ADANI PORTS & SEZ

Edelweiss
Ideas create, values protect

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	761
12 month price target (INR)	875
Market cap (INR bn/USD bn)	1,547/20.9
Free float/Foreign ownership (%)	36.3/17.0

What's Changed

Target Price	–
Rating/Risk Rating	–

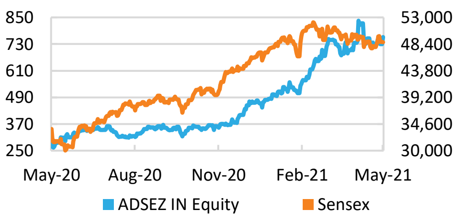
QUICK TAKE

	Above	In line	Below
Profit	•		
Margins		•	
Revenue Growth		•	
Overall		•	

FINANCIALS (INR mn)

Year to March	FY20A	FY21A	FY22E	FY23E
Revenue	1,18,731	1,25,496	1,70,382	1,93,419
EBITDA	59,390	86,987	1,15,899	1,31,598
Adjusted profit	38,218	49,943	63,170	74,101
Diluted EPS (INR)	18.8	24.6	30.9	36.3
EPS growth (%)	(4.1)	30.7	25.9	17.3
RoAE (%)	15.0	17.8	18.8	18.8
P/E (x)	40.9	31.3	24.9	21.2
EV/EBITDA (x)	29.6	21.2	15.6	13.5
Dividend yield (%)	0.4	0.7	0.8	0.9

PRICE PERFORMANCE



Explore:

Financial model
Podcast
Corporate access
Video

Good show; a year of consolidation

Adani Ports' (APSEZ) Q4FY21 numbers came on expected lines with INR427/tonne realisation and port margin at 69.5%. Improvement in working capital cycle and 50% jump in FCF (excluding acquisitions) were pleasant surprises on the balance sheet front. Management's FY22 revenue guidance of 35% growth is 4% lower than our forecast, perhaps as it factors some uncertainty due to the second covid wave.

APSEZ's strategy to achieve East-West coast parity, diversified cargo mix and special focus on the logistics business through railways and warehouses puts it on course to achieve its FY25 volume target of 500MT. Currency risk and potential write-off of INR9.5bn on Myanmar Port are key risks. Maintain 'BUY' with TP of INR875.

Strong show across ports; port margin touches 70%

APSEZ's Q4FY21 volume jumped 40% (9% on organic basis) led by 25% spurt in container volumes. All ports registered high single-digit growth, except Kattupali Port, which declined 10% (covid impact on Chennai cluster). Port margin touched 70% and there is further upside of 200bps During FY21, APSEZ added 10 new container services (11MT additional cargo), which could further increase its market share in FY22/23 from current 41%, in our view. It took regular tariff hike of 2.5% in April 2021, signifying strong control over the market. In the logistics business, it clocked 24% EBITDA margin. Going forward, APSEZ has planned to sharpen focus on the warehousing (targets 3mn sq ft space) and railways rolling stock businesses. It is targeting ALL ltd. to account for 25% of revenue mix over next five years.

Tight leash on balance sheet; geographical diversification continues

FY21 balance sheet saw good improvements: 1) 13 days reduction in debtor days and 37% dip in Adani Power's receivables to INR3bn. 2) FCF improved to INR58bn (excluding acquisitions) primarily due to INR16bn capex decline. Management indicated that if Myanmar is classified as sanctioned under the OFAC, then it will take investment write-offs worth INR9.5bn. Diversification into Sri Lanka will enable APSEZ to have better pricing control and add new cargo services.

Outlook & valuations : One of the best infra plays; maintain 'BUY'

APSEZ has navigated the pandemic year with strong market share gains and new acquisitions, thereby further fortifying its numero uno position in the ports space. Its aspiration to become an integrated transport and logistics utility is gathering steam with four acquisitions in FY21 worth INR250bn. We maintain **'BUY/SO'**.

Financials

Year to March	Q4FY21	Q4FY20	% Change	Q2FY21	% Change
Net Revenue	36,079	29,212	28.3	29,025	29.1
EBITDA	23,110	6,397	321.1	22,986	17.2
Adjusted Profit	12,878	3,344	367.0	13,870	12.6
Diluted EPS (INR)	6.2	1.6	367.0	6.7	12.6

Swarnim Maheshwari
+91 (22) 4040 7418
Swarnim.Maheshwari@edelweissfin.com

Financial Statements

Income Statement (INR mn)

Year to March	FY20A	FY21A	FY22E	FY23E
Total operating income	1,18,731	1,25,496	1,70,382	1,93,419
Gross profit	87,758	92,901	1,24,832	1,44,342
Employee costs	5,465	6,151	7,321	8,636
Other expenses	22,903	(236)	1,611	4,108
EBITDA	59,390	86,987	1,15,899	1,31,598
Depreciation	16,803	21,073	22,389	23,808
Less: Interest expense	18,131	22,553	26,158	26,305
Add: Other income	18,614	19,702	18,606	19,426
Profit before tax	43,026	62,920	85,958	1,00,910
Prov for tax	4,594	12,433	22,349	26,237
Less: Other adj	(586)	0	0	0
Reported profit	37,631	49,943	63,170	74,101
Less: Excp.item (net)	586	0	0	0
Adjusted profit	38,218	49,943	63,170	74,101
Diluted shares o/s	2,032	2,032	2,042	2,042
Adjusted diluted EPS	18.8	24.6	30.9	36.3
DPS (INR)	3.2	5.0	6.2	7.3
Tax rate (%)	10.7	19.8	26.0	26.0

Balance Sheet (INR mn)

Year to March	FY20A	FY21A	FY22E	FY23E
Share capital	4,064	4,064	4,084	4,084
Reserves	2,52,171	3,02,219	3,60,735	4,20,016
Shareholders funds	2,56,235	3,06,283	3,64,819	4,24,100
Minority interest	2,196	14,685	15,123	15,696
Borrowings	3,10,616	3,66,279	3,58,334	3,41,627
Trade payables	7,287	10,139	14,344	16,276
Other liabs & prov	23,744	35,984	37,134	38,341
Total liabilities	6,22,037	7,52,092	8,08,478	8,54,764
Net block	2,74,879	3,88,078	4,11,410	4,32,180
Intangible assets	19,404	55,330	55,330	55,330
Capital WIP	32,163	36,971	21,477	1,386
Total fixed assets	3,26,446	4,80,379	4,88,217	4,88,897
Non current inv	11,661	10,974	20,974	30,974
Cash/cash equivalent	73,139	47,008	66,452	84,461
Sundry debtors	25,891	23,859	32,425	41,364
Loans & advances	18,529	10,828	12,452	14,320
Other assets	42,737	51,880	60,794	67,585
Total assets	6,22,037	7,52,092	8,08,478	8,54,764

Important Ratios (%)

Year to March	FY20A	FY21A	FY22E	FY23E
Operating cost (% of rev)	26.1	26.0	26.7	25.4
Employee cost (% of rev)	4.6	4.9	4.3	4.5
Oth. expenses (% of rev)	19.3	(0.2)	0.9	2.1
EBITDA margin (%)	50.0	69.3	68.0	68.0
Net profit margin (%)	32.2	39.8	37.1	38.3
Revenue growth (% YoY)	8.7	5.7	35.8	13.5
EBITDA growth (% YoY)	(9.9)	46.5	33.2	13.5
Adj. profit growth (%)	(5.8)	30.7	26.5	17.3

Free Cash Flow (INR mn)

Year to March	FY20A	FY21A	FY22E	FY23E
Reported profit	37,631	49,943	63,170	74,101
Add: Depreciation	16,803	21,073	22,389	23,808
Interest (net of tax)	16,195	18,097	19,357	19,466
Others	(2,621)	(17,639)	(11,367)	(12,014)
Less: Changes in WC	6,009	4,084	(13,749)	(14,458)
Operating cash flow	74,018	75,558	79,801	90,903
Less: Capex	(36,149)	(19,535)	(30,227)	(24,488)
Free cash flow	37,869	56,023	49,574	66,416

Assumptions (%)

Year to March	FY20A	FY21A	FY22E	FY23E
GDP (YoY %)	4.8	(6.0)	7.0	6.0
Repo rate (%)	4.4	3.5	3.5	4.0
USD/INR (average)	70.7	75.0	73.0	72.0
Totl cargo (ex KPCL; MT)	222.7	229.8	255.7	282.4
Avg realisation (INR/t)	293.5	341.3	354.7	361.7
Ports EBITDA margin (%)	53.8	73.9	73.1	72.1
SEZ revenues (INR mn)	9,010.6	1,055.2	9,672.5	8,929.8
ALL revenues (INR mn)	9,641.3	9,841.5	12,491.4	14,756.2
ABPO revenues (INR mn)	5,161.8	5,265.1	5,528.3	5,638.9

Key Ratios

Year to March	FY20A	FY21A	FY22E	FY23E
RoE (%)	15.0	17.8	18.8	18.8
RoCE (%)	11.1	13.6	15.7	16.7
Inventory days	65	72	95	107
Receivable days	77	72	60	70
Payable days	77	98	98	114
Working cap (% sales)	39.5	34.8	33.7	37.2
Gross debt/equity (x)	1.2	1.1	0.9	0.8
Net debt/equity (x)	0.9	1.0	0.8	0.6
Interest coverage (x)	2.3	2.9	3.6	4.1

Valuation Metrics

Year to March	FY20A	FY21A	FY22E	FY23E
Diluted P/E (x)	40.9	31.3	24.9	21.2
Price/BV (x)	6.1	5.1	4.3	3.7
EV/EBITDA (x)	29.6	21.2	15.6	13.5
Dividend yield (%)	0.4	0.7	0.8	0.9

Source: Company and Edelweiss estimates

Valuation Drivers

Year to March	FY20A	FY21A	FY22E	FY23E
EPS growth (%)	(4.1)	30.7	25.9	17.3
RoE (%)	15.0	17.8	18.8	18.8
EBITDA growth (%)	(9.9)	46.5	33.2	13.5
Payout ratio (%)	17.3	20.3	20.0	20.0

Q4FY21 conference call: Key takeaways

Opening remarks

- FY21 was a year of transformation year for the company.
- Shift from fix to variable cost, re-deploying manpower and machine led to EBITDA margin expansion and should further increase by 200-250bps due to increase in volumes.
- Expanded footprint through strategic acquisitions.

Operational highlights

- Cargo volume of 247MMT in FY21.
- Overhauled cost structure towards variable cost and focus on capacity utilization to demonstrate increase in port EBIDTA margin by 1%, from 69% to 70%.
- Focused capital allocation resulted in curtailing discretionary capex; rigorous financial management improved working capital position leading to increase in free cash flow by 47% and improved liquidity.
- Strategy to have partnership with leading ship liners resulted in highest ever container volume of 7.2mn TEUs (16% growth) & achieved market share of 41%, up 5%.
- Mundra port--the largest commercial port in India--also became the largest container handling port in FY21 surpassing JNPT & clocked market share of 32%, a up 5%.
- First full year of gas business at APSEZ resulted in handling of 2.5MMT LPG and LNG.
- Cargo volume increased by 11% due to growth in all types of cargo. Container grew by 16%, dry bulk by 9%, and liquid cargo (including crude) by 2%. Cargo volume is higher compared to all India due to higher growth in container (16%) and dry bulk cargo (9%), enhanced capacity and higher cargo on East coast.
- Cargo mix continues to be balanced - Dry 44%, Container 43% and Liquid cargo at 13%.
- Mundra port continues to be the largest commercial port, 23% ahead of the second-largest port.
- 10 new container services added across Mundra, Hazira and Kattupalli will add 800,000 TEUs annually.
- APSEZ outperformed all India ports and gained 4% market share.
- Growth in container is on account of strategy to partner with top ship liners of the world through JVs.
- Improving East coast-West coast parity in terms of cargo handling in line with all India East coast share.
- Won a three year maintenance contract worth INR3.5bn.
- Gross debt increased on account of new issuance of USD750mn bond (coupon of 4.2% and 7 year bullet maturity) for KPCL acquisition and INR bonds for capex programme.

- Average maturity of debt improved from 5.2 years to ~6 years on account of refinancing of USD500mn bond (coupon of 3.1% and 10 year bullet maturity) of one year ahead of time.
- Average cost of borrowing dipped from 6.9% to 6.7% due to new issuances and refinancing with lower coupons.
- In FY21, net debt to EBITDA was 3.3x and was within the guided range of 3.0-3.5x compared to 3.4x in Sep 2020. This is due to addition of KPCL EBITDA post consolidation.
- Free cash flow from operations after adjusting for working capital changes, capex and net interest cost increased by 47% from INR39bn in FY20 to INR58bn in FY21 and in the process improved the free cash conversion to 72% compared to 52% in FY20.
- Tariff hike of 2.5-3% on a per tonne basis.

Mundra

- Mundra the largest commercial port surpassed JNPT to become the largest container handling port in India.
- Handled 5.6mn TEUs nearly a 1mnTEUs more than JNPT.
- Growth in cargo is mainly on account of growth in container volume which was driven by 36% increase JV volumes.
- Revenue and EBITDA declined due to higher cargo handled at JV terminals, as their financials are not consolidated.
- EBITDA margin increase on account of higher royalty cargo.
- Four new container service added (to add 400,000 TEUs p.a.)
- Three new container service added - New India Africa, CCG and EPIC 3 (to add 156,000 TEUs p.a.)
- Growth in revenue not in line with cargo volume growth due to higher volume handled by JVs (up by 55%).
- Growth in EBITDA & EBITDA margin is on account of JV cargo which is a high margin business and lower donation in Q4.

Krishnapatnam

- Fully integrated--operationally as well as financially.
- Benchmarked to APSEZ standards which led to increase in EBITDA from 55% to 71%.
- 20mn t of cargo handled in H2FY21.

Dhamra

- Growth in volume was on account of 7% growth in dry cargo.
- Revenue and EBITDA growth lower than cargo volume growth due to increase in STS cargo.
- EBITDA margin increased by 65bps due to better cargo mix and lower overhead expenses in FY21.

- Signed seven new contracts at Dhamra Port to handle various cargo including gypsum, iron ore and manganese ore resulting in incremental volume of 11MMT.
- Revenue and EBITDA growth in line with cargo growth.
- EBITDA margin increased by 28bps due to operational efficiencies and lower overhead cost.
- Two new contracts finalized to handle import of manganese ore for Shyam Energy and lime stone for Bengal Energy.

Hazira

- Growth in container of 8% compensated for 5% decline in dry bulk resulting in 1% overall cargo growth.
- Revenue and EBITDA growth in line with cargo volume growth,
- EBITDA margin improved due to :
- Growth in handling of better margin products like container
- Operational efficiencies, strict control over cost and lower maintenance cost
- Growth in Liquid cargo of 16%, and Container of 25% resulted in 12% overall cargo growth.
- Revenue growth in line with cargo volume growth, realization improved due to higher share of container and liquid cargo.
- EBITDA and EBITDA margin improved due to : Growth in handling of better margin products like container and liquid, operational efficiencies, strict control over cost and lower maintenance dredging and higher apportionment of overheads

Katupalli

- Cargo volume was lower due to continued impact of COVID-19 on container volume in Chennai cluster.
- Decline in revenue and EBITDA was lower than decline in cargo due to handling of higher liquid cargo.
- EBITDA margin declined on account of higher R&M cost & lower absorption of overhead expenses.
- Cargo volume was lower by 10% due to continued impact of covid in the Chennai cluster. However, cargo volume recovered by 3% QoQ.
- Decline in revenue was not in line with cargo due to change in cargo composition.
- EBITDA and EBITDA margin declined on account of higher operating expenses which includes scheduled maintenance cost during the period.
- One new service added namely CI5 Far East with a potential of 75,000 TEUs p.a.
- Going ahead margins to be above 60%.

Dahej

- Decline in revenue is in line with decline in cargo.
- EBITDA has not declined in line with revenue due to change in cargo mix.

- EBITDA margin improved on account of lower maintenance dredging and savings in operating expenses mainly due to lower R&M expenses.
- Cargo volume declined due to lower handling of coal.
- Decline in revenue was lower than decline in cargo due to better composition of dry cargo like rock phosphate and steel which are higher realization products.
- EBITDA has not declined in line with revenue due to lower maintenance dredging and R&M expenses during the period.
- EBITDA margin improved on account of operational efficiency and better realization.

Logistics

- In logistics business, diversified portfolio by scaling up railway rolling stock through GPWIS, ventured into warehousing business by partnering with Flipkart, developing state of the art MMLPs and consolidation of railway
- Track assets with annuity type income.
- Currently operates 61 rakes on the Indian railway network.
- Two logistics parks under development.
- Decrease in logistics revenue and EBITDA on account of lower rail and terminal volumes.
- Decline in EBITDA is due to setup expenses for inland waterways and grossed up accounting of lease revenue for AALL.

Outlook for FY22

- India GDP at 11% and trade at 9-10% for the next year.
- Volumes expected in the range of 310 MMT - 320 MMT (includes 10 MMT of Gangavaram port from Q4FY22, 1.4MMT from Myanmar) a growth of 29%.
- Consolidated revenue expected to be around INR160-168bn, a growth of 34%.
- Port revenue to be around INR130-140bn, up 30%.
- Logistics revenue to be around INR14-15bn, up 57%.
- SEZ and port led development revenue to be around INR6bn.
- Consolidated EBITDA expected to be around INR102-107bn, up 33%.
- Port EBITDA margin to be around 71-71.5%., an improvement of 150bps.
- Capex to be around INR31-35bn (port INR23-25bn, logistics INR8bn-10bn, and incl. maintenance capex of around INR5bn). Increased capex due to capacities which had been kept on hold.

Update on acquisitions

- In April ’21, APSEZ signed an agreement to acquire balance 25% stake in Krishnapatnam Port. The acquisition is expected to be completed in Q1 FY22.
- In March ’21, APSEZ also announced the acquisition of 100% stake in Gangavaram Port. The acquisition is expected to be completed in Q3 FY22. All

options open for a cash/stock deal. Depends on what government of AP decides to do with its stake.

- Acquired Dighi port through IBC. Has a capacity of 8mn t. Expected volumes of 3-4mn next year and 6-7mn the year after that. EBITDA margins at 60-70%.

Myanmar

- Entered in to land lease agreement which was fully disclosed, due to the current scenario, there is uncertainty.
- No transactions post sanctions and no further transactions to be done.
- In a scenario wherein Myanmar is classified as a sanctioned country under the OFAC, total investment of USD127mn (as of date) will be written off and will not have a material impact on the financial statements. (1.3% of total assets).
- Management is confident that it will not face any sanctions

Sri Lanka

- Total cost of 3.5mn TEU project is USD300-350mn where APSEZ has 51% stake. The project will be done in two phases with first phase of 1.5mn TEU's expected to be commissioned over next 24months.
- Management believes that Colombo Port will be complimentary to Vizhinjam port as it can have control over the pricing at the both the ports and there will not be any pricing war.
- Currently only Maersk, MSC, CMA CGM and Cosco are operating in Colombo and as such APSEZ can add new services at Vizhinjam.

Exhibit 1: SoTP

	Method	CoE (%)	Value (INR mn)	Stake (%)	Value of stake (INR mn)	Price per share (INR)	% age of SOTP (%)
Mundra Port	DCFE	11.4	5,31,716	100.0	5,31,716	262	29.9
CT3/4/5....	DCFE	11.4	1,74,448	50.0	87,224	42	4.8
Harbour busniess	DCFE	11.4	3,37,974	100.0	3,37,974	166	19.0
SEZ	DCFE	12.0	68,068	100.0	68,068	34	3.8
Hazira Port	DCFE	11.4	87,680	100.0	87,680	43	4.9
Dhamra Port	DCFE	11.4	2,96,071	100.0	2,96,071	146	16.6
Katupalli Port	DCFE	11.4	20,316	100.0	20,316	10	1.1
Myanmar port	DCFE	12.0	16,104	100.0	16,104	8	0.9
Krishnapatnam port	NPV	11.4	1,68,110	75.0	1,26,083	62	7.1
Other ports	DCFE	12.0	65,032		65,032	32	3.7
ALL	P/E	15x	49,364	100.0	49,364	24	2.8
Cash & Investments	BV	H1FY21	92,000	100.0	92,000	46.28	5.3
Total			19,53,913		18,13,085	875	100.0

Source: Edelweiss Research

Exhibit 2: Quarterly snapshot (INR mn)

Year to March	Q4FY21	Q4FY20	% change	Q3FY21	% change	FY21E	FY22E	FY23E
Total revenues	36,079	29,212	23.5	37,465	(3.7)	1,25,496	1,70,382	1,93,419
Cost of operations	9,859	9,222	6.9	9,163	7.6	32,595	45,550	49,077
Staff cost	1,670	1,507	10.8	1,607	3.9	6,151	7,321	8,636
Other operating expenses	1,441	12,086	(88.1)	-247	(683.8)	-236	1,611	4,108
Total expenditure	12,969	22,815	(43.2)	10,523	23.2	38,509	54,483	61,821
EBITDA	23,110	6,397	261.2	26,942	(14.2)	86,987	1,15,899	1,31,598
Depreciation and amortisation	5,968	4,496	32.8	5,941	0.5	21,073	22,389	23,808
EBIT	17,142	1,902	801.3	21,001	(18.4)	65,913	93,510	1,07,790
Less: Interest Expense	6,332	3,682	72.0	6,123	3.4	22,553	26,158	26,305
Add: Other income	4,645	4,390	5.8	5,283	(12.1)	19,702	18,606	19,426
Add: Exceptional items	0	0		0		0	0	0
Profit Before Tax	15,455	2,610	492.2	20,162	(23.3)	63,063	85,958	1,00,910
Less: Provision for Tax	2,184	-835	(361.6)	4,360	(49.9)	12,433	22,349	26,237
Less: Minority Interest	329	58		151		544	439	573
Add: Share of profit from associates	-64.6	-43		-37		-143	0	0
Reported Profit	12,878	3,344	285.1	15,615	(17.5)	49,943	63,170	74,101
Adjustments	0	0		0		0	0	0
Adjusted Profit	12,878	3,344	285.1	15,615	(17.5)	49,943	63,170	74,101
No. of Diluted shares outstanding (mn)	2,071	2,071	0.0	2,071	0.0	2,032	2,042	2,042
Adjusted Diluted EPS	6.2	1.6	285.1	7.5	(17.5)	24.6	30.9	36.3
Diluted P/E (x)						31.3	24.9	21.2
EV/EBITDA (x)						21.8	16.2	14.0
ROAE (%)						17.4	18.2	18.2
as % of net revenues								
Direct cost	27.3	31.6		24.5		26.0	26.7	25.4
Employee cost	4.6	5.2		4.3		4.9	4.3	4.5
Other operating expenses	4.0	41.4		(0.7)		(0.2)	0.9	2.1
EBITDA	64.1	21.9		71.9		69.3	68.0	68.0
Reported net profit	35.7	11.4		41.7		39.8	37.1	38.3
Tax rate	14.1	(32.0)		21.6		19.7	26.0	26.0

Source: Company, Edelweiss Research

Company Description

APSEZ's business is classified into three verticals consisting of Ports, Logistics and Special Economic Zone. The company has a pan-India presence in ten locations (nine are operational) with the flagship Mundra port, India's largest commercial port, in the Gulf of Kutch. APSEZ has the capacity as well as ability to handle multiple cargo at its ports. It has a large land bank of 8,481 hectares of contiguous land at Mundra with requisite approvals and clearances in place. The company has been investing in tightly integrated assets with the objective of reducing bottlenecks in the overall logistics value chain, thereby saving time and costs for its customer. It continues to grow both organically and inorganically with several acquisitions like Dhamra and recently the Krishnapatnam Port. It has expanded its presence in logistics as well inorganically, acquiring Adani Agri Logistics and B2B logistics in the recent past.

Investment Theme

Sound business fundamentals: Sustainable market share gains at Mundra (containers particularly), expansion of LPG, LNG terminals at Mundra and Dhamra and the upcoming Vizhingham port are likely to keep volume growth ticking in double digits for the next 3-4 years.

APSEZ to benefit from consolidation of volumes: As shipping lines deploy larger vessels and consolidate routes, the focus will move to ports with O&D demand over transhipment. Thus this consolidation will be a boost for APSEZ given its scale, pan-India presence and existing strong relationships with container liner companies.

High cargo volume targets: Post acquisition of Krishnapatnam Port, the company revised upwards its cargo volume target for FY25 from 400MT to 500MT, a staggering 18% CAGR over FY20. Though this is a tall ask, we believe execution capabilities and proven track record of volume ramp up provides comfort on cargo growth visibility.

Logistics, the dark horse –potential 30% CAGR over next three-four years: Leveraging its relationships with shipping liners and its ability to offer end-to-end solutions can make ALL's business sizable. Management aims to achieve this with an asset-light model and roadmap including Railway transportation, Private freight terminals, trucking and Warehousing.

Key Risks

Uncertainty in traffic at ports: Since cargo at ports is contingent on international trade, any slowdown therein could affect Mundra Port as well.

Regulatory changes regarding SEZs: The existing SEZ policies and benefits outlined by the government to promote exports are relatively new and are being reviewed. Any changes in the form of reversal of current tax benefits to units under the SEZ umbrella will significantly undermine incentives for industries to setup units in the SEZ, hampering current plans of land sale. Land parcel sale at the SEZ is yet to pick up.

Currency Fluctuation: APSEZ has exposure to dollar denominated foreign currency loans and revenues faces forex risk as it does not undertake any major hedge to currency movements.

Share Pledging: High promoter share pledging at APSEZ and group level could keep stock volatile.

Additional Data

Management

CMD	Mr. Gautam S. Adani
CEO & WTD	Mr. Karan Adani
WTD	Dr. Malay Mahadevia
CFO	Deepak Maheswari
Auditor	Deloitte Haskins & Sells

Holdings – Top 10*

	% Holding		% Holding
Life Insurance	10.91	NEW WORLD FUND	2.30
Capital Group C	6.93	CAMAS INVS PTE	1.33
EMERGING MARKET	4.21	Vanguard Group	1.22
Universal Tradi	3.98	SBI Funds Manag	1.22
WORLDWIDE EMERG	3.89	BlackRock Inc	1.03

**Latest public data*

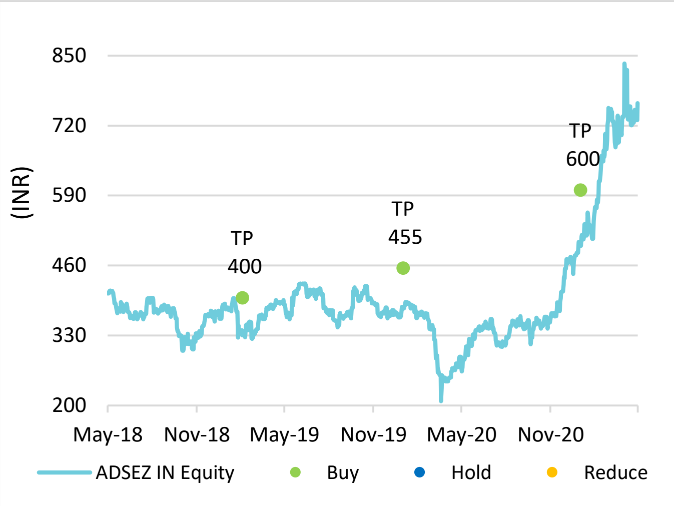
Recent Company Research

Date	Title	Price	Reco
06-Apr-21	Supernormal FY21 volume recovery ; *Company Update*	850	Buy
08-Mar-21	CG rudder calls for perception rethink; *Company Update*	748	Buy
03-Mar-21	Acquisitions extend business footprint; *Edel Flash*	582	Buy

Recent Sector Research

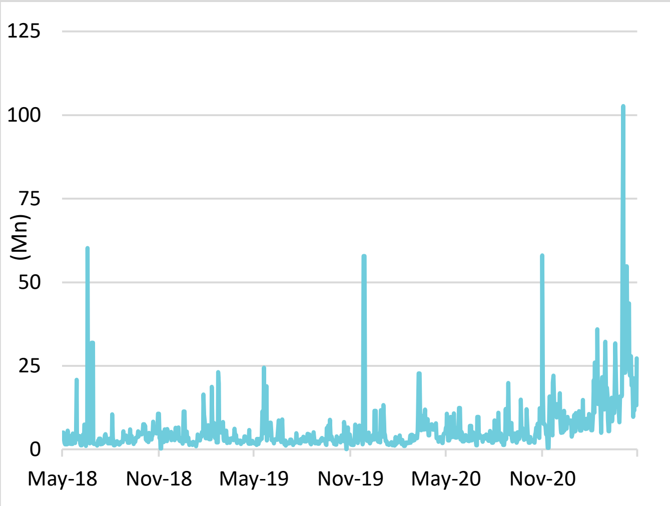
Date	Name of Co./Sector	Title
05-Apr-21	Infrastructure	Infra capex: A new beginning?; *Sector Update*
17-Feb-21	Ashoka Buildcon	All eyes on order-wins; *Company Update*
17-Feb-21	Sadbhav Engineering	Order book, execution improve; *Result Update*

Rating Interpretation



Source: Bloomberg, Edelweiss research

Daily Volume



Source: Bloomberg

Rating Distribution: Edelweiss Research Coverage

	Buy	Hold	Reduce	Total
Rating Distribution*	163	60	19	243
	>50bn	**>10bn and <50bn**	**<10bn**	**Total**
Market Cap (INR)	196	53	4	253

**1 stocks under review*

Rating Rationale

Rating	Expected absolute returns over 12 months
Buy:	>15%
Hold:	>15% and <-5%
Reduce:	<-5%

DISCLAIMER

Edelweiss Securities Limited ("ESL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, Investment Adviser, Research Analyst and related activities.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No.INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance .The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the "Order"); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons").

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.

Disclaimer for Hong Kong persons

This report is distributed in Hong Kong by Edelweiss Securities (Hong Kong) Private Limited (ESHK), a licensed corporation (BOM -874) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to Section 116(1) of the Securities and Futures Ordinance "SFO". This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The report also does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of any individual recipients. The Indian Analyst(s) who compile this report is/are not located in Hong Kong and is/are not licensed to carry on regulated activities in Hong Kong and does not / do not hold themselves out as being able to do so.

Aditya Narain
Head of Research
Aditya.Narain@edelweissfin.com