

India

**HOLD** (no change)

Consensus ratings\*: Buy 19 Hold 2 Sell 0

Current price:	Rs1,219
Target price: ▲	Rs1,218
Previous target:	Rs868
Up/downside:	0.0%
InCred Research / Consensus:	6.8%
Reuters:	APSE.NS
Bloomberg:	ADSEZ IN
Market cap:	US\$31,730m
	Rs2,632,885m
Average daily turnover:	US\$81.1m
	Rs6730.5m
Current shares o/s:	2,031.8m
Free float:	6,413.0%

\*Source: Bloomberg

**Key changes in this note**

- Raise FY24F/ 25F EBITDA by 5-7% each.
- Introduce FY26F estimates.
- Roll forward our target price to Mar 2025F.

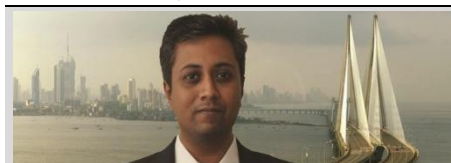


Source: Bloomberg

<b>Price performance</b>	1M	3M	12M
Absolute (%)	16.3	58.5	146.2
Relative (%)	16.7	41.7	105.9

<b>Major shareholders</b>	% held
Promoter and Promoter Group	6,513.0
Life Insurance Corporation of India	9.1
Camas Investments Pvt. Ltd.	1.2

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# Adani Ports & Special Economic Zone Ltd

## Strong 3Q growth, albeit on a low base

- The 44% 3Q yoy volume growth was partly due to acquisitions in FY24 & weak growth (3QFY21-23). A positive is that Mundra coal cargo is at a normal level.
- We roll forward our valuation to Mar 2025F. We maintain HOLD rating on APSEZ with a revised target price of Rs1,218 (vs. Rs868 earlier).

### Strong EBITDA growth in 3QFY24, in line with volume (up 44% yoy)

3QFY24 EBITDA (Rs41.9bn) of Adani Ports & Special Economic Zone or APSEZ grew by 39% yoy, driven by ports' EBITDA (Rs39.4bn; up 44% yoy). Mundra's port EBITDA rose 51% yoy to Rs12.2bn and EBITDA/t (Rs255) rose 13% yoy. Ex-Mundra, ports' EBITDA grew by 41% yoy to Rs27.3bn with EBITDA/t declining by 8% yoy to Rs448. Blended port EBITDA/t was flat yoy. APSEZ's guidance stands at 400mt cargo, Rs250bn of sales and Rs150bn of EBITDA for FY24F. We believe this is achievable.

### Unravelling 44% yoy volume growth in 3QFY24

The sharp growth was partly due to addition of Karaikal and Haifa ports to APSEZ's portfolio in FY24. On a like-to-like basis, volume rose 35% yoy. While this is impressive, we note that cargo (ex-Gangavaram) in 3QFY23 (69mt) was 10% lower than in 3QFY21. This implies that on a like-to-like basis, APSEZ's cargo grew by 25% over 3QFY21-24 (8% CAGR). It is encouraging that coal volume for Adani Power and Tata Power have recovered to the normal level (6.9mt in 3QFY24 vs. 2mt yoy).

### Growth of APSEZ's India cargo (ex-Karaikal) vs. major ports

APSEZ's 3QFY24 domestic volume growth ex-Karaikal (up 35% yoy) was higher than the growth at major ports (MPs: up 10% yoy) because while MPs' cargo grew by 7% over 3QFY21-23, APSEZ's cargo declined by 10%. Over 3QFY21-24, the like-to-like cargo growth for APSEZ was 25% while for MPs it was 17%. APSEZ's coal cargo (38% of volume) rose 58% yoy, which is impressive vs. a 12% yoy rise for major ports or MPs. Container cargo (37% of volume) rose 21% yoy, vs. a 9% yoy rise for MPs. Cargo at Mundra (47.8mt) rose 34% yoy, with container cargo rising by 19% yoy (higher than 3% yoy rise at JNPT) and coal cargo rising by 217% yoy. The volume rose 10% yoy at Hazira and Dahej (9.1mt), 61% yoy at Dhamra (11.3mt), 38% yoy at Krishnapatnam (14.2mt) and 44% yoy at Gangavaram (9.4mt).

### Roll forward our valuation to Mar 2025F; maintain HOLD rating

We raise our FY24F/25F EBITDA estimates by 5-7% each to factor in the strong performance in 9MFY24 and introduce FY26F estimates. Over FY24F-26F, we factor in volume/EBITDA CAGR of 10%/16%, respectively. We roll forward our valuation to Mar 2025F. Our SOTP-based target price of Rs1,218 (vs. Rs868 earlier) implies a 13x FY26F EV/EBITDA (vs. a six-year median of 14x). The stock is currently trading at 15.7x FY25F EV/EBITDA. We maintain our HOLD rating on it. Downside risk: Geopolitical tensions impacting APSEZ's cargo volume. Upside risk: Higher growth vs. our estimates.

**Financial Summary**

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	151,390	208,519	255,525	298,445	345,813
Operating EBITDA (Rsm)	95,640	128,335	155,765	180,375	208,844
Net Profit (Rsm)	47,281	53,103	94,371	122,260	156,932
Core EPS (Rs)	26.5	38.1	43.7	56.6	72.6
Core EPS Growth	18.8%	43.8%	14.6%	29.6%	28.4%
FD Core P/E (x)	45.99	31.98	27.90	21.54	16.78
DPS (Rs)	5.0	5.0	1.4	2.7	4.6
Dividend Yield	0.50%	0.50%	0.14%	0.27%	0.46%
EV/EBITDA (x)	30.17	24.10	19.45	16.13	13.20
P/FCFE (x)	78.75	(25.70)	44.16	33.23	22.86
Net Gearing	92.2%	101.4%	70.5%	40.1%	14.1%
P/BV (x)	6.73	5.78	4.82	3.98	3.26
ROE	15.9%	19.4%	18.8%	20.2%	21.4%
% Change In Core EPS Estimates			7.05%	10.30%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Strong growth, albeit on a low base

**Figure 1: Key parameters**

(Rs bn)	3QFY24	3QFY23	% yoy growth	2QFY24	% qoq growth
Volume (mt)	109	75	44	101	7
EBITDA/ t - ports (Rs)	363	363	0	358	1
EBITDA - ports	39.4	27.4	44	36.2	9
EBITDA - SEZ	0.3	1.1	-77	0.3	-19
EBITDA - Logistics	1.5	1.4	2	1.5	0
EBITDA - Others	0.7	0.2	197	0.8	-10
EBITDA - Total	41.9	30.1	39	38.8	8

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Standalone financials**

(Rs m)	Quarter ended				
	3QFY24	3QFY23	% Chg	2QFY24	% Chg
Net Sales	18,867	13,782	37	15,298	23
EBITDA	12,443	9,145	36	10,581	18
Other income	5,875	4,281	37	4,159	41
Depreciation	1,675	1,521	10	1,655	1
Interest	6,982	6,614	6	6,997	(0)
Tax	2,841	2,695	5	1,173	142
Other provisions	7	4		16	
Adjusted PAT	6,827	2,600	163	4,932	38
Extra ordinary income	(1,565)	(2,482)	-	(2,958)	-
Reported PAT	5,262	118	4,363	1,974	167
EBITDA margin (%)	66	66	-	69	-
Port Revenue	18,617	12,092	54	12,408	50
EBITDA ex-SEZ	12,193	8,065	51	10,271	19

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Consolidated financials**

(Rs m)	Quarter ended				
	3QFY24	3QFY23	% Chg	2QFY24	% Chg
Net Sales	69,201	47,862	45	66,464	4
EBITDA	41,860	30,114	39	38,805	8
Other income	5,069	2,650	91	3,055	66
Depreciation	9,853	8,836	12	9,745	1
Interest	6,864	5,448	26	7,153	(4)
Tax	5,331	2,687	98	3,039	75
Minority Interest	(2)	210		138	
Adjusted PAT	24,882	15,582	60	21,785	14
Extraordinary income	(2,798)	(2,427)	-	(4,306)	-
Reported PAT	22,084	13,155	68	17,479	26
EBITDA margin (%)	60	63	-	58	-
Port revenue	55,350	39,360	41	50,520	10
Port EBITDA	39,440	27,370	44	36,240	9

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Port-wise cargo**

(mt)	3QFY24	3QFY23	% chg	2QFY24	% chg
Mundra	47.8	35.7	34	44.4	8
Dahej	2.8	2.1	34	3.0	(6)
Hazira	6.2	6.2	2	7.3	(14)
Dhamra	11.3	7.0	61	9.9	14
Krishnapatnam	14.2	10.3	38	13.2	7
Gangavaram	9.4	6.5	44	8.7	7
International	2.8	0.0	na	3.1	(11)
Karaikal	3.7	0.0	na	3.0	23
Others	10.4	7.7	36	8.6	22
<b>Total</b>	<b>108.6</b>	<b>75.4</b>	<b>44</b>	<b>101.2</b>	<b>7</b>
<b>Total ex-Karaikal and International</b>	<b>102.2</b>	<b>75.4</b>	<b>35</b>	<b>95.1</b>	<b>7</b>
<b>Total ex-Karaikal, International and Mundra coal</b>	<b>92.7</b>	<b>72.4</b>	<b>28</b>	<b>89.0</b>	<b>4</b>

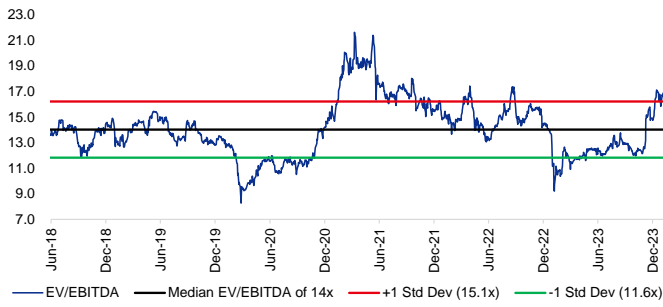
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Commodity-wise cargo breakdown**

(mt)	3QFY24	3QFY23	% Chg	2QFY24	% Chg
<b>Total</b>	<b>108.6</b>	<b>75.4</b>	<b>44</b>	<b>101.2</b>	<b>7</b>
Container	40.5	31.3	29	39.3	3
Coal	42.1	24.7	70	35.3	19
Crude	9.7	8.3	17	11.3	(14)
Other dry bulk	16.3	11.1	47	15.3	7
<b>Total ex-Karaikal &amp; International</b>	<b>102.2</b>	<b>75.4</b>	<b>35</b>	<b>95.1</b>	<b>7</b>
Container	37.9	31.3	21	36.6	4
Coal	39.1	24.7	58	32.6	20
Crude	9.7	8.3	17	11.3	(14)
Other dry bulk	15.5	11.1	39	14.6	6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Last six years' median EV/EBITDA at 14x



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Our revised earnings estimates

(Rs m)	FY24F		FY25F		FY26F
	Old	New	Old	New	
Sales	2,39,082	2,55,525	2,72,703	2,98,445	3,45,813
% change		7		9	
EBITDA	1,48,525	1,55,765	1,67,990	1,80,375	2,08,844
% change		5		7	
PAT	88,153	94,371	1,10,846	1,22,260	1,56,932
% change		7		10	

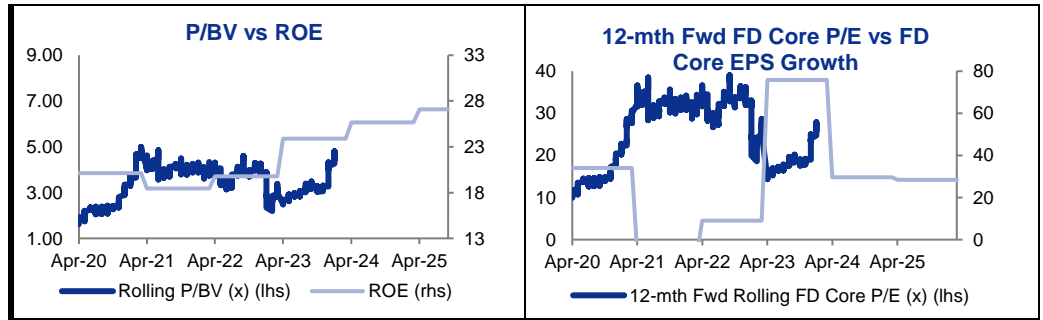
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Sum-of-the-parts or SOTP-based valuation

	(Rs/ share)	(Rs bn)	Basis
<b>EV APSEZ's stake</b>			
Mundra Port	327	690	DCF @ WACC of 11% implying EV/E of 11.6x FY26F
SEZ	13	28	DCF @ WACC of 11%
Dahej	23	49	@ 12x EV/E FY26F
Hazira	87	183	@ 13x EV/E FY26F
Dhamra	108	228	@ 13x EV/E FY26F
Katupalli	16	33	@ 12x EV/EBITDA FY26F; implied 1.2x acquisition EV
Adani Logistics	87	183	@ 20x EV/EBITDA FY26F; implied 2.8x EV/Assets FY23
Marine Business	210	444	@ 13x EV/E FY26F
Krishnapatnam	187	396	@ EV/E of 13x FY26F; implied 2.9x acquisition EV
Vizhinjam	20	41	@ Capex
Gangavaram	91	193	@ 13x EV/EBITDA FY26F; implied 3.2x acquisition EV
Sarguja	28	60	@ acquisition price; implying EV/E of 10.8x FY26F
Other assets	110	232	@ Capex
NPV of NWC change	3	6	
<b>Total EV</b>	<b>1,309</b>	<b>2,766</b>	
Less: Net debt less other investments	(91)	(192)	
<b>Target Price</b>	<b>1,218</b>	<b>2,573</b>	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



## Profit &amp; Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	<b>151,390</b>	<b>208,519</b>	<b>255,525</b>	<b>298,445</b>	<b>345,813</b>
<b>Gross Profit</b>	<b>111,174</b>	<b>151,974</b>	<b>190,498</b>	<b>223,664</b>	<b>259,815</b>
<b>Operating EBITDA</b>	<b>95,640</b>	<b>128,335</b>	<b>155,765</b>	<b>180,375</b>	<b>208,844</b>
Depreciation And Amortisation	(27,396)	(34,232)	(34,029)	(35,394)	(36,564)
<b>Operating EBIT</b>	<b>68,244</b>	<b>94,103</b>	<b>121,737</b>	<b>144,981</b>	<b>172,280</b>
Financial Income/(Expense)	(4,015)	(10,401)	(1,235)	10,823	27,413
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>64,229</b>	<b>83,701</b>	<b>120,502</b>	<b>155,805</b>	<b>199,693</b>
Exceptional Items	(8,817)	(28,809)			
<b>Pre-tax Profit</b>	<b>55,412</b>	<b>54,892</b>	<b>120,502</b>	<b>155,805</b>	<b>199,693</b>
Taxation	(7,459)	(964)	(25,305)	(32,719)	(41,936)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>47,952</b>	<b>53,928</b>	<b>95,196</b>	<b>123,086</b>	<b>157,758</b>
Minority Interests	(672)	(826)	(826)	(826)	(826)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>47,281</b>	<b>53,103</b>	<b>94,371</b>	<b>122,260</b>	<b>156,932</b>
Recurring Net Profit	54,911	81,406	94,371	122,260	156,932
<b>Fully Diluted Recurring Net Profit</b>	<b>54,911</b>	<b>81,406</b>	<b>94,371</b>	<b>122,260</b>	<b>156,932</b>

## Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
<b>EBITDA</b>	<b>95,640</b>	<b>128,335</b>	<b>155,765</b>	<b>180,375</b>	<b>208,844</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	7,520	12,049	8,380	744	867
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(8,817)	(28,809)			
Other Operating Cashflow					
Net Interest (Paid)/Received	(4,015)	(10,401)	(1,235)	10,823	27,413
Tax Paid	(7,513)	(12,661)	(13,288)	(32,719)	(41,936)
<b>Cashflow From Operations</b>	<b>82,815</b>	<b>88,513</b>	<b>149,623</b>	<b>159,223</b>	<b>195,188</b>
Capex	(130,882)	(230,622)	(40,000)	(30,000)	(30,000)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(37,250)	(16,254)			
<b>Cash Flow From Investing</b>	<b>(168,132)</b>	<b>(246,876)</b>	<b>(40,000)</b>	<b>(30,000)</b>	<b>(30,000)</b>
Debt Raised/(repaid)	117,387	57,034	(50,000)	(50,000)	(50,000)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(12,394)	(12,885)	(16,750)	(7,232)	(12,004)
Preferred Dividends					
Other Financing Cashflow	38,236	51,781	(7,060)	(250)	(89)
<b>Cash Flow From Financing</b>	<b>143,230</b>	<b>95,930</b>	<b>(73,810)</b>	<b>(57,482)</b>	<b>(62,093)</b>
Total Cash Generated	57,914	(62,433)	35,813	71,741	103,095
<b>Free Cashflow To Equity</b>	<b>32,071</b>	<b>(101,329)</b>	<b>59,623</b>	<b>79,223</b>	<b>115,188</b>
<b>Free Cashflow To Firm</b>	<b>(59,754)</b>	<b>(132,427)</b>	<b>144,163</b>	<b>160,263</b>	<b>192,728</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

**Balance Sheet**

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	104,921	42,488	78,362	150,176	253,357
Total Debtors	24,697	32,417	40,884	47,751	55,330
Inventories	3,812	4,520	5,111	5,969	6,916
Total Other Current Assets	108,415	125,835	140,945	156,081	172,741
<b>Total Current Assets</b>	<b>241,845</b>	<b>205,259</b>	<b>265,302</b>	<b>359,977</b>	<b>488,344</b>
Fixed Assets	575,146	761,080	767,051	761,657	755,093
Total Investments	59,611	75,865	75,865	75,865	75,865
Intangible Assets	59,179	69,634	69,634	69,634	69,634
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>693,936</b>	<b>906,579</b>	<b>912,550</b>	<b>907,157</b>	<b>900,593</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	49,351	73,374	140,539	164,145	190,197
Other Current Liabilities	7,537	9,422			
<b>Total Current Liabilities</b>	<b>56,888</b>	<b>82,796</b>	<b>140,539</b>	<b>164,145</b>	<b>190,197</b>
Total Long-term Debt	461,397	518,431	468,431	418,431	368,431
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	5,732	6,331	5,831	5,331	4,831
<b>Total Non-current Liabilities</b>	<b>467,129</b>	<b>524,762</b>	<b>474,262</b>	<b>423,762</b>	<b>373,262</b>
Total Provisions	25,335	35,059	9,865	9,865	9,865
<b>Total Liabilities</b>	<b>549,353</b>	<b>642,617</b>	<b>624,665</b>	<b>597,771</b>	<b>573,324</b>
Shareholders Equity	382,500	455,836	546,634	661,661	806,589
Minority Interests	3,928	13,385	6,553	7,701	9,024
<b>Total Equity</b>	<b>386,428</b>	<b>469,221</b>	<b>553,187</b>	<b>669,362</b>	<b>815,613</b>

**Key Ratios**

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	20.6%	37.7%	22.5%	16.8%	15.9%
Operating EBITDA Growth	19.8%	34.2%	21.4%	15.8%	15.8%
Operating EBITDA Margin	63.2%	61.5%	61.0%	60.4%	60.4%
Net Cash Per Share (Rs)	(168.76)	(220.33)	(180.57)	(124.18)	(53.27)
BVPS (Rs)	181.08	211.02	253.05	306.30	373.40
Gross Interest Cover	2.67	3.63	3.52	4.67	6.26
Effective Tax Rate	13.5%	1.8%	21.0%	21.0%	21.0%
Net Dividend Payout Ratio	16.2%	12.7%	2.4%	3.7%	4.8%
Accounts Receivables Days	65.04	49.99	52.35	54.20	54.40
Inventory Days	62.31	26.89	27.03	27.04	27.34
Accounts Payables Days	450.97	396.10	600.35	743.57	751.96
ROIC (%)	11.0%	13.2%	13.4%	16.4%	19.6%
ROCE (%)	11.8%	11.8%	15.3%	17.6%	19.8%
Return On Average Assets	8.1%	9.2%	10.6%	11.9%	13.0%

**Key Drivers**

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Mundra Port volume growth (% chg)	4.1	3.3	17.0	11.8	6.6
Adani Ports volume growth (% chg)	14.3	19.2	19.1	11.2	8.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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