	<b>1,58,108</b>
Depreciation	16,803	21,073	30,993	34,232	38,885	42,357	46,533
Direct Taxes Paid	-8,496	-8,728	-9,597	-8,339	-12,719	-21,993	-25,128
(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	8,680	7,346
<b>CF from Operations</b>	<b>74,018</b>	<b>75,558</b>	<b>1,04,201</b>	<b>1,19,333</b>	<b>1,50,176</b>	<b>1,55,098</b>	<b>1,76,887</b>
(Inc)/Dec in FA	-35,584	-19,497	-36,458	-89,210	-74,430	-80,000	-95,000
<b>Free Cash Flow</b>	<b>38,434</b>	<b>56,061</b>	<b>67,743</b>	<b>30,123</b>	<b>75,746</b>	<b>75,098</b>	<b>81,887</b>
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	17,993	18,893
<b>CF from Investments</b>	<b>-7,504</b>	<b>-1,41,427</b>	<b>-52,818</b>	<b>-1,96,036</b>	<b>-69,466</b>	<b>-82,007</b>	<b>-1,06,107</b>
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	-17,324	-19,794
Others	821	0	-54,455	-5,607	-180	0	0
<b>Cash from financing activity</b>	<b>-42,556</b>	<b>35,139</b>	<b>-5,858</b>	<b>-27,338</b>	<b>-78,001</b>	<b>-48,998</b>	<b>-56,033</b>
Net change in cash & equi.	23,958	-30,730	45,526	-1,04,042	2,709	24,093	14,747
Opening cash balance	47,982	71,955	43,118	86,714	11,258	15,757	39,850
change in control of subs.	15	756	-2,113	26,648	1,790	0	0
<b>Closing cash balance</b>	<b>71,955</b>	<b>41,980</b>	<b>86,530</b>	<b>9,320</b>	<b>15,757</b>	<b>39,850</b>	<b>54,597</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

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