

Adani Ports & SEZ

BSE SENSEX
79,803

S&P CNX
24,131

adani

Ports and
Logistics

Motilal Oswal values your support in the
EXTEL POLL 2024 for India Research, Sales,
Corporate Access and Trading team.
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Stock Info

	ADSEZ IN
Bloomberg	ADSEZ IN
Equity Shares (m)	2160
M.Cap.(INRb)/(USDb)	2570.7 / 30.4
52-Week Range (INR)	1621 / 823
1, 6, 12 Rel. Per (%)	-12/-22/22
12M Avg Val (INR M)	6908
Free float (%)	34.1

Financials Snapshot (INR b)

Y/E March	2025E	2026E	2027E
Net Sales	306.0	347.9	402.9
EBITDA	181.3	209.5	242.6
Adj. PAT	109.7	130.8	156.0
EBITDA Margin (%)	59.2	60.2	60.2
Adj. EPS (INR)	50.8	60.5	72.2
EPS Gr. (%)	23.0	19.2	19.3
BV/Sh. (INR)	290.0	341.5	402.9

Ratios

Net D/E (x)	0.6	0.5	0.3
RoE (%)	19.0	19.2	19.4
RoCE (%)	12.3	13.0	13.8
Payout (%)	15.6	13.1	11.0

Valuations

P/E (x)	23.6	19.8	16.6
P/BV (x)	4.1	3.5	3.0
EV/EBITDA (x)	16.3	14.0	11.9
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	2.9	3.1	4.1

CMP: INR1,190

TP: INR1,530 (+29%)

Buy

Targets to double port volumes by 2029; setting itself to transform into a transport utility

- We visited the Vizhinjam Port of Adani Group and attended Adani Ports & SEZ (ADSEZ)'s analyst day. The management highlighted its focus on doubling its handled volumes over the next five years. The growth would be driven by Domestic ports, and volume guidance excludes any inorganic opportunities that come ahead. The logistics business is expected to ramp up significantly and would be a key driver in supporting the growth of port volume as the company increasingly provides end-to-end services to its customers. The company continues to deploy the latest technology across its operations to improve efficiency and reduce the turnaround time.
- We believe the company is very well placed to continue to outpace industry growth and gain market share. The integration of the logistics business with the ports business is enhancing its service offerings and transforming the company into a transport utility. We reiterate our BUY rating with a TP of INR1,530 (29% upside).

Vizhinjam Port visit – Phase 1 gets completed; expansion on track for other phases

- Located in Vizhinjam, Kerala, ADSEZ is developing a deep-sea water port as India's first Mega Transshipment Container Terminal. Phase 1 has recently been completed (capacity of 1m TEUs) while other phases are slated for completion by 2028, bringing the total capacity to 3m TEUs.
- The centrally located port is close to international shipping routes with a draft of 20-24 meters. The total investment in Phase 1 was INR90b (INR35b incurred by ADSEZ and others by the State and Central Government). In subsequent phases, the investments are expected to be much lower than Phase 1 on a per ton basis.
- While the port is expected to handle transshipment cargo for now, it would also subsequently handle EXIM volumes once rail and road connectivity gets operational.

Port volumes – Targets to double volumes by 2029

- ADSEZ handled 257.7mmt (+8% YoY) of cargo volumes over Apr-Oct'24. The growth was supported by containers, which rose 19% YoY, followed by liquids & gas (+9%). Despite disruptions due to the worker strike at Gangavaram as well as severe weather conditions in Mudra and Tuna, management continues to retain its volume guidance of 460-480mmt for FY25, with revenue projected to be ~INR300b.
- Further, ADSEZ targets to double its volumes handled to 1b tons by 2029. This would be mainly driven by Domestic port volumes (850m tons) and does not include any inorganic growth.
- ADSEZ is expected to record volume growth driven by market share gains and increased capacity at existing ports. The logistics business will serve as a value addition to the domestic port business with a focus on enhancing last-mile connectivity.

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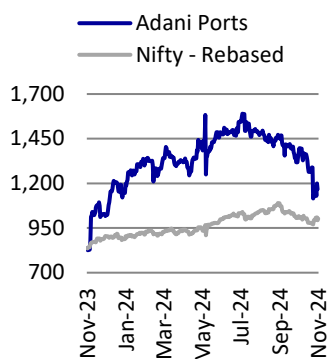
Investors are advised to refer through important disclosures made at the last page of the Research Report.

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

Shareholding Pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	65.9	65.9	65.5
DII	13.3	12.5	13.3
FII	15.2	15.2	13.8
Others	5.6	6.4	7.4

FII includes depository receipts

Stock Performance (1-year)**Recent acquisitions & development of ports to aid volume growth**

- The Gopalpur Port began contributing to volumes in Oct'24, following the completion of its acquisition in the same month. Management sees considerable potential in Gopalpur, with Oct'24 volume figures showing strong initial results. This solid cargo flow positions Gopalpur as a valuable addition to the portfolio, enabling better access to natural resource opportunities along the East Coast.
- Similarly, the Vizhinjam Port began contributing to volumes in Oct'24, with full capacity utilization projected by FY26. Vizhinjam's performance has already surpassed the initial expectations, with multiple shipping lines expressing interest in the port. As ADSEZ scales up and operates the automated terminal, the company's efficiency is likely to improve, allowing it to accommodate more vessels.
- ADSEZ received the Letter of Intent (LoI) in Jul'24 to develop Berth 13 at Kandla, Gujarat, 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 ADSEZ's presence at Deendayal Port and boosting service to Gujarat and North India.

ADSEZ acquires a majority stake in a leading OSV operator

- ADSEZ has agreed to acquire an 80% stake in Astro for USD185m. The existing promoters of Astro will hold the remaining 20% stake.
- Founded in 2009, Astro is a leading global Offshore Support Vessel (OSV) operator with a fleet of 26 vessels, providing services across the Middle East, India, Far East Asia, and Africa. This acquisition supports ADSEZ's goal to lead in marine operations and strengthen its presence in key regions while expanding its Tier-1 client base.

Building infrastructure for strong future growth in the logistics business

- As ADSEZ aims to become India's largest integrated transport utility company by 2029, it is strengthening its capabilities in all logistics segments (ports, CTO, warehousing, last-mile delivery, ICDs, etc). Hence, it offers end-to-end services to its customers, thereby capturing a higher wallet share and making the cargo sticky in nature.
- Adani Logistics Ltd (ALL) expanded its services to cover container train operations, container handling in logistic parks, and warehouses offering storage and trucking solutions. With 12 multi-modal logistics parks, 132 trains, 3.1m sq. ft. of warehousing space, and 1.2mmt of grain silos, ALL aims to establish nationwide presence by further developing logistic parks and warehouses.

Valuation and view

- ADSEZ is likely 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 ADSEZ to report 10% growth in cargo volumes over FY24-27. This would drive a revenue/EBITDA/PAT CAGR of 15%/15%/21% over FY24-27. **We reiterate our BUY rating with a TP of INR1,530 (premised on 16x Sep-26 EV/EBITDA).**

Exhibit 1: Vizhinjam Port



Exhibit 2: Vizhinjam Port



Exhibit 3: Vizhinjam Port



Exhibit 4: Vizhinjam Port

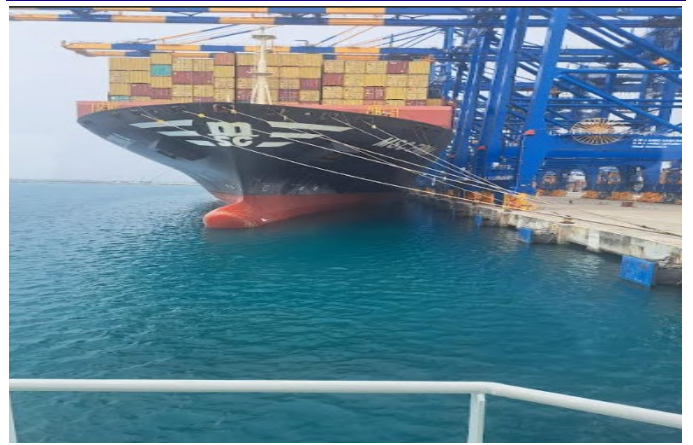
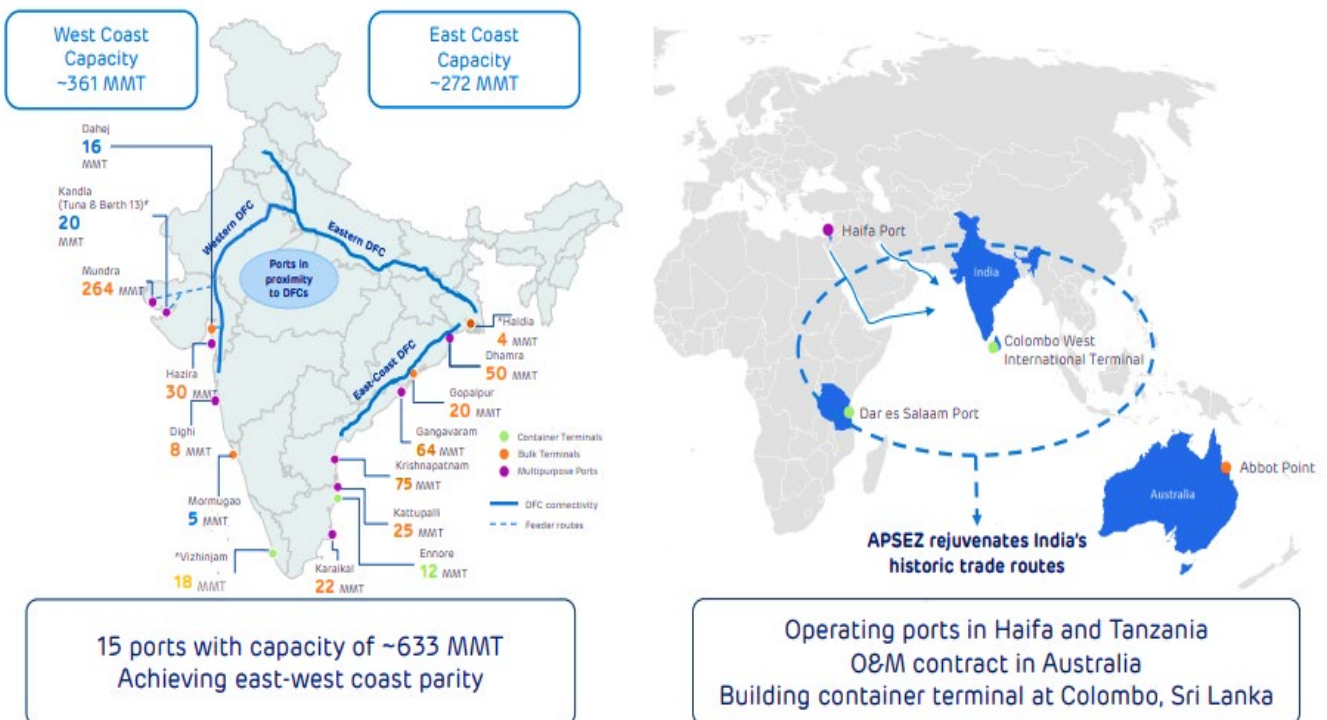
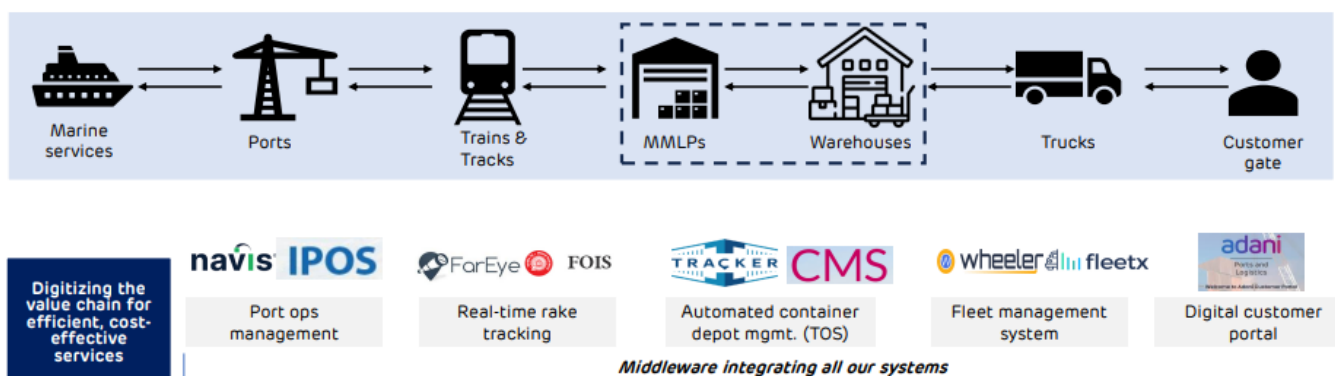


Exhibit 5: India's largest private port operator with a focus on capacity expansion



Source: Company, MOFSL

Exhibit 6: Portfolio of marine, ports, and logistics assets



Investing in building our asset portfolio

26 Tugs 21 dredgers	247 MMT	58 Rakes	5 MMLPs	0.4 Mn Sq. ft.	NIL	FY20
111 Tugs 28 dredgers	460-480 MMT*	132 Rakes	12 MMLPs	3.1 Mn Sq. ft.	936 Trucks	Q2 FY25
140 Tugs	1,000 MMT*	300 Rakes	20 MMLPs	20 Mn Sq. ft.	5,000 Trucks	Growth (FY29 F)

Source: Company, MOFSL

Exhibit 7: Building end-to-end logistics infrastructure

Business	Current Scale (Q2 FY25)		Growth (FY29 F)	Leading infra utility player
Tugs	114	1.2X →	140	India's leading third-party marine services provider
Rail Tracks	690 KMs	-3X →	2,000 KMs	Largest private rail network
Trains	132	-2.3x →	300	Largest private Container Train Operator
MMLPs	12	-2X →	20	Covering all key markets
Grain Silos	1.2 MMT	-8X →	10 MMT	Dominant player
Warehousing	3.1 Mn Sq. Ft.	-6.5x →	20 Mn Sq. Ft.	State of the art Grade A warehousing
Trucking	936	-5.3X →	5,000	Asset-light model

Source: Company

Exhibit 8: ADSEZ targets to double volumes by 2029

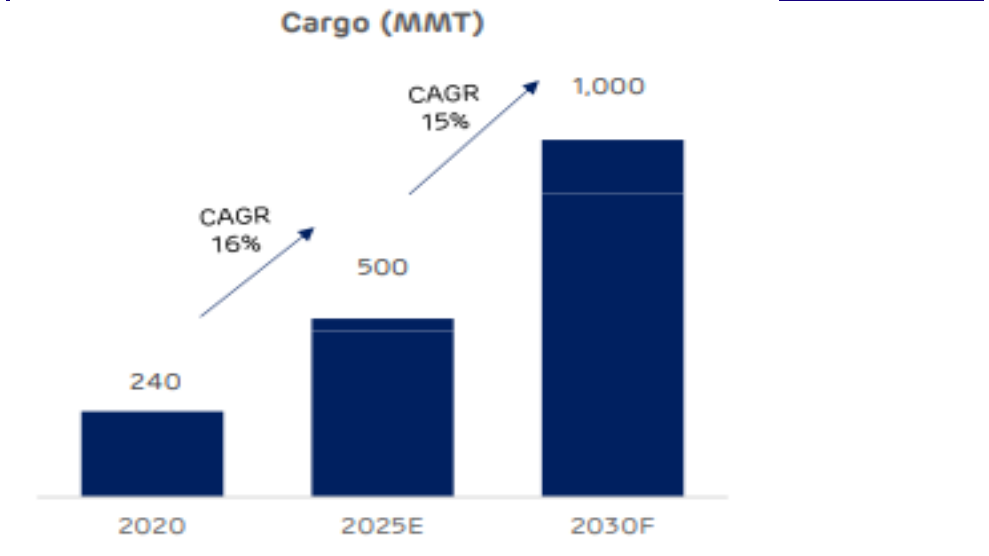


Exhibit 9: ADSEZ expects Ports revenue to grow in line with volumes...

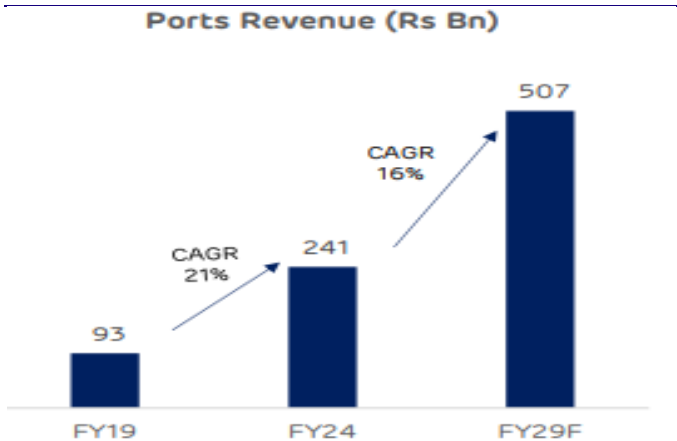


Exhibit 10: ...with Ports EBITDA to clock 16% CAGR and stable margins

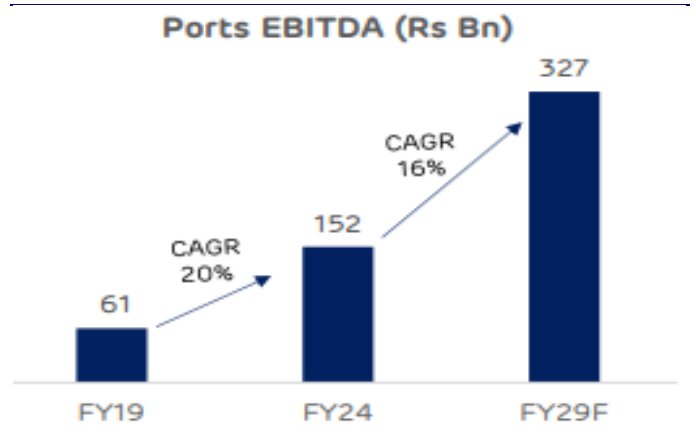


Exhibit 11: ADSEZ expects the Logistics business to grow 7x in five years...

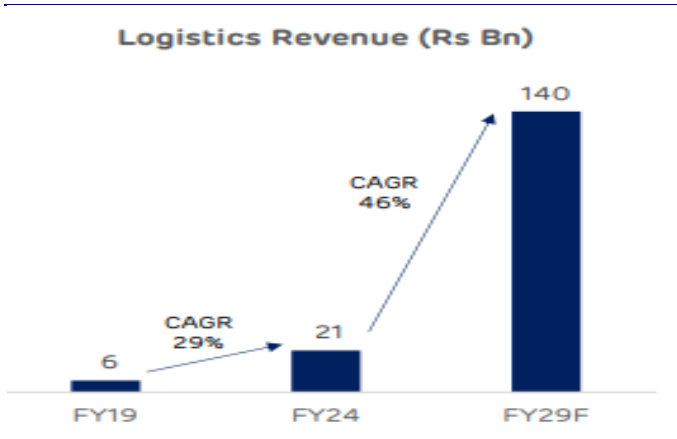


Exhibit 12: along with healthy EBITDA growth and stable margins

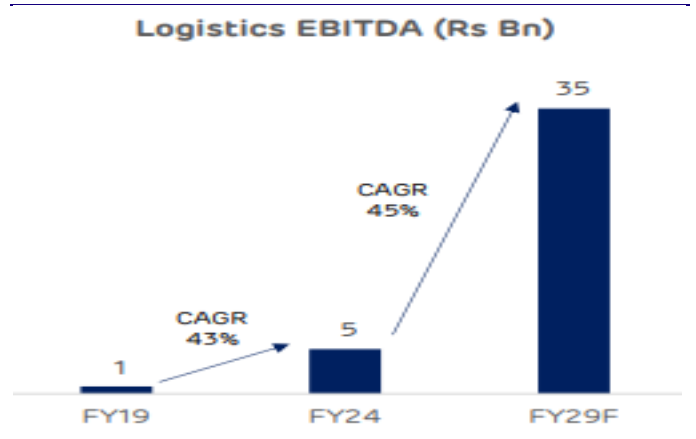


Exhibit 13: ADSEZ targets to post 20% CAGR...

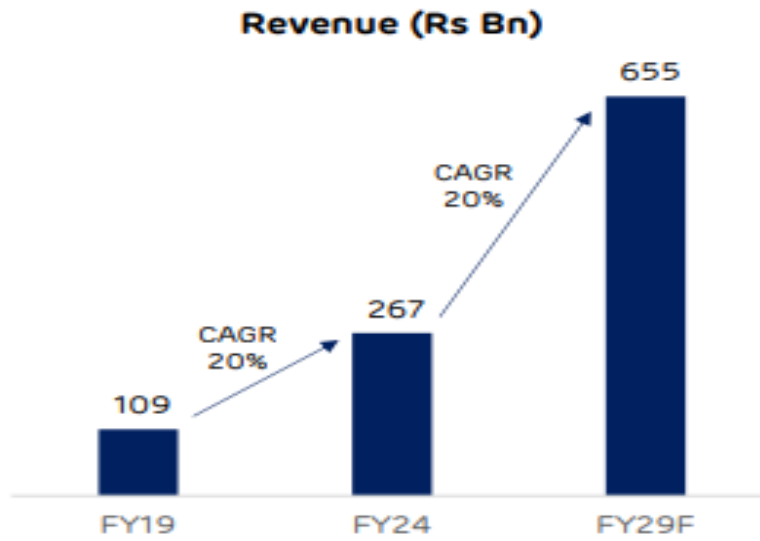


Exhibit 15: ...with EBITDA growing more than 2x

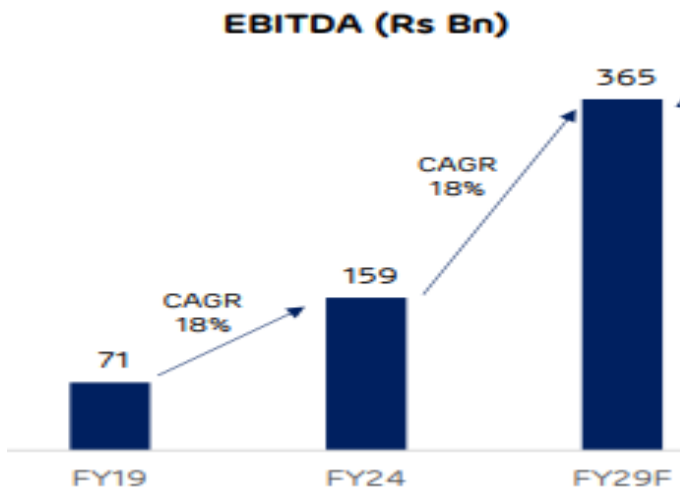
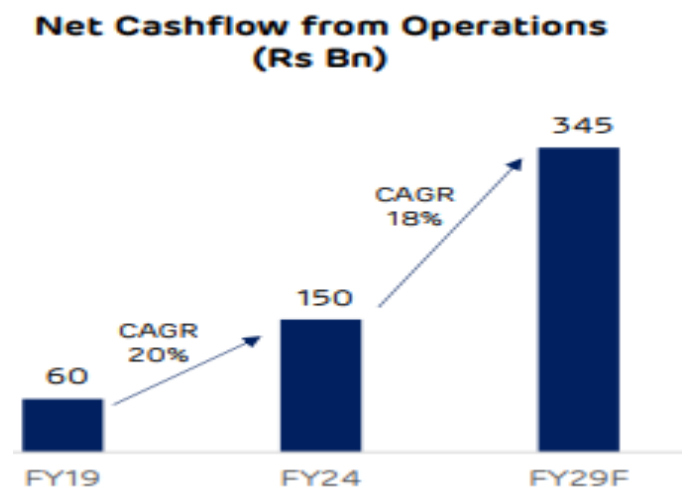


Exhibit 16: Cash flow generation to remain healthy



Story in charts

Exhibit 17: ADSEZ – volumes (MMT)

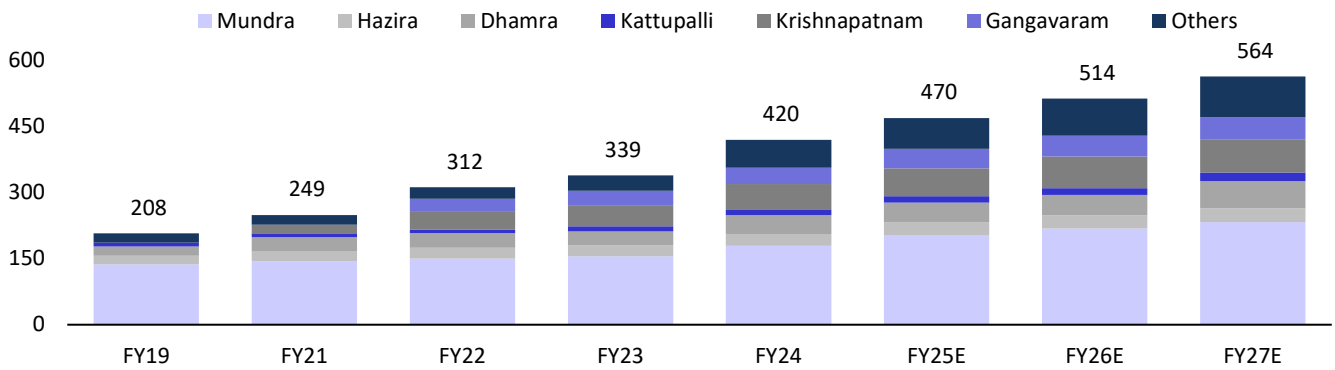


Exhibit 18: Revenue growth to remain strong

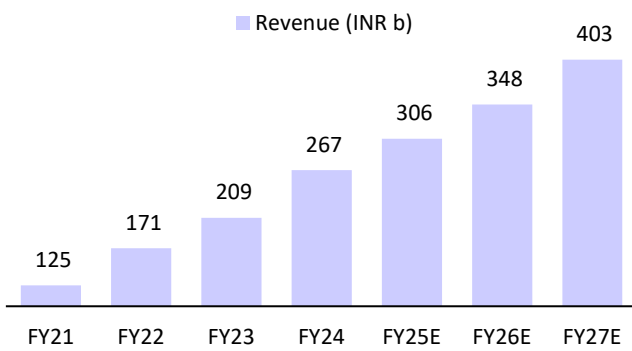


Exhibit 19: Margin to stabilize at ~60%

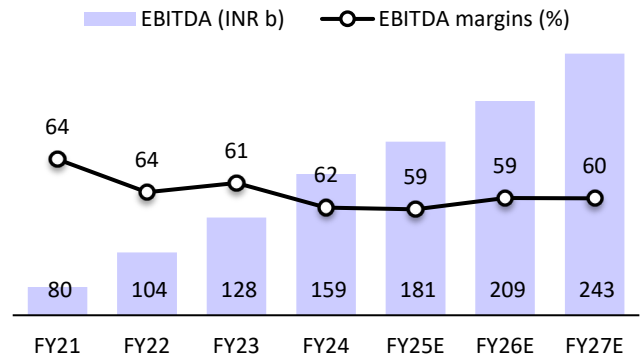


Exhibit 20: Strong operating performance to drive PAT

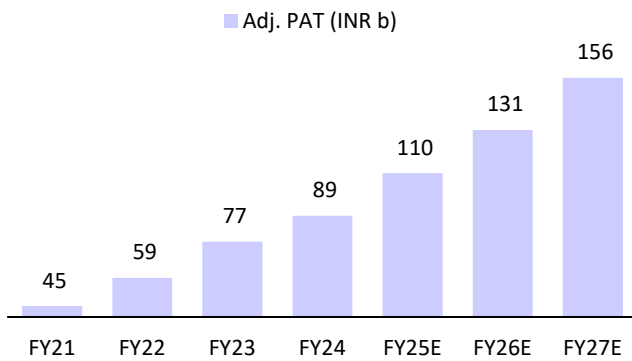


Exhibit 21: Revenue share (%)

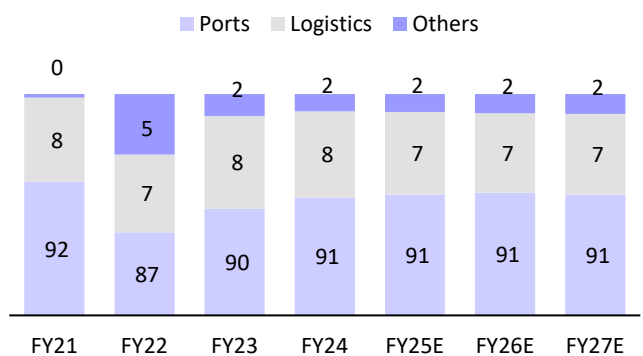


Exhibit 22: Port segment’s revenue to report 15% CAGR

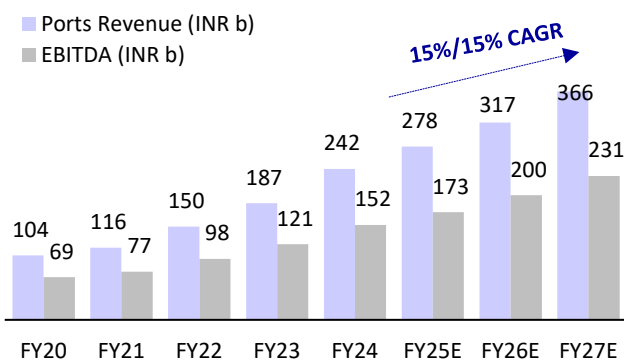
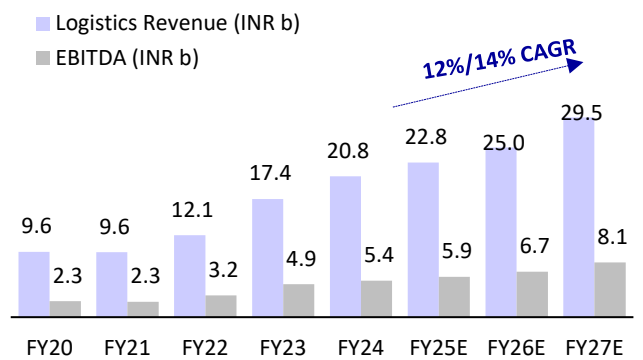


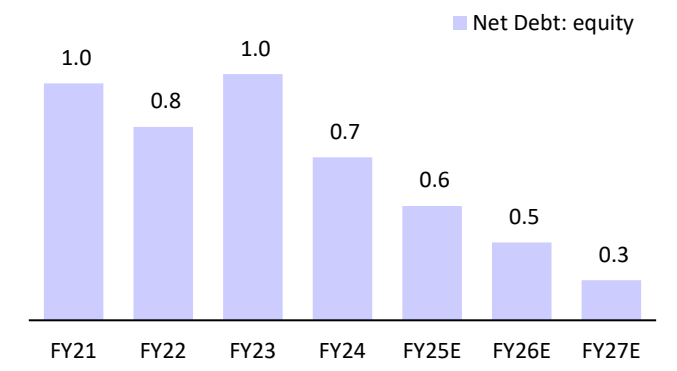
Exhibit 23: Logistics segment to report 10% CAGR in revenue



Source: Company, MOFSL

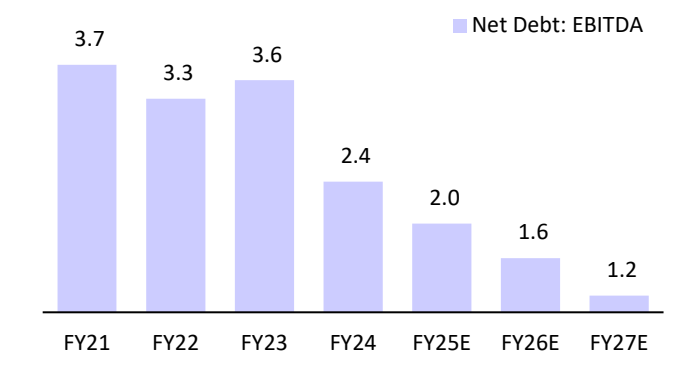
Source: Company, MOFSL

Exhibit 24: Net debt/equity to decrease



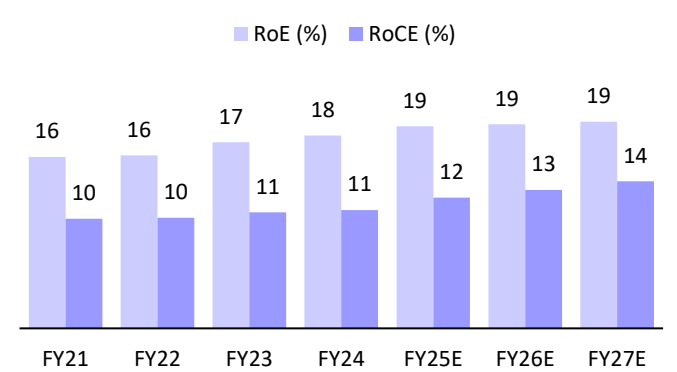
Source: Company, MOFSL

Exhibit 25: Net debt/EBITDA to improve with better efficiency



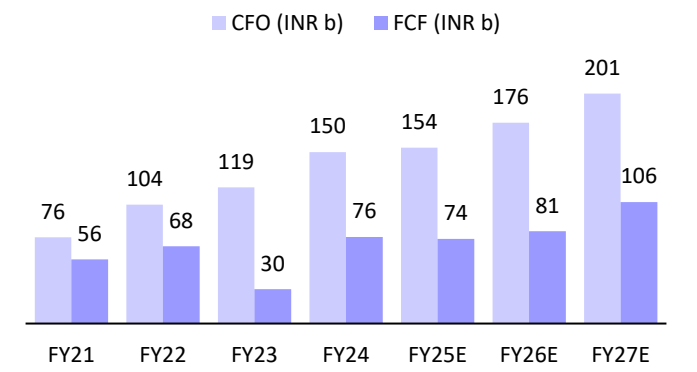
Source: Company, MOFSL

Exhibit 26: Return ratios to remain stable



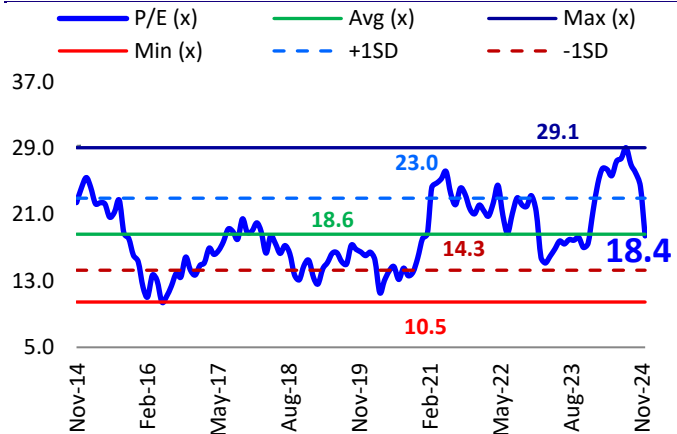
Source: Company, MOFSL

Exhibit 27: CFO and FCF generation to pick up



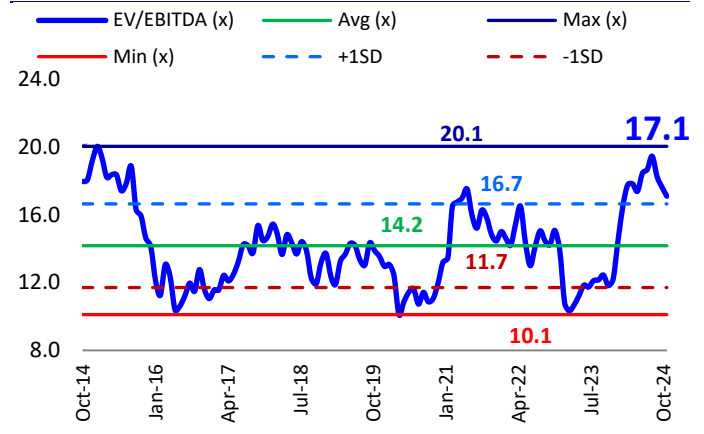
Source: Company, MOFSL

Exhibit 28: ADSEZ – P/E trend



Source: Company, MOFSL

Exhibit 29: ADSEZ – EV/EBITDA trend



Source: Company, MOFSL

Financials and valuation

Consolidated Income Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	1,25,496	1,71,188	2,08,519	2,67,106	3,06,007	3,47,852	4,02,924
Change in Net Sales (%)	5.7	36.4	21.8	28.1	14.6	13.7	15.8
Total Expenses	45,662	67,223	80,185	1,08,466	1,24,711	1,38,363	1,60,336
EBITDA	79,834	1,03,965	1,28,335	1,58,639	1,81,296	2,09,490	2,42,588
Margin (%)	63.6	60.7	61.5	59.4	59.2	60.2	60.2
Depn. & Amortization	21,073	30,993	34,232	38,885	42,357	46,533	51,067
EBIT	58,761	72,972	94,102	1,19,755	1,38,939	1,62,957	1,91,522
Net Interest	21,292	25,596	25,936	27,844	26,674	26,239	25,659
Other income	19,702	22,237	15,535	14,994	17,993	18,893	19,837
PBT	57,172	69,613	83,701	1,06,905	1,30,259	1,55,611	1,85,700
EO expense	-5,891	12,930	33,907	4,351	-5,756	0	0
PBT after EO	63,063	56,684	49,794	1,02,554	1,36,014	1,55,611	1,85,700
Tax	12,433	7,640	964	19,897	21,762	24,898	29,712
Rate (%)	19.7	13.5	1.9	19.4	16.0	16.0	16.0
PAT before JV, MI	50,630	49,044	48,830	82,657	1,14,252	1,30,713	1,55,988
Share of loss from JV, MI	-687	-498	-348	-1,550	32.7	38.0	58.2
Reported PAT	49,943	48,547	48,482	81,106	1,14,285	1,30,751	1,56,046
Adjusted PAT	45,230	58,890	75,608	89,138	1,09,680	1,30,751	1,56,046
Change (%)	-9.6	30.2	28.4	16.5	23.0	19.2	19.3
Margin (%)	36.0	34.4	36.3	33.4	35.8	37.6	38.7

Consolidated Balance Sheet

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Share Capital	4,064	4,225	4,320	4,320	4,320	4,320	4,320
Reserves	3,02,219	4,15,658	4,51,516	5,25,127	6,22,269	7,33,408	8,66,047
Net Worth	3,06,283	4,19,882	4,55,836	5,29,448	6,26,590	7,37,728	8,70,367
Minority Interest	14,685	3,928	13,385	15,982	16,873	17,893	19,154
Total Loans	3,44,010	4,54,530	4,98,193	4,62,792	4,57,792	4,47,792	4,37,792
Deferred Tax Liability	3,214	16,530	9,865	22,512	22,512	22,512	22,512
Capital Employed	6,68,191	8,94,871	9,77,279	10,30,734	11,23,767	12,25,926	13,49,825
Gross Block	5,51,805	7,00,208	7,82,018	8,47,528	9,27,528	10,22,528	11,17,528
Less: Accum. Deprn.	1,10,800	1,41,793	1,48,004	1,78,578	2,20,935	2,67,468	3,18,534
Net Fixed Assets	4,41,005	5,58,415	6,34,014	6,68,950	7,06,593	7,55,060	7,98,994
Capital WIP	36,971	40,229	68,140	1,09,361	1,09,361	1,09,361	1,09,361
Investments	22,362	31,607	1,00,599	56,340	76,340	1,06,340	1,36,340
Curr. Assets	2,44,083	3,53,029	3,24,299	3,35,342	3,69,696	3,96,209	4,49,890
Inventories	9,919	3,956	4,520	4,372	5,008	5,693	6,594
Account Receivables	23,859	22,219	32,417	36,669	46,202	57,285	71,874
Cash and Bank Balance	47,008	1,06,674	42,488	76,319	99,556	1,13,339	1,50,552
-Cash and cash equivalents	41,980	86,530	9,320	15,757	38,995	52,778	89,990
-Bank balance	5,027	20,144	33,168	60,562	60,562	60,562	60,562
Loans & advances	20,691	18,738	19,970	3,285	3,420	3,561	3,709
Other current assets	1,42,607	2,01,441	2,24,905	2,14,697	2,15,510	2,16,331	2,17,161
Curr. Liability & Prov.	76,229	88,409	1,49,774	1,39,258	1,38,222	1,41,045	1,44,759
Account Payables	10,139	11,596	18,282	21,674	20,638	23,460	27,175
Provisions	1,224	1,418	17,498	12,942	12,942	12,942	12,942
Other current liabilities	64,867	75,396	1,13,994	1,04,642	1,04,642	1,04,642	1,04,642
Net Curr. Assets	1,67,854	2,64,619	1,74,525	1,96,084	2,31,474	2,55,165	3,05,131
Appl. of Funds	6,68,191	8,94,871	9,77,279	10,30,734	11,23,767	12,25,925	13,49,825

Financials and valuation

Ratios

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	22.3	27.9	35.0	41.3	50.8	60.5	72.2
EPS Growth	-9.6	25.2	25.5	16.5	23.0	19.2	19.3
Cash EPS	32.6	42.6	50.8	59.3	70.4	82.1	95.9
BV/Share	150.7	198.8	211.0	245.1	290.0	341.5	402.9
Payout (%)	22.5	17.9	14.3	14.5	15.6	13.1	11.0
Dividend yield (%)	0.6	0.6	0.6	0.4	0.6	0.6	0.6
Valuation (x)							
P/E	53.9	43.0	33.9	29.1	23.6	19.8	16.6
Cash P/E	36.8	28.2	23.4	20.2	17.1	14.6	12.5
P/BV	8.0	6.0	5.7	4.9	4.1	3.5	3.0
EV/EBITDA	35.9	27.4	23.0	18.4	16.3	14.0	11.9
Dividend Yield (%)	0.4	0.4	0.4	0.5	0.7	0.7	0.7
Return Ratios (%)							
RoE	16.1	16.2	17.5	18.1	19.0	19.2	19.4
RoCE (post-tax)	10.3	10.4	10.9	11.1	12.3	13.0	13.8
RoIC (post-tax)	9.5	9.9	12.5	12.4	14.3	15.8	17.4
Working Capital Ratios							
Fixed Asset Turnover (x)	0.3	0.3	0.3	0.3	0.4	0.5	0.5
Asset Turnover (x)	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Debtor (Days)	69	47	57	50	55	60	65
Creditors (Days)	29	25	32	30	25	25	25
Inventory (Days)	29	8	8	6	6	6	6
Leverage Ratio (x)							
Current Ratio	3.2	4.0	2.2	2.4	2.7	2.8	3.1
Interest Cover Ratio	3.7	3.7	4.2	4.8	5.9	6.9	8.2
Net Debt/EBITDA	3.7	3.3	3.6	2.4	2.0	1.6	1.2
Net Debt/Equity	1.0	0.8	1.0	0.7	0.6	0.5	0.3

Cash Flow Statement (INR m)

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	62,920	57,171	54,891	1,00,937	1,36,938	1,56,669	1,87,019
Depreciation	21,073	30,993	34,232	38,885	42,357	46,533	51,067
Direct Taxes Paid	-8,728	-9,597	-8,339	-12,719	-21,762	-24,898	-29,712
(Inc)/Dec in WC	4,084	7,584	-8,546	-95	-12,152	-9,908	-12,754
Other Items	-3,791	18,050	47,094	23,169	8,680	7,346	5,822
CF from Operations	75,558	1,04,201	1,19,333	1,50,176	1,54,061	1,75,742	2,01,442
(Inc)/Dec in FA	-19,497	-36,458	-89,210	-74,430	-80,000	-95,000	-95,000
Free Cash Flow	56,061	67,743	30,123	75,746	74,061	80,742	1,06,442
Acquisitions/Divestment	-1,49,912	-6,538	-1,44,291	-31,178	0	0	0
Change in Investments	6,350	-28,056	22,851	-5,172	-20,000	-30,000	-30,000
Others	21,632	18,233	14,614	41,315	17,993	18,893	19,837
CF from Investments	-1,41,427	-52,818	-1,96,036	-69,466	-82,007	-1,06,107	-1,05,163
Share issue	0	9,093	9,455	2,352	0	0	0
Inc/(Dec) in Debt	54,909	75,276	3,453	-41,290	-5,000	-10,000	-10,000
Interest	-19,558	-25,505	-23,710	-28,085	-26,674	-26,239	-25,659
Dividend	-212	-10,267	-10,929	-10,797	-17,143	-19,613	-23,407
Others	0	-54,455	-5,607	-180	0	0	0
Cash from financing activity	35,139	-5,858	-27,338	-78,001	-48,816	-55,852	-59,066
Net change in cash & equi.	-30,730	45,526	-1,04,042	2,709	23,238	13,783	37,213
Opening cash balance	71,955	43,118	86,714	11,258	15,757	38,995	52,778
change in control of subs.	756	-2,113	26,648	1,790	0	0	0
Closing cash balance	41,980	86,530	9,320	15,757	38,995	52,778	89,990

Source: MOFSL, Company

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