INVasset Knowledge Bank

adani

Ports and Logistics

5th October, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Adani Ports

Adani Ports and Special Economic Zone Limited (APSEZ) is part of Adani Group, one of the largest conglomerates in India. The company started its operations in 1998 and has become the largest private-sector port developer and operator in India.
It operates Gujarat's Mundra Port, the largest commercial port in India and overall had more than 15% share in India's cargo in FY20. Other than ports, the company also has interests in integrated logistics and SEZs. Currently, the company operates 10 domestic ports in six Indian states. APSEZ generated revenue worth US$ 3.2 billion (Rs. 26,711 crore) in FY24.

- India's largest private sector port developer and operator
- Operates 14 strategically located ports on the Indian coastline
- Divided into three businesses – ports, logistics and special economic zones (SEZs)
- Installed capacity of 602 million metric tonnes (MMT) as of Q4 FY23
- Handled a total of 86.3 MMT of cargo in Q4 FY23

Investment Rationale

1.Leadership Position and Scale in Port Operations

- **Largest Private Port Operator in India:** APSEZ operates some of the most significant ports in India, including Mundra, the largest commercial port in the country. With operations spread across both the East and West coasts, APSEZ benefits from its strategic positioning and vast network of ports.

- **Record Cargo Volumes:** The company has shown consistent growth in cargo volumes, handling a record 420 million tonnes in FY24, representing a 24% year-on-year increase. This scale and steady growth provide APSEZ with strong revenue-generating capacity.

- **Diversified Cargo Portfolio:** APSEZ handles a broad range of cargo (container, dry bulk, liquid, gas), mitigating risk by not relying on any single type of cargo.

2. Expansion into Global Markets

- **Global Acquisitions:** APSEZ is increasingly expanding its global footprint through strategic acquisitions in international ports. Notable acquisitions include Haifa Port in Israel and the development of the Colombo West International Terminal in Sri Lanka. These acquisitions are aligned with the company's long-term goal to derive 20-25% of its revenue from international operations, providing geographical diversification and exposure to international trade routes.

- **Future Growth Plans:** The company's planned US$ 3 billion investment over the next 3-5 years in Europe, Africa, and Southeast Asia will further enhance its global presence and drive future growth.

3. Integrated Logistics and SEZ Business

- **Logistics and Supply Chain:** APSEZ offers integrated logistics solutions through its inland container depots (ICDs), rail transportation, and warehousing services. This makes APSEZ a fully integrated player across the supply chain, providing a competitive edge over other port operators that do not offer end-to-end logistics services.

Stock Data	
CMP	Rs 1,446
52 Week High/Low	1,621 / 754
Face Value	Rs 2.00
Market Cap (In Crs)	Rs 3,12,000
NSE	ADANIPORTS
BSE	532921
Bloomberg	ADSEZ
Sector	Shipping and

Shareholding Pattern (in %)		
Metrics	Mar 2023	Mar 2024
Promoter	65.13%	65.89%
FII	13.77%	14.98%
DII	14.46%	11.84%
Public	6.62%	7.30%

Price Performance (in%)			
(%)	1M	6M	1Yr
ADANI PORTS	-3.19	5.46	74.09
Nifty 50	2.11	14.91	32.17

Key Ratios	
P/E	31.46
EV / EBITDA	19.49
Debt To Equity	0.0
ROE	15.36 %
ROCE	13 %
Dividend Yield	0.41 %

4. Integrated Logistics and SEZ Business

- **Logistics and Supply Chain:** APSEZ offers integrated logistics solutions through its inland container depots (ICDs), rail transportation, and warehousing services. This makes APSEZ a fully integrated player across the supply chain, providing a competitive edge over other port operators that do not offer end-to-end logistics services.

- **Special Economic Zones (SEZs):** APSEZ operates some of the largest SEZs in India, including Mundra SEZ, which provides significant tax benefits, industrial land for development, and boosts export-oriented businesses. This vertical not only diversifies revenue but also strengthens APSEZ's role in industrial growth in India.

5. Financial Strength and Profitability

- **Strong Financial Performance:** APSEZ reported ₹26,711 crore in revenue for FY24, a 28% increase over the previous year, driven by both port and logistics operations. Its EBITDA margin of 59% and PAT of ₹8,104 crore further reflect its strong financial health

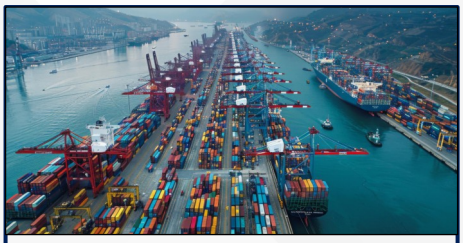
- **Deleveraging and Healthy Cash Flow:** The company has consistently reduced its debt levels, with Net Debt to EBITDA ratio declining to 2.3x in FY24, compared to 3.1x in FY23. Additionally, the Net Cash from Operating Activities stood at ₹15,018 crore in FY24, demonstrating strong cash generation capability.

- **Attractive ROCE:** With a 13% ROCE in FY24, APSEZ showcases a strong return on capital employed, indicating efficient use of capital to generate returns.

Company History and Milestones

1998	•Incorporated as Gujarat Adani Port Limited on May 26, 1998
2003	•All four berths at Mundra Port became operational
2005	•Merger of Adani Port Limited.
2006	•Merger of Adani Port Limited.
2011	• Notified as a Special Economic Zone (SEZ); merger with MSEZ and ACL.
2012	•Mundra Port and SEZ surpassed record 50 million tonnes of cargo.
2014	•Company name changed to Adani Ports and Special Economic Zone Ltd.
2016	•Acquired Dharma Port.
2017	•Acquired TM Harbour Services Private Limited
2019	•Mundra Port ranked first in total cargo handled across all Non- Major Ports and Major Ports in India for FY19.
2020	•APSEZ became the first Indian port to sign up for the Science- Based Targets Initiative (SBTi).
2021	•In September 2021, APSEZ acquired Gangavaram Port for 6,200 crore
2022	•In July 2022, Adani Group acquired Haifa Port for US$ 1.18 billion, holding a 70% stake.
2023	•APSEZ completed the acquisition of Karaikal Port Private Limited (KPPL) for ?1,485 crore (US$ 179.55 million) through NCLT approval
2024	•APSEZ handled a record 420 million tonnes of cargo in FY24, a 24% increase in domestic port operations

Business Verticals



PORTS

- National footprint: 15 ports across the coastline with ~627 MMT installed capacity.

- Global presence: 2 ports (Haifa, Israel & Colombo, Sri Lanka), 2 O&M contracts (Australia, Tanzania).



SEZ

- Total land bank: 16,500+ hectares (12,500+ ha at Mundra, 2,000+ ha at Dhamra and Krishnapatnam Industrial Zones).

- Large-scale industrial land ready for development.

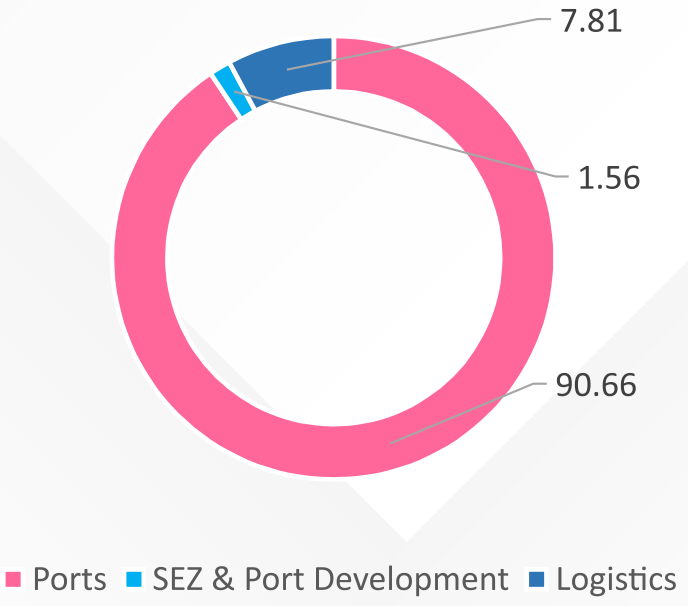


LOGISTICS

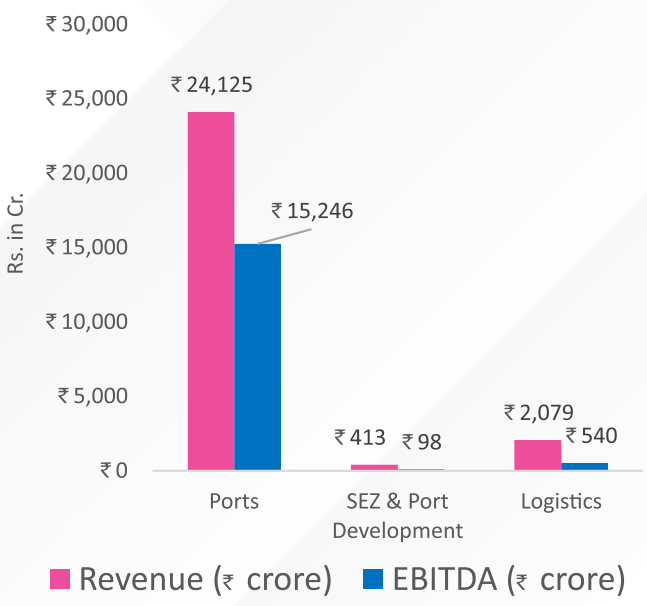
- Extensive infrastructure: 127 trains, 12 MMLPs, 1.2 MMT grain silos, 2.4 mn sq ft warehousing, 690 km rail tracks, 900 trucks.

- Offering first and last-mile connectivity by linking ports to customers.

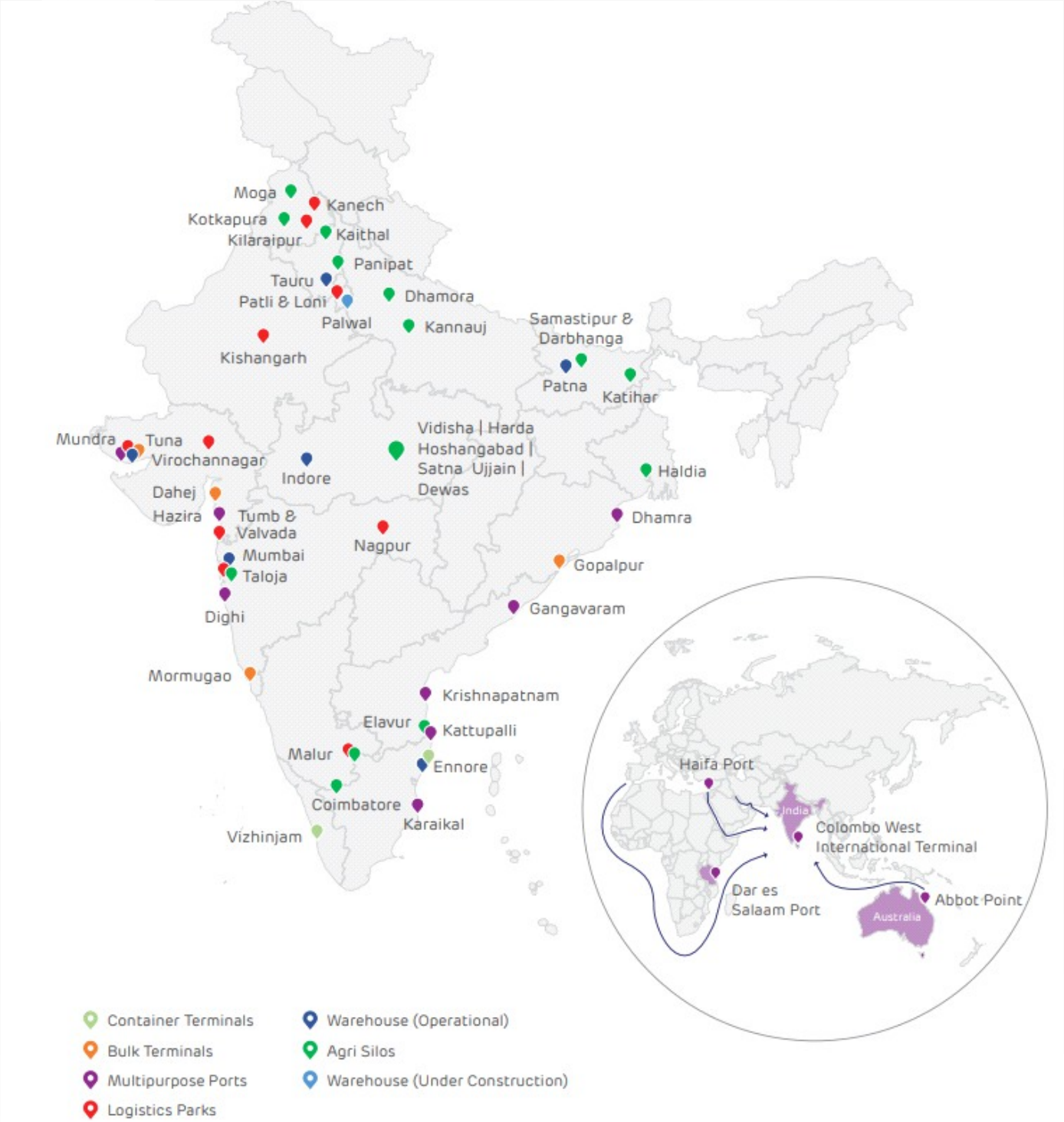
Revenue Split (%)



Revenue v/s EBITDA



Geographical Presence



Industry Analysis

The global merchandise trade grew by 12.4% in value in 2022, driven by high commodity prices and inflation. However, the volume growth was subdued at 2.7%, down from 9.4% in 2021, and further declined to 0.8% in 2023. Global maritime trade contracted by 0.4% in 2022 but is expected to grow by 2.4% in 2023, with moderate growth projected through 2028.

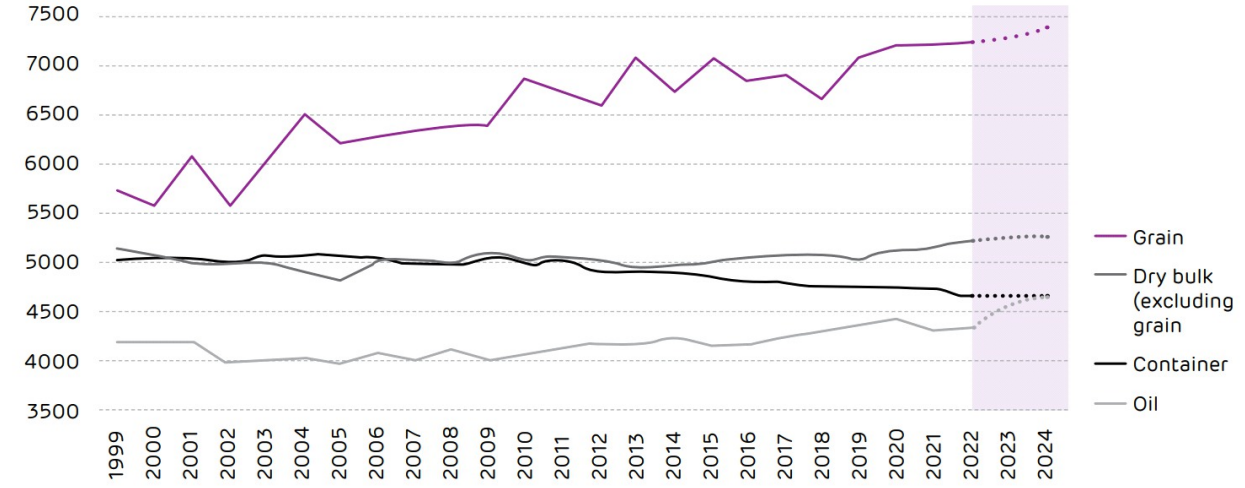
Containerized trade fell by 3.7% in 2022, with slow recovery anticipated in 2023 and 2024-28, impacted by the Ukraine war and crises like the Panama Canal and Red Sea disruptions.

Freight rates remain below 2021-22 highs, despite spikes due to global disruptions. The distances traveled by oil, gas, and grain shipments increased in 2022-2023, reflecting shifting export routes. Intra-Asian trade dominated global containerized trade, keeping average distances shorter.

Container shipping has normalized post-pandemic, with rates near pre-pandemic levels and capacity expected to increase through 2025. Port operations are set for a digital transformation in 2024 with the introduction of Maritime Electronic Single Windows, enhancing global trade efficiency, especially in developing countries.

Below picture depicts projected lengthening of supply chain distances in global trade

Figure 3: Average distance travelled, grain, other dry bulk, container and oil cargo, 1999-2024 (Nautical miles)



Key Drivers and Challenges

Key Drivers in the Global Ports and Shipping Industry:

- **Trade Growth and Commodity Demand:**

Global merchandise trade, particularly driven by energy (oil and gas) and agricultural products (grains), has been a key driver of maritime trade. In 2022, oil and gas trade volumes witnessed strong growth rates of 6% and 4.6%, respectively, as demand for fuel increased post-pandemic. The easing of COVID-19 restrictions led to a resurgence in global economic activities, boosting demand for transportation and energy-intensive services. Furthermore, emerging markets' industrial and infrastructural needs are fueling global trade, creating long-term demand for shipping services. While the containerized trade sector has slowed, bulk cargoes such as oil, gas, and grains have seen higher demand, especially over longer distances, helping drive the industry forward.

- **Shifts in Trade Routes:** Geopolitical disruptions, most notably the Ukraine war, have drastically altered global trade routes. As Europe reduced its dependence on Russian energy, alternative markets for oil, gas, and grain emerged, with shipments traveling greater distances, often to more distant markets like the US or Brazil. This change has increased demand for shipping services, as longer voyages require more vessels, capacity, and logistics planning. The need to re-route cargo away from conflict-affected areas, such as the Black Sea and Panama Canal, further drives demand for shipping, while increasing distances boost tonne-miles (a key metric for the shipping industry). The rise in oil and grain trade distances will continue to push demand higher as countries diversify their trade partners.

- **Technological Advancements:** The upcoming 2024 introduction of the Maritime Electronic Single Window (an initiative by the International Maritime Organization - IMO) represents a significant step in improving port and shipping efficiency. This technology will streamline processes like cargo clearance, customs documentation, and communication between various port stakeholders, significantly reducing delays and inefficiencies. By enabling ports to digitally coordinate activities with shipping companies, freight forwarders, and customs agencies, the Single Window system is expected to reduce waiting times and operational costs. The system's implementation will help meet growing trade volumes while enabling shipping companies to comply with international regulations. However, the adoption of these systems will require significant investment, particularly in developing countries, where port infrastructure often lags behind.

- **Increased Container Capacity:** The global shipping industry is experiencing a surge in new container vessel deliveries scheduled for 2024-2025, which will significantly increase global container capacity. This expansion is expected to help manage the anticipated rise in global trade volumes while reducing the reliance on older, less fuel-efficient vessels. Increased capacity also supports the growth of global e-commerce and logistics chains, especially for companies that require reliable, large-scale container shipping for goods. However, while this increase in capacity will help mitigate short-term supply shortages, the industry must also address the challenge of balancing demand and supply to avoid overcapacity issues.

- **Resilience of Maritime Trade:** Despite the challenges posed by geopolitical disruptions, inflation, and slow economic growth, the maritime trade sector has shown resilience, with projections of moderate but steady growth over the medium term (2024-2028). According to UNCTAD's review of maritime transport, trade volumes are expected to expand, driven by continued demand for essential commodities, such as energy and food. The gradual recovery of global economic activity and the rebalancing of supply chains post-pandemic have restored confidence in the sector. Ports and shipping companies are increasingly adopting strategies to enhance operational efficiency, reduce costs, and remain competitive despite global uncertainties, which should support sustained growth.

Key Challenges in the Global Ports and Shipping Industry:

- **Geopolitical Disruptions:**

The Russia-Ukraine war has had a profound impact on global seaborne trade, especially for dry bulk and tanker shipments. Major trade routes for oil, gas, and grain have been disrupted, forcing countries and shipping companies to find new routes, which has increased transportation costs and extended delivery times. In addition, regional crises such as the Panama Canal drought and the Red Sea corridor tensions have caused significant delays and rerouting challenges, further straining the global supply chain. These disruptions have resulted in freight rate volatility and created uncertainty for businesses dependent on maritime trade, making it difficult for companies to plan and budget for shipping costs.

- **Overcapacity:**

As shipping lines anticipate a long-term rise in global trade volumes, there is a risk of overcapacity in the container shipping sector due to the delivery of new vessels scheduled for 2024-2025. Overcapacity can drive down freight rates, reducing profitability for shipping lines and increasing operational challenges.

- **High Fuel Costs and Environmental Regulations:** The shipping industry is under increasing pressure to reduce its carbon footprint and comply with new environmental regulations, such as the International Maritime Organization's (IMO) mandate to cut greenhouse gas emissions. These regulations require shipping companies to adopt cleaner fuels, invest in more efficient vessels, and implement carbon-reduction technologies, all of which add to operational costs. At the same time, rising global fuel prices have added further cost pressures to shipping companies, making it more expensive to operate. These costs are often passed on to customers, increasing shipping rates and potentially reducing demand for maritime transport services.

- **Freight Rate Volatility:** While freight rates have come down from their pandemic-era peaks, they continue to fluctuate significantly due to geopolitical factors, supply chain disruptions, and global demand fluctuations. For instance, the Panama Canal crisis has driven up rates on routes that avoid the canal, and regional tensions have similarly affected routes through the Red Sea and other key shipping lanes. This volatility makes it challenging for shipping companies and customers to predict costs and plan shipments. While some companies benefit from higher rates during peak demand, others face profit margin pressures when rates drop, especially those with long-term fixed contracts.

- **Technological Adoption Gaps:** Developing and Least Developed Countries (LDCs) often struggle to keep pace with technological advancements in the shipping industry. The 2024 implementation of the Maritime Electronic Single Window will require substantial investment in digital infrastructure, training, and systems integration. Many ports in these regions lack the financial resources, technical expertise, and infrastructure to implement such advanced technologies, potentially putting them at a competitive disadvantage. Without significant international support and investment, the gap between technologically advanced ports and those in developing regions may widen, affecting global trade efficiency.

- **Inflation and Global Economic Slowdown:** High inflation and slowing global economic growth have weakened consumer demand and affected global supply chains, leading to reduced containerized trade volumes. As consumers cut back on spending, particularly on non-essential goods, demand for container shipping services has declined. Furthermore, high inflation has driven up operational costs for shipping companies, from fuel to port fees, which can cut into profit margins. This economic environment creates uncertainty for shipping operators and their customers, who are hesitant to invest in long-term shipping contracts or expand their logistics networks. Shipping companies must navigate these economic headwinds while balancing operational costs and capacity management strategies.

The Indian Ports Industry:

Cargo Traffic Growth (FY 2023-24):
- Major Ports: 4.38% growth to 817.98 MMT (from 783.62 MMT in FY 2022-23). EXIM cargo increased by 5.12%, coastal cargo by 1.97%.
- Non-Major Ports: 8.5% growth to 649.9 MMT (from 599.1 MMT). EXIM cargo up by 4.3%, coastal cargo up by 32.1%.

Key Port Performances (FY 2023-24):

- **Mormugao:** Highest growth at 16.44%.
- **Gujarat Maritime Board:** Led Non-Major Ports with a 62.31% share (449.25 MMT).
- **Coastal Cargo:** Gujarat led with 34.81%, Maharashtra followed with 33.6%.

Commodities with Highest Growth:
- Iron Ore Pellets & Fines (37%), Iron & Steel (15%), LPG/LNG (12%), Thermal Coal (12%), Containers (9%).

Recent Developments:

- World Bank Logistics Index 2023: India ranked 22nd in International Shipment category, improved container dwell time (3 days) and port turnaround time (0.9 days).
- Amrit Kaal Vision 2047: Focus on world-class ports, inland water transport, and supporting India's 'Blue Economy'.
- FDI: 100% FDI allowed under automatic route for port construction.

Comprehensive Investment Rationale

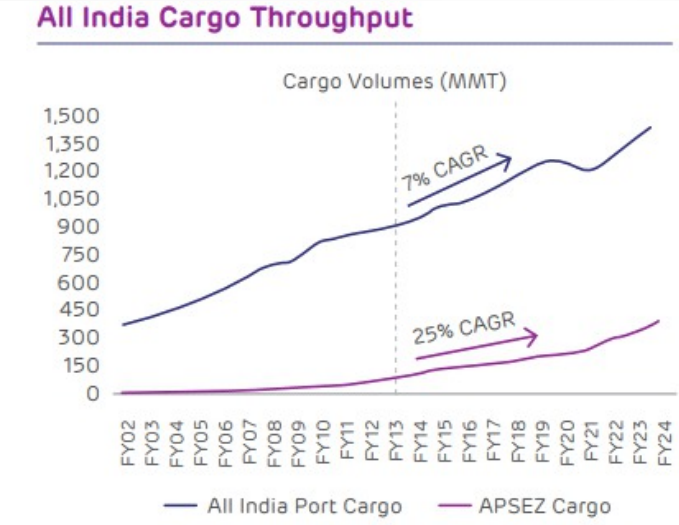
Here is the detailed explanation of the five investment rationales for Adani Ports and SEZ (APSEZ):

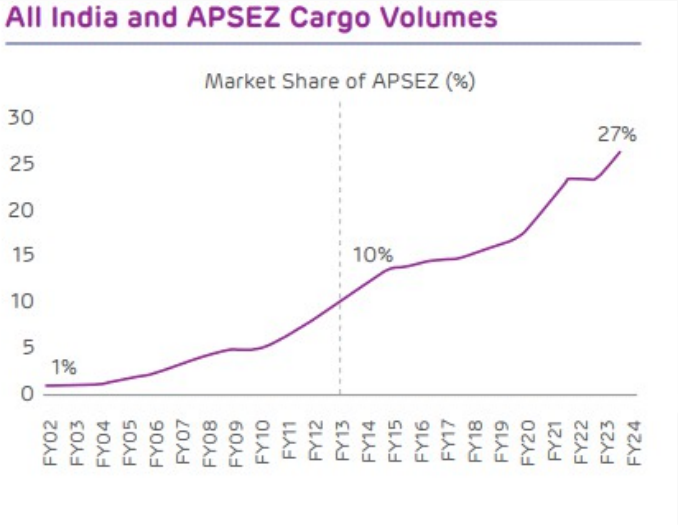
1. Leadership Position and Scale in Port Operations

- **Largest Private Port Operator:** APSEZ stands as India's largest private port operator, benefiting from its expansive port network, which spans both the eastern and western coasts. Its operations, including Mundra Port, the country's largest commercial port, offer APSEZ a significant edge in capturing a vast portion of India's import and export trade. Mundra Port has become a critical hub for international shipping, contributing substantially to the country's economy and providing APSEZ with a consistent revenue stream.

- **Record Cargo Volumes:** APSEZ has demonstrated remarkable growth in cargo handling. In FY24, it handled a record-breaking 420 million tonnes, a substantial 25% CAGR. This growth trajectory underlines the scalability of APSEZ's operations and positions the company for continued revenue expansion. The ability to handle diverse cargo types—containers, dry bulk, liquid, and gas—also mitigates operational risks by ensuring the company is not dependent on any one commodity.

- **Diversified Cargo Portfolio:** The variety of cargo types, from containers to dry bulk, liquid, and gas, reduces vulnerability to sector-specific downturns. APSEZ's diversified cargo portfolio allows it to adapt to changing global trade trends and ensure stability in revenue streams. Its ability to handle a range of commodities and goods means it can quickly adjust to fluctuations in demand, increasing resilience during global economic shifts.





2. Expansion into Global Markets

- **Global Acquisitions:** APSEZ has taken bold steps to globalize its operations, a strategy that aligns with its goal of achieving 20-25% of its revenue from international operations. The acquisition of Haifa Port in Israel, a critical Mediterranean hub, and the development of the Colombo West International Terminal in Sri Lanka are significant moves toward positioning the company on key global trade routes. These acquisitions not only provide geographical diversification but also expose APSEZ to the rapidly growing international shipping markets.

- **Future Growth Plans:** APSEZ's commitment to investing US$ 3 billion over the next 3-5 years to expand its presence in Europe, Africa, and Southeast Asia reflects its focus on long-term growth and strategic geographical expansion. The move will strengthen APSEZ's access to international markets, enabling the company to take advantage of increasing global trade volumes. This global diversification protects APSEZ from potential local economic downturns and offers access to new, rapidly developing markets.

3. Integrated Logistics and SEZ Business

• **Logistics and Supply Chain:** APSEZ has evolved from being just a port operator to becoming a fully integrated logistics player, providing end-to-end supply chain solutions. The company's inland container depots (ICDs), extensive rail transport network, and warehousing capabilities allow it to offer seamless logistics services to its clients. This vertical integration not only increases operational efficiency but also provides a unique competitive advantage. Unlike other port operators who focus solely on port operations, APSEZ's integrated solutions streamline cargo movement, reducing costs and time delays for clients.

• **Special Economic Zones (SEZs):** APSEZ operates several of India's largest SEZs, including the Mundra SEZ. These zones offer substantial tax benefits and industrial land development opportunities, which attract both domestic and international businesses looking to establish export-oriented operations. The SEZ business not only diversifies APSEZ's revenue streams but also plays a crucial role in India's industrial growth, positioning APSEZ as a vital player in the country's economic development.

4. Financial Strength and Profitability

• **Strong Financial Performance:** In FY24, APSEZ reported revenue of ₹26,711 crore, a robust 28 % increase over the previous year. This growth was fueled by both its port operations and the rapid expansion of its logistics services. The company also achieved an impressive EBITDA margin of 59%, showcasing its ability to maintain profitability while scaling up its operations. With a Profit After Tax (PAT) of ₹8,104 crore, APSEZ's financial health is strong, making it a reliable player in the sector with consistent profitability.

• **Deleveraging and Healthy Cash Flow:** APSEZ has made significant progress in deleveraging, reducing its Net Debt to EBITDA ratio from 3.1x in FY23 to 2.3x in FY24. This reduction in debt improves the company's financial flexibility, lowering interest payments and freeing up resources for further expansion. Additionally, the company generated ₹15,018 crore in net cash from operating activities, demonstrating its ability to generate strong cash flows to fund operations, service debt, and invest in growth.

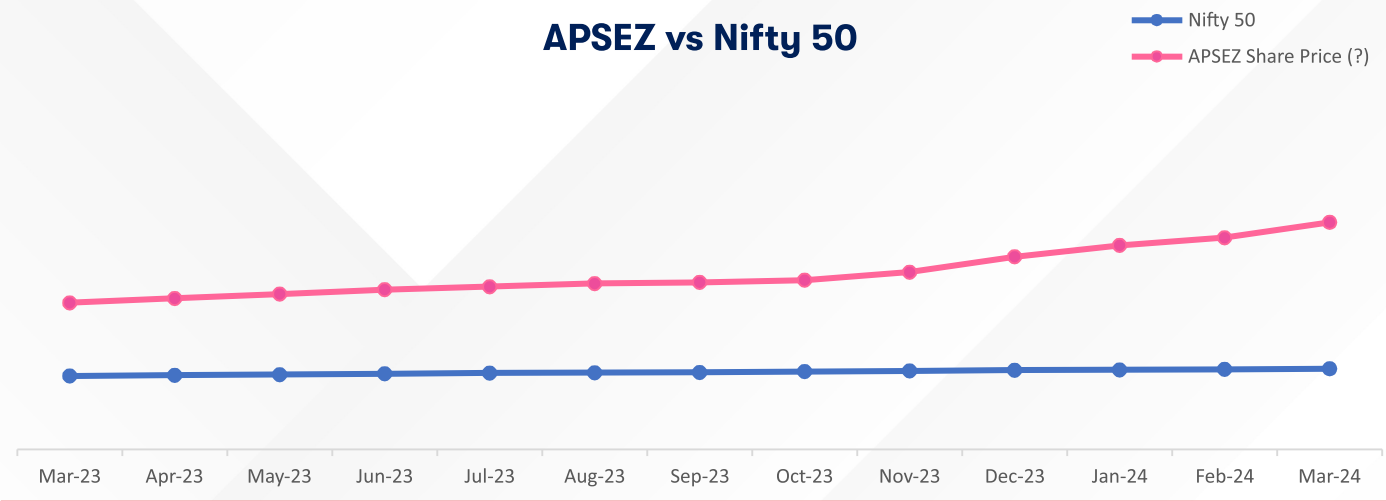
5. Attractive ROCE and Strong Capital Utilization

• **Return on Capital Employed (ROCE):** With a 13% ROCE in FY24, APSEZ has proven its efficiency in capital deployment. ROCE is a key measure of a company's profitability and efficiency in using its capital to generate returns. The ability to consistently maintain or improve ROCE, even as the company expands, highlights APSEZ's operational efficiency and sound investment strategy. Investors value companies with strong ROCE as they provide higher returns on investment over the long term.

• **Efficient Capital Utilization:** APSEZ's capital is utilized efficiently across its various verticals, ensuring that the investments in port operations, logistics, and global expansions are yielding positive returns. This efficiency is critical in maintaining the company's competitive position and delivering value to shareholders.

These rationales emphasize the strong market leadership, financial health, and strategic expansion of APSEZ, making it an attractive investment proposition. Let me know if you would like to expand further or focus on any specific areas!

Price Performance

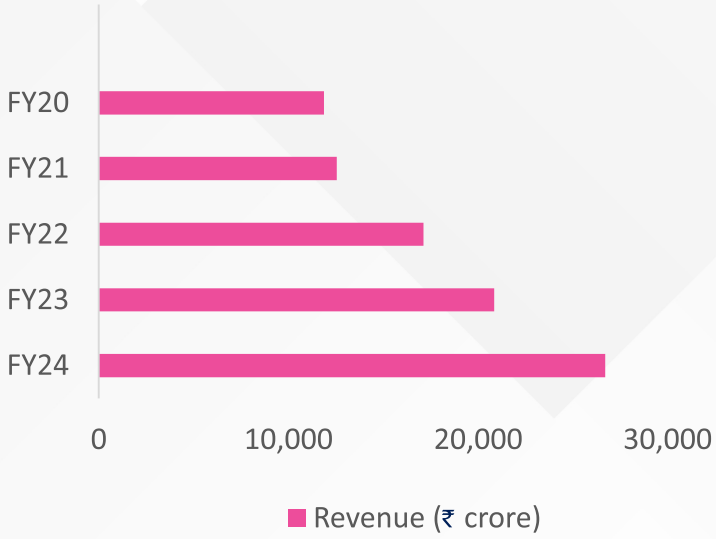


Q1 (FY 24 – 25) Financial Snapshot

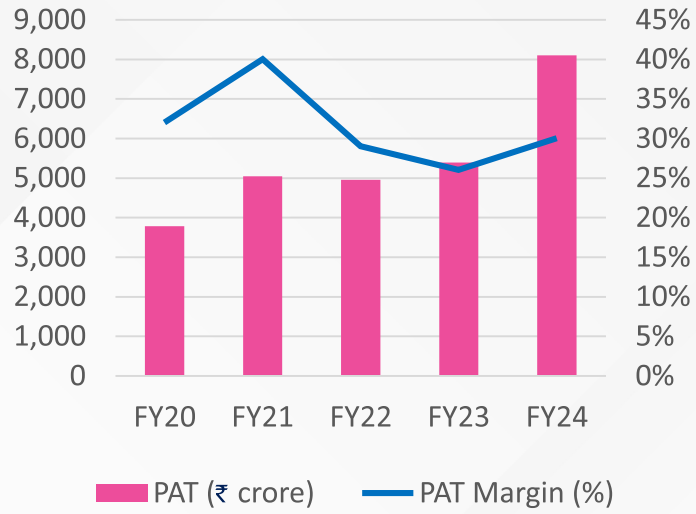
No.	Particulars	Quarter Ended June 30, 2024 (₹ Crores)	Quarter Ended March 31, 2024 (₹ Crores)	Quarter Ended June 30, 2023 (₹ Crores)	Year Ended March 31, 2024 (₹ Crores)
i	**Segment Income**				
	a. Port and SEZ activities	6,939.34	6,283.86	5,761.32	24,276.02
	b. Others	655.67	665.05	537.74	2,640.81
	Sub-Total	7,595.01	6,948.91	6,299.06	26,916.83
	Less: Inter Segment Revenue	35.42	52.41	51.51	206.27
	Total	7,559.59	**6,896.50**	**6,247.55**	**26,710.56**
ii	**Segment Results**				
	a. Port and SEZ activities	3,718.57	3,052.08	2,703.88	11,723.86
	b. Others	40.15	-22.06	24.94	89.91
	Sub-Total	3,758.72	3,030.02	2,728.82	11,813.77
	Less: Finance Costs (Excluding Foreign Exchange)	484.06	604.27	632.69	2,732.94
	Add: Interest Income	180.9	201.91	217.23	860.19
	Add: Other unallocable Income/(Expenditure) (Net)	282.52	87.02	97.8	526.41
	Profit before exceptional items and tax	3,738.08	2,714.68	2,490.74	10,467.43
	Exceptional items	-145.43	-373.7	-373.7	-373.7
	Profit before tax	3,592.65	**2,340.98**	**2,490.74**	**10,093.73**
iii	**Segment Assets**				
	a. Port and SEZ activities	84,858.76	83,611.26	80,405.93	83,611.26
	b. Others	17,942.95	17,246.57	14,645.54	17,246.57
	Sub-Total	1,02,800.92	1,00,857.83	95,051.47	1,00,857.83
	c. Unallocable	20,018.69	17,873.29	19,043.78	17,873.29
	Total Assets	1,23,006.33	**1,18,917.87**	**1,14,462.00**	**1,18,917.87**
iv	**Segment Liabilities**				
	a. Port and SEZ activities	13,164.80	11,803.43	10,119.84	11,803.43
	b. Others	1,353.21	1,335.82	1,114.71	1,335.82
	Sub-Total	14,518.03	13,139.25	11,234.61	13,139.25
	c. Unallocable	51,775.34	51,188.07	53,407.55	51,188.07
	Total Liabilities	66,298.92	**64,327.32**	**64,689.71**	**64,327.32**

Company Performance

Revenue (₹ crore)



PAT vs PAT Margin

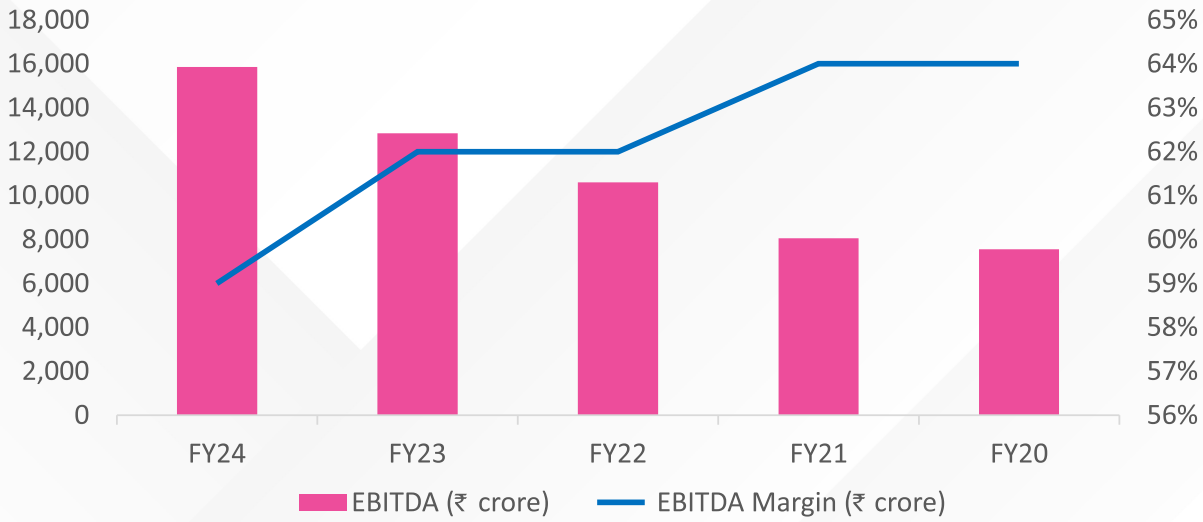


The strong operational performance translated into record financial performance.

Operating revenue increased 28% to ₹26,711 crore. Both domestic ports and logistics businesses maintained their industry-leading EBITDA margins of 71% and 26% respectively, attributed to improved operating efficiencies and capacity utilisation.

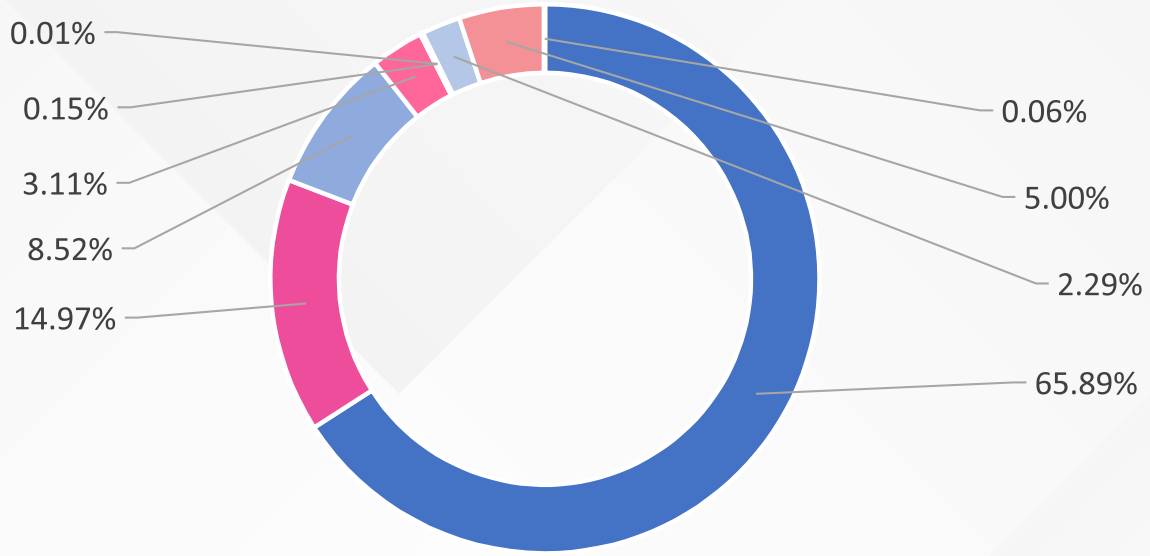
This contributed to a strong 24% growth in EBITDA to ₹15,864 crore and a 50% growth in PAT to ₹8,104 crore.

EBITDA vs EBITDA Margin



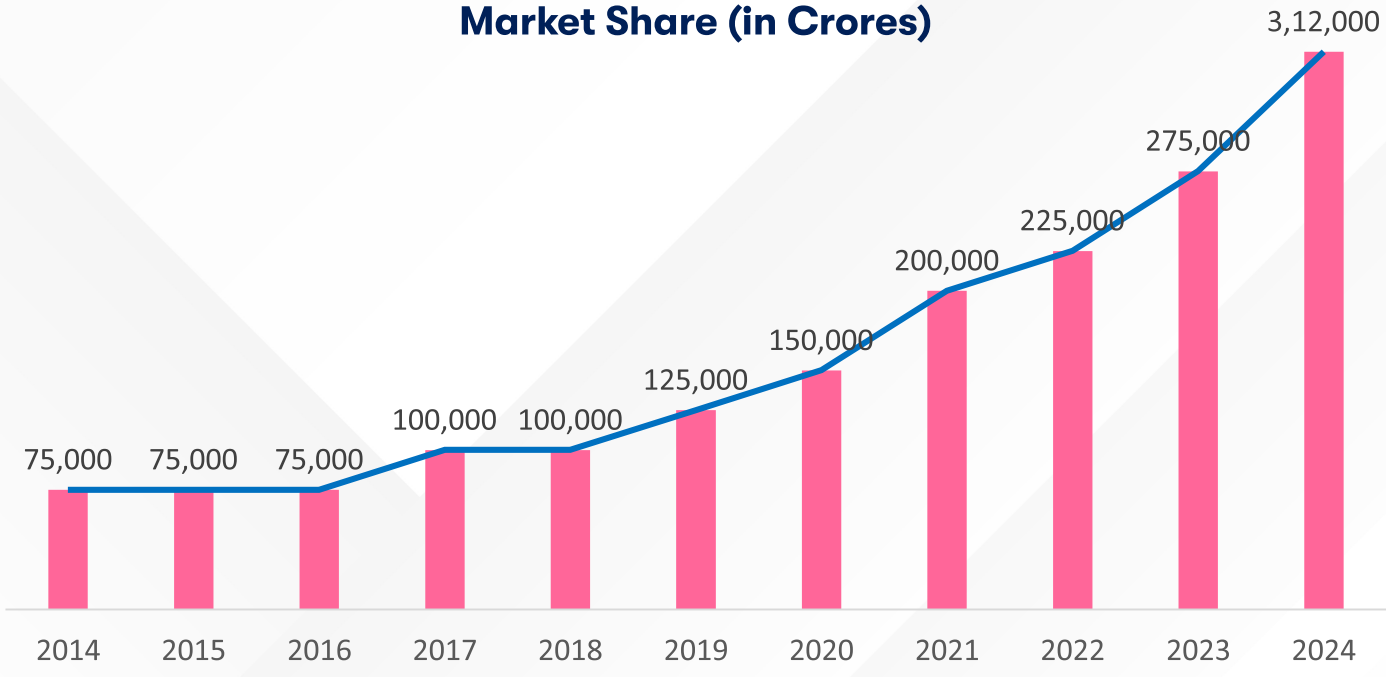
Company Performance

% Holding of Shares as on 31/03/24



- Promoter and Promoter Group
- Foreign Institutional Investors / Portfolio Investor
- Insurance Companies
- Mutual Funds/Banks/Financial Institutions
- NRI/Foreign Nationals
- IEPF/Clearing Member
- Bodies Corporate
- Indian Public and others
- Alternative Investment Fund

Market Share (in Crores)



Strengths

- **Market Leadership:** Adani Ports and SEZ is the largest private port operator in India, with a significant share of the country's port operations, including the Mundra Port, the largest commercial port in India. This gives them a dominant position in the market.
- **Integrated Operations:** The company offers integrated logistics solutions, covering the entire value chain from port handling to warehousing, rail transportation, and inland container depots (ICDs). This end-to-end service capability provides a competitive edge and enhances customer loyalty.
- **Strategic Location:** Adani's ports are strategically positioned on both the east and west coasts of India, providing access to a vast hinterland and making the company a key player in India's trade and export routes.
- **Global Expansion:** Adani Ports is expanding globally, with recent acquisitions such as the Haifa Port in Israel and projects in Sri Lanka. This geographical diversification helps reduce dependency on domestic markets and increases exposure to global trade.
- **Strong Financials:** The company has demonstrated strong financial performance with consistent revenue growth, high EBITDA margins, and efficient debt management, reflecting sound fiscal management.

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Weaknesses

- **High Dependence on India's Economy:** Although Adani Ports is expanding internationally, a significant portion of its revenue is still tied to India's economy. Any slowdown in India's economic growth could impact the company's performance.
- **Debt Levels:** While Adani Ports has been deleveraging, the company's past high debt levels due to aggressive expansion and capital expenditure could pose risks in times of market volatility or interest rate hikes.
- **Operational Complexity:** The integrated nature of Adani Ports' operations adds complexity to management. Coordinating across ports, logistics, and SEZ businesses can be challenging, especially with rapid expansion.
- **Regulatory Risk:** The company operates in a highly regulated environment. Changes in port tariffs, government policies, or environmental regulations could impact its profitability and operations.

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Opportunities

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- **Global Trade Growth:** As international trade continues to grow, particularly in Asia, Adani Ports is well-positioned to benefit from increased cargo volumes, both domestically and internationally.
- **Government Initiatives:** Indian government initiatives like "Sagarmala," the National Infrastructure Pipeline (NIP), and the push for improved logistics and trade infrastructure could further boost the demand for ports and logistics services in India.
- **SEZ Development:** With large land banks and SEZs like Mundra SEZ, the company has the opportunity to attract foreign investment and export-oriented businesses, driving growth in its SEZ vertical.
- **Sustainability Focus:** Adani Ports has embraced green port initiatives like the use of renewable energy. Growing global emphasis on sustainability could help the company differentiate itself and reduce operational costs in the long run.
- **Digital Transformation:** The adoption of digital solutions for port operations, logistics, and customer services can streamline operations, reduce costs, and improve the overall efficiency of the supply chain.

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Threats

- **Economic Slowdown:** A slowdown in global or Indian economic growth could lead to reduced trade volumes, impacting cargo throughput and overall revenue for Adani Ports.
- **Competition:** Adani Ports faces increasing competition from other private and government-run ports in India and neighboring countries. Increased competition may exert pressure on margins and market share.
- **Geopolitical Risks:** With expanding global operations, Adani Ports is exposed to geopolitical risks, including trade wars, changes in international trade policies, and political instability in regions where it operates, such as Sri Lanka and Israel.
- **Environmental and Climate Risks:** Ports are vulnerable to environmental and climate risks like rising sea levels, natural disasters, and stricter environmental regulations, which could disrupt operations or require additional capital investments.
- **Supply Chain Disruptions:** Global supply chain disruptions, such as those caused by pandemics or trade restrictions, could hinder port operations and logistics services, affecting revenue.

Peer Comparison

Name	Adani Ports	JSW Infrast	Guj Pipavav Port
CMP Rs.	1452.55	339.8	222.61
Sales Rs.Cr.	28210.6	3894.57	1019.5
PAT Rs.Cr.	8,103.35	1,126.58	411.57
EBIDT Var 3Yrs %	17.02	35.64	11.93
Profit Var 3Yrs %	21.06	59.39	19.72
ROCE %	13.0	16.41	22.69
P/E	31.46	63.26	26.15
CMP / BV	5.95	8.88	4.65
Leverage	2.17	1.43	1.25
ROIC %	13.18	11.42	18.1
Net CF Rs.Cr.	449.91	104.7	7.89
Profit growth %	50	29.36	19.83
PEG	1.85	1.83	2.63
EV / EBITDA	19.49	30.64	13.88
Debt / Eq	0.94	0.59	0.03
Earnings Yield %	4.01	2.51	6.11
Div Yld %	0.41	0.16	3.32
Inventory T/O	2.76	1.5	4.71
Export %	0	2.44	0
Asset Turnover	0.23	0.33	0.34
QoQ Sales %	9.61	-7.9	-2.11
3mth return %	-1.23	0.89	3.1
6mth return %	5.06	40.46	-0.69
QoQ Profits %	54.22	-9.89	66.59

Financial Ratios Snapshot

Particulars	FY 23- 24	FY 22 - 23	FY 21 - 22	FY 20 - 21	FY 19 - 20
Book Value Per Share	251.7	216.4	182.1	157	126.4
RoA %	6.82%	4.62%	4.98%	6.61%	6.04%
ROE %	15.36%	11.69%	12.41%	16.40%	14.78%
ROCE %	13.00%	8.90%	9.90%	12.54%	11.22%
Profitability Ratio					
EBDIT Margin %	65.00%	59.94%	69.24%	85.01%	65.69%
EBIT Margin %	50.44%	43.53%	52.05%	68.22%	51.54%
PBT Margin %	38.39%	26.09%	33.56%	50.25%	35.78%
Net Profit Margin %	30.94%	25.63%	28.88%	40.34%	31.91%
Asset Turnover %	0.2	0.2	0.1	0.1	0.1
Liquidity Ratio					
Current Ratio	1.1	1.3	1.6	1.8	1.9
Quick Ratio	1	1.3	1.6	1.6	1.9
Dividend Payout to NP %	0.1	0.2	0.2	N/A	0.2
Earning Retention %	86.69%	80.12%	78.41%	N/A	81.63%
Cash Earning Retention %	91.00%	87.91%	86.33%	N/A	87.30%
Cash Earning Retention %	91.00%	87.91%	86.33%	N/A	87.30%
Valuation Ratio					
Enterprise Value (Rs Crs)	330,072.9	183,387.3	198,870.7	173,946	71,689.0
EV Per Net Sales	12.4	8.8	12.5	13.9	6
EV Per EBITDA	19	14.7	18	16.3	9.2
Market Cap Per Sales	10.9	6.5	10.3	11.4	4.3
Retention Ratio %	86.68%	80.11%	78.40%	80.57 %	81.62%
Earnings Yield	4.0	3.8	2.7	0.8	0.1
Total Debt to Total Equity	0.9	1.1	1.2	1.1	1.1

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This research has been done by the Core Fundamental Research Team of InvAsset PMS Desk.

Anirudh Garg
anirudhgarg@invasset.com

Harshal Dasani
harshaldasani@invasset.com

Kushal Ahuja
kushalahuja@invasset.com

INVASSET

India's Best Performing and Most Customer Centric PMS

MUMBAI
911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM
4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA
1401, Aspen 2, Centara Greens,
Pakhowal Road, Opp. Riviera Resort,
Ludhiana 141001

1800-309-2172
98158-10172

info@invasset.com

www.invasset.com