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India | Equity Research | Company Update

Adani Ports and Special Economic Zone

Infrastructure

First port of call

Adani Ports and Special Economic Zones (Adani Ports) held an investor day at the Vizhinjam International Seaport (recently commissioned). Through the course of the event, the company laid out its five-year strategy. Adani Ports is shifting gears from geographical diversification/acquisition to penetration/ramping up capacities in existing geographies. It is targeting: 1) 1,000mt of cargo throughput by FY29 (18% YoY CAGR), which includes – i) 840–850mt in domestic cargo (2x of overall cargo); and ii) 150–160mt of international cargo. 2) Revenues of INR 655bn, comprising INR 507bn/INR 140bn from ports/logistics. 3) EBITDA of INR 365bn (ex-land revenues monetisation). For the first time, the company shared its strategy of acquiring land to build its logistics piece. The stock is trading at 26x TTM earnings.

Five-year strategy

Adani Ports is targeting a throughput of 1bt by FY29. The company expects to grow its domestic cargo by 2x of industry or 11–12%. The domestic cargo is envisaged to be aided by the network effect built through a strong portfolio of ports across India and its comprehensive portfolio of waterfront to customer gate services. It also aims to add: 1) 300 rakes; 2) 30 MMLPs; and 3) 5,000 trucks in its logistics business – to aid in exponential growth.

Targets to double EBITDA in five years

Adani Ports has set a revenue target of INR 655bn – doubling of port revenues to INR 507bn and 7x growth in logistics revenues to INR 140bn (vs. FY24). The company also aims for EBITDA of INR 365bn–327bn (64% margin) from its ports business and INR 35bn (25% margin) from the logistics business.

Vizhinjam port – shining armour

Vizhinjam port was recently inaugurated and is set to start commercial operations by Jan'25. This is the largest transshipment port in India. It is looking to increase the capacity by another 29mTEU (currently at 1mTEU) by FY28. According to the company, it has strong potential to attract transshipment cargo, plus it has a good catchment area to attract EXIM cargo. Being India's first semi-automated minor port, the company believes it will set the standard for new ports to come. The company believes the port can handle 50% more than its nameplate capacity through this automation.

Financial Summary

Y/E Mar-31 (INR mn)	FY21A	FY22A	FY23A	FY24A
Net Revenue	1,25,496	1,71,189	2,08,519	2,67,106
EBITDA	87,997	95,246	1,09,471	1,57,510
EBITDA Margin (%)	70.1	55.6	52.5	59.0
Net Profit	50,953	52,094	62,263	93,406
EPS (INR)	25.3	24.8	29.0	43.2
EPS % Chg YoY	38.5	(0.5)	15.3	49.7
P/E (x)	46.5	46.8	40.5	27.1
EV/EBITDA (x)	32.9	31.6	29.0	20.1
RoCE (%)	11.4	10.0	9.2	11.7
RoE (%)	17.6	14.7	14.6	18.4

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Market Data

Market Cap (INR)	2,571bn
Market Cap (USD)	30,404mn
Bloomberg Code	ADSEZ IN
Reuters Code	APSE.BO
52-week Range (INR)	1,621 /823
Free Float (%)	34.0
ADTV-3M (mn) (USD)	63.2

Price Performance (%)	3m	6m	12m
Absolute	(19.4)	(15.6)	42.4
Relative to Sensex	(16.5)	(22.7)	23.1

ESG Score	2023	2024	Change
ESG score	74.1	70.1	-4.0
Environment	60.9	60.6	-0.3
Social	81.1	78.1	-3.0
Governance	74.3	72.9	-1.4

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

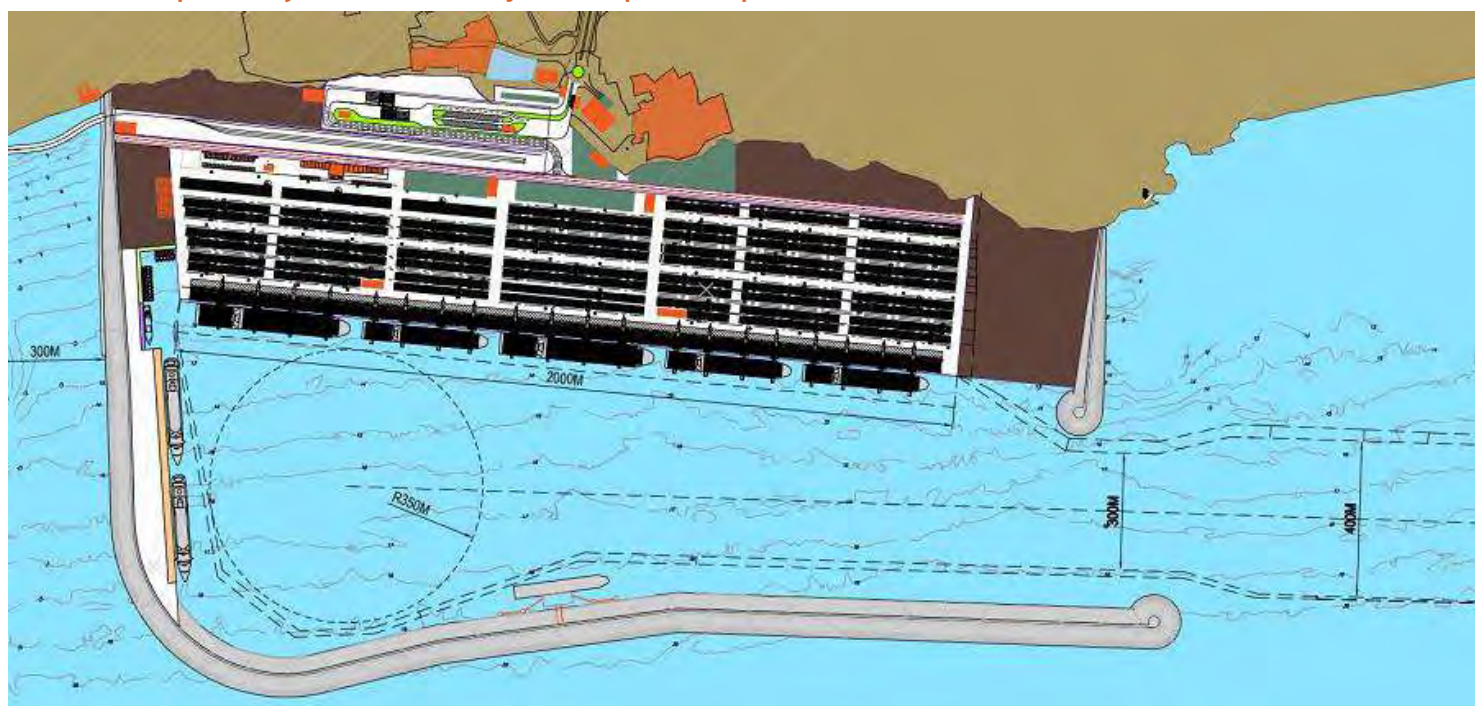
Investor day: Highlights

Vizhinjam port

The Vizhinjam International Seaport located in Trivandrum, Kerala is India's first transshipment port and stands to be a critical trade asset of south India. It lies in close proximity to the international shipping route and provides EXIM opportunities for Kerala and neighbouring states.

The port was bid on the basis of maximum VGF and was concessioned to Adani Ports in 2015 for a period of 40 years (extendable by another 20 years). It has faced delays in construction due to natural disasters such as the Okhi Cyclone (2019) and Covid-19. Despite this, the port has now completed its first phase of construction with a capacity of 1mTEU and shall commence operations in the next month.

Exhibit 1: Proposed layout of the Vizhinjam Port post completion of construction



Source: I-Sec research, Metrorailguy

Feature of the port:

- Vizhinjam International Transshipment Port is India's first semi-automated port with a capacity of 1mTEU.
- Vizhinjam Port is in close proximity to international shipping routes (~10NM from international shipping routes).
- Presently, large ships (longer than ~350mtrs) can only berth at JNPT and Mundhra. Soon they should be able to do so at this port as well. Recently, the port was called by the MSC Claude Giradet (399.99m long), the largest ship to ever arrive in South Asia.
- The port is ~10km from Balaramapuram Railway Station. A 10.7km rail line is being built from the port to the station to facilitate rail evacuation of containers. Of this 10.7km rail line, ~600mtrs is to be built by the company and the remaining shall be built by the Government of Kerala.
- The port has a natural depth of 24mtrs, making dredging costs negligible.

- The port uses automated cranes, which have helped raise the GCR (Gross Crane Rate or number of containers moved per hour) of the port to 29 vs. a gold standard of 25 in the container business.
- The port also has an indigenously created VTS (Vessel Tracking System) system with a digital twin of the port.
- The port has a 3km long breakwater with a turning circle of 700mtrs.

Exhibit 2: Container yard at port with semi-automated cranes



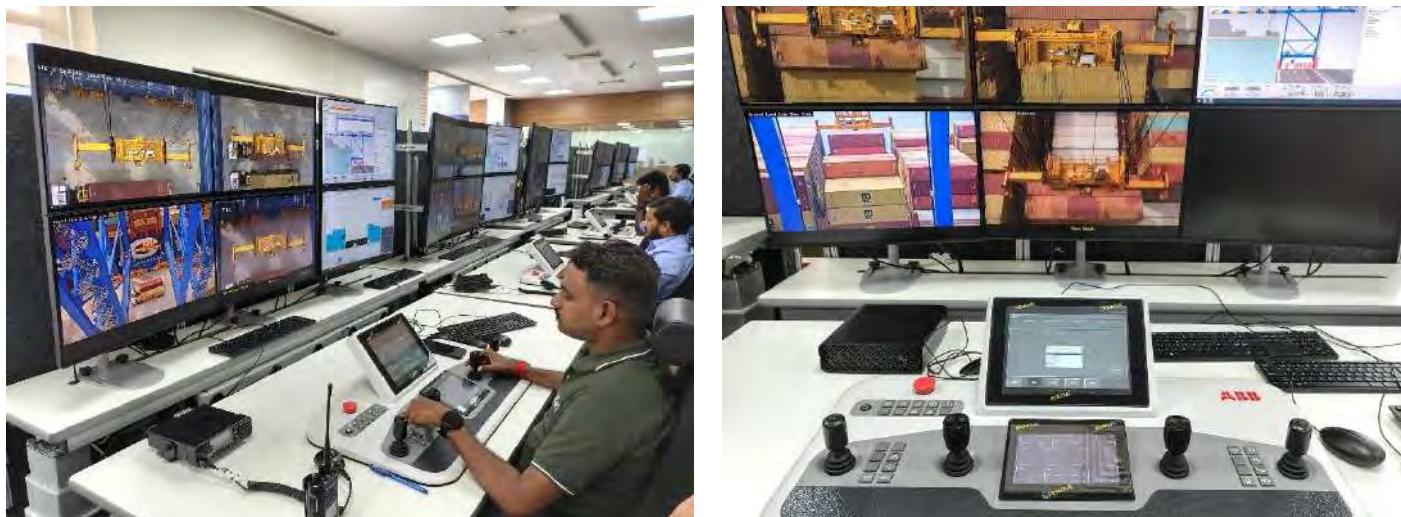
Source: I-Sec research, Company data

Exhibit 3: Ship-to-shore cranes with a container ship and tugboats



Source: I-Sec research, Company data

Exhibit 4: Crane operator operating a crane through the control room



Source: I-Sec research, Company data

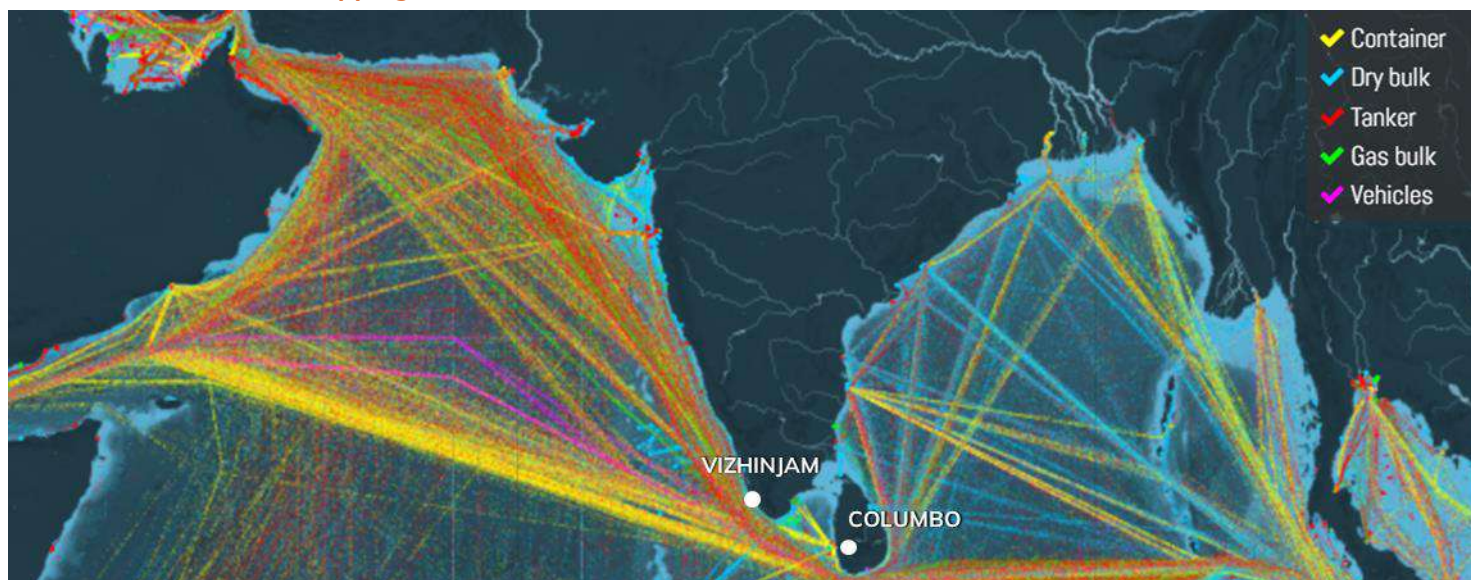
Revised concession agreement

- Government of Kerala revised the concession agreement for the Vizhinjam Port on 29 Nov'24.
- The amendment stipulates that the subsequent phases – II, III and IV must be completed by 2028, unlike in 2045 earlier.
- The project is expected to cost INR 100bn for the remaining 29mTEU (of the total envisioned capacity of 30mTEU stated in the agreement) (Source: Company data)

Competing with Columbo Port

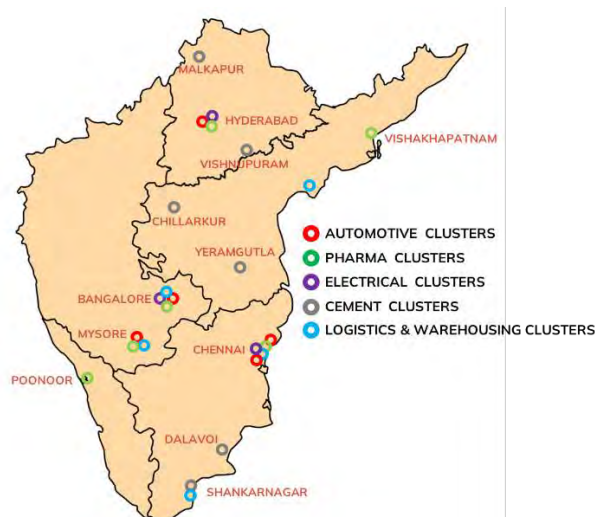
- The Columbo Port is primarily a transshipment port – 90% transshipment of the total cargo handled (~7mTEU in FY24).
- On the other hand, Vizhinjam gives access to the southern hinterland of India as well. This makes the port call more than a mere cost to the shipping line.
- The port is to receive MSC ships from their Jade (Europe to Asia – both ways) and Dragon (Asia to Mediterranean – eastwards) services from Feb'25.

Exhibit 5: International shipping routes



Source: I-Sec research, Shipmap

Exhibit 6: Proximity to industrial hubs in south India creating EXIM opportunities (1/2)



Source: I-Sec research, Company data, Indiamaps

Government support and revenue share

- According to the company, the cost of phase I of construction at the port is estimated to be INR 70–75bn.
- Of this, Kerela's government is to support the cost of building the breakwater (~INR 14bn–15bn) and provide additional ~INR 8bn as VGF (50%) and operational support post commencement of operations (50%). Additionally, India's central government is to provide a VGF of ~INR 8bn as well.
- Since the port requires an extensive breakwater, work funding of ~INR 14bn has been provided as well.

Exhibit 7: Government support provided for the Vizhinjam Port (INR mn)

Source of Funding	Type of Funding	Amount
1 Government of Kerela	VGF	~4,000
2 Government of Kerela	Operational Support	~4,000
3 Government of India	VGF	~8,000
Total bid of Adani Ports		16,350
4 Government of Kerela	Funded Work	~14,000
Total government support		~27,000

Source: I-Sec research, Company data; Exact break-up of funding is not available

Exhibit 8: Revenue share

Period	As a % of revenue
Prior to 2035	Nil
2035	1%
2036 onwards	Escalable 1% per year (upto a total of 40%)

Source: I-Sec research, Company data

Vision FY29: The five-year plan

Aside from the cargo (1bt), revenue (INR 655bn) and EBITDA (INR 365bn) targets for FY29, the company outlined certain other goals with regard to logistics and capacity addition at ports.

- In order to achieve the throughput target of 1bt, the company is looking towards brownfield expansions at existing ports – a sharp pivot from the acquisition strategy executed over the last few years.
- The current capacity of Mundra (264mt), Hazira (30mt), Dhamra (50mt) and Krishnapatnam (75mt) aggregating to 633mt is far below the EC-approved capacity of 1,560mt at these ports.
- The company is looking to undertake a capex of INR 400bn–450bn over the next five years to increase capacities at these ports.
- Additionally, a capex is outlined for logistics and land (~INR 200bn–250bn), and maintenance (~INR 50bn).
- It now has ports lined across India's coast line and is shifting focus towards gaining share in those geographies, as they have done at Mundra.
- The company plans to acquire: 1) 300 rakes; 2) 30 MMLPs; 3) 5,000 trucks; and 4) 20mn sq.ft. of warehousing in logistics business to grow its logistics business.
- This land is to be acquired near pre-established industrial areas to boost logistics and in SEZ to boost cargo for ports.
- The company is working on India's first zero-touch terminal at their Virochannagar MMLP.

Annexure

Exhibit 9: Proximity to industrial hubs in south India creating EXIM opportunities (2/2)

States	Areas	Key Industries
Andhra Pradesh	Guntur	Cotton, textiles
	Kadapa	Uranium, steel
	Kakinada	Textiles, paper, oil and gas
	Sri City	Automotive, chemicals, cosmetics, packaging, labelling, consumer products, plastics, electrical components
	Vijayawada	Auto components
	Visakhapatnam	Steel, ship building, pharmaceutical, fertiliser, coffee, fishing, petrochemical, refining, naval weapons
Karnataka	Nellore	Agriculture, fishing
	Bangalore	Biotechnology, electronics, IT, aircraft
	Belagavi (Belgaum)	Hydraulics, heavy tools, automotive exports, aerospace, foundry exports, tires, aluminium works, hand loom and power loom works, heavy forging
	Bhadravati	Iron and steel
	Channapatna	Wooden toys
	Kollegal	Silk
	Kolar	Gold
	Mysore	Silk
	Ballari	Iron and steel
	Raichur	Gold, thermal power
	Mangalore	Oil refining, petrochemicals, fertilizers, shipping, seafood, fish processing
	Tumkur	Aerospace, cotton cloths, woollen blankets, ropes, watches
	Hubli	Textiles, manufacturing
	Hospet	Iron ore & steel
	Dandeli	Paper manufacturing
	Kalburgi	Cement manufacturing
	Udupi	Seafood
	Kodagu	Spices, coffee, coconut, betel nuts
	Chickmagalur	Spices, coffee, coconut, betel nuts
	Davangere	Textiles, manufacturing
	Dharwad	Electronics, textiles, manufacturing, heavy engineering, rice mills
	Nelamangala	Food, heavy engineering, automobile, manufacturing engineering, flour mill, polymer manufacturing
Kerela	Hosdurg	Chemicals, textiles, heavy engineering, locomotives, chemicals, cement, fertilizer, automobile, food processing, liquor, tobacco, betel nuts, auto components, coffee, cattle feed
	Palakkad	Railway coaches, heavy engineering, ironworks, copper smelting, aluminium, textiles, defence, fireworks, paper, cement, fertiliser, rice mills, coffee, tea, sugar, leather, plastics, pharmaceuticals, fruit processing (mango, grapes, orange, litchi, guava), match works, timber, clay, tile, glass, machinery, tobacco, automobiles, footwear
	Kannur	Hand loom exports, aircraft, electronics, food processing, timber, bricks, cement, rubber, tobacco, coffee, sugar
	Kochi	Oil refining, petrochemicals, ship building, IT, iron and steel, electronics, chemicals, spices, seafood, biotechnology, rubber, plastics, automobiles, power, petrochemical
	Thiruvananthapuram	Aerospace, biotechnology, IT, medical R&D, chemicals, seafood, coir, textile, electronics, food processing, petroleum, polymers, rubber, leather, gold, pharmaceuticals, timber, fertilizer, automobile, tyre
	Thrissur	Gold, biotechnology, IT, timber, textiles, granite, rubber, cement, coir, spices, chemicals, clay, automobiles, pharmaceuticals, paper, printing, fireworks, iron and steel
	Kunnamkulam	Paper, coconut, textiles, match works, gold, chemicals, fireworks
	Calicut	Textiles, manufacturing, IT, tiles, rubber, granite, bricks, steel, tire, footwear
	Perambra	Coconut products (subhiksha), rubber, cocoa, coffee, rice, sugar, fireworks, textiles
	Muvattupuzha	Spices, glass, clay, sand, tile, medical equipment, fruit processing (Pineapple, mango and orange), liquor, fireworks, auto components, tires, rubber
	Kollam	Cashew, coir, clay, chemicals, seafood, meat, food processing, tobacco, railway, rubber, textiles, match works, tile, glass, radioactive heavy minerals, umbrellas, Industrial machinery manufacturing and supplies,[2] cashew nut processing factory
	Thiruvalla	Sugar, clay, leather, drugs, medical equipment, food processing, rubber, chemicals, liquor, mirrors, umbrellas
	Kottayam	Rubber, chemicals, fish processing, pharmaceuticals, spices, cocoa, coffee, meat processing, leather, rice, sugar, paper, medical equipment, liquor, printing, Match works, cement, tires, umbrellas
	Idukki	Tea, jaggery, spices, coffee, cocoa, fruit processing
	Alleppey	Coir, seafood, textiles, rice, sugar, chemicals, tiles, pharmaceuticals, cement, gold, jewellery, coconut, umbrellas, Coastal tourism, Water tourism
	Cherthala	Coir, seafood, food processing, cattle feed, heavy electrical, chemicals, railway wagons, steel, rice, paper, gold, match works, glass, tiles, IT, plastics, radioactive heavy minerals, granite, liquor, cement, fireworks
	Aluva	Rare earth metals, automobiles, tyres, aluminium, fertiliser, IT, food processing, metals, fireworks, chemicals, hardware, electronics, medical equipment, rice, plastic goods, tile, machinery, detergents, iron and steel, cement, watches, heavy engineering, timber, aircraft repair, auto components, petrochemicals, liquor, clay
	Kollam	Cashew, Seafood

States	Areas	Key Industries
Tamil Nadu	Coimbatore	Manufacturing (engineering procurement and tooling, automotive engineering and components, wet grinders, home appliances, motor pumps, jewellery and gems), IT, textile, aerospace and defence, railways, paper, poultry, retail, E-commerce and hospitality
	Trichy	Central railway workshop, OFT (Ordinance Factory Trichy), HAPP (Heavy Alloy Penetrator Project), HEPP (High Energy Projection Factory), BHEL, railway diesel loco-shed, fabrication, boilers, defence, aerospace components
	Salem	Iron and steel
	Chennai	Various
	Hosur	Automobiles, electronics, granite, plastics, chemicals
	Ambattur	Cycles
	Avadi	Tanks
	Dindigul	Locks
	Ennore	Thermal power
	Kalpakkam	Atomic power
	Kagithapuram	Paper
	Nandambakkam	Surgical instruments
	Neyveli	Lignite
	Ooty	Film
	Perambur	Automotive
	Sivakasi	Fireworks, safety matches, printing, packaging
	Tiruppur	Textiles and garments
	Kudankulam	Nuclear power plant
	Sriperumpudur	Automobile manufacturing
	Erode	Textiles, power looms, leather processing, coir industries, edible oil refineries, dyeing units
Telangana	Hyderabad	Biotechnology, electronics, IT, aerospace, defence, heavy metal fabrication, precision manufacturing, logistics
	Warangal	Textile, IT
	Karimnagar	Coal
	Adilabad	Coal & paper
	Nizamabad	Food processing, limestone & granite
	Nalgonda	Food processing, limestone & granite

Source: I-Sec research

Exhibit 10: Shareholding pattern

(%)	Mar'24	Jun'24	Sep'24
Promoters	65.9	65.9	65.9
Institutional investors	26.7	27.5	28.3
MFs and other	3.1	3.5	4.0
FIs/Banks/Ins	0.1	0.2	0.4
FIIIs	8.5	8.7	8.7
Others	15.0	15.2	15.2

Source: Bloomberg, I-Sec research

Exhibit 11: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 12: Profit & Loss

(INR mn, year ending Mar-31)

	FY21A	FY22A	FY23A	FY24A
Net Sales	1,25,496	1,71,189	2,08,519	2,67,106
Operating Expenses	5,914	27,523	42,780	38,432
EBITDA	87,997	95,246	1,09,471	1,57,510
EBITDA Margin (%)	70.1	55.6	52.5	59.0
Depreciation & Amortization	21,074	30,993	34,232	38,885
EBIT	66,923	64,253	75,239	1,18,626
Interest expenditure	22,553	25,440	23,626	27,329
Other Non-operating Income	19,702	22,237	15,535	14,994
Recurring PBT	64,072	61,050	67,147	1,06,291
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	12,433	7,640	4,147	11,347
PAT	51,640	53,410	63,000	94,943
Less: Minority Interest	(687)	(1,316)	(737)	(1,537)
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	51,640	53,410	63,000	94,943
Net Income (Adjusted)	50,953	52,094	62,263	93,406

Source Company data, I-Sec research

Exhibit 13: Balance sheet

(INR mn, year ending Mar-31)

	FY21A	FY22A	FY23A	FY24A
Total Current Assets	2,38,500	3,61,330	3,52,847	3,51,661
of which cash & cash eqv.	47,008	1,04,921	42,488	76,319
Total Current Liabilities & Provisions	81,486	82,751	1,15,345	1,09,013
Net Current Assets	1,57,014	2,78,579	2,37,502	2,42,648
Investments	22,362	59,611	1,00,599	56,340
Net Fixed Assets	4,23,245	4,23,217	5,19,559	5,56,129
ROU Assets	-	-	-	-
Capital Work-in-Progress	36,971	39,858	68,140	1,09,361
Total Intangible Assets	40,364	59,179	69,634	69,069
Other assets	-	-	-	-
Deferred Tax Assets	-	-	-	-
Total Assets	6,79,957	8,60,443	9,95,434	10,33,547
Liabilities				
Borrowings	3,49,408	4,57,523	5,32,621	4,93,037
Deferred Tax Liability	3,214	12,130	(9,982)	(8,179)
provisions	-	-	-	-
other Liabilities	6,367	4,363	3,573	3,259
Equity Share Capital	4,035	4,197	4,292	4,320
Reserves & Surplus	3,02,247	3,78,303	4,51,544	5,25,127
Total Net Worth	3,06,283	3,82,500	4,55,836	5,29,448
Minority Interest	14,685	3,928	13,385	15,982
Total Liabilities	6,79,957	8,60,443	9,95,434	10,33,547

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending Mar-31)

	FY21A	FY22A	FY23A	FY24A
Operating Cashflow	(12,427)	(73,976)	(89,487)	(9,806)
Working Capital Changes	(1,10,006)	(1,73,658)	(1,95,014)	(1,66,329)
Capital Commitments	(1,72,274)	(33,851)	(1,26,742)	(1,07,680)
Free Cashflow	1,59,847	(40,125)	37,255	97,873
Other investing cashflow	(18,083)	(56,064)	(51,443)	44,824
Cashflow from Investing Activities	(1,90,358)	(89,915)	(1,78,185)	(62,855)
Issue of Share Capital	-	161	96	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	48,650	1,08,115	75,099	(39,584)
Dividend paid	(4,980)	(19,218)	-	-
Others	23,608	(5,162)	(14,181)	2,548
Cash flow from Financing Activities	67,278	83,896	61,014	(37,036)
Chg. in Cash & Bank balance	(26,131)	57,913	(62,433)	33,831
Closing cash & balance	47,008	1,04,921	42,488	76,319

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending Mar-31)

	FY21A	FY22A	FY23A	FY24A
Per Share Data (INR)				
Reported EPS	25.6	25.5	29.4	44.0
Adjusted EPS (Diluted)	25.3	24.8	29.0	43.2
Cash EPS	35.7	39.6	45.0	61.2
Dividend per share (DPS)	2.1	7.6	-	-
Book Value per share (BV)	151.8	182.3	212.4	245.1
Dividend Payout (%)	8.0	30.0	-	-
Growth (%)				
Net Sales	5.7	36.4	21.8	28.1
EBITDA	48.2	8.2	14.9	43.9
EPS (INR)	38.5	(0.5)	15.3	49.7
Valuation Ratios (x)				
P/E	46.5	46.8	40.5	27.1
P/CEPS	33.3	30.1	26.5	19.4
P/BV	7.8	6.5	5.6	4.9
EV / EBITDA	32.9	31.6	29.0	20.1
P / Sales	20.8	15.9	13.3	10.5
Dividend Yield (%)	0.2	0.6	-	-
Operating Ratios				
Gross Profit Margins (%)	74.8	71.7	73.0	73.4
EBITDA Margins (%)	70.1	55.6	52.5	59.0
Effective Tax Rate (%)	19.4	12.5	6.2	10.7
Net Profit Margins (%)	41.1	31.2	30.2	35.5
NWC / Total Assets (%)	0.1	0.1	0.1	0.1
Net Debt / Equity (x)	0.9	0.8	0.9	0.7
Net Debt / EBITDA (x)	3.2	3.1	3.6	2.3
Profitability Ratios				
RoCE (%)	11.4	10.0	9.2	11.7
RoE (%)	17.6	14.7	14.6	18.4
RoIC (%)	11.4	10.0	9.2	11.7
Fixed Asset Turnover (x)	0.4	0.4	0.4	0.5
Inventory Turnover Days	30	9	9	7
Receivables Days	87	61	76	56
Payables Days	-	-	-	-

Source Company data, I-Sec research

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BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

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