

CMP: ₹ 700

Target: ₹ 900 (29%)

Target Period: 12 months

BUY

May 26, 2022

Embarking on another round of capex...

About the stock: Adani Ports and Special Economic Zone (APSEZ) is the largest commercial port operator with 25% share of India's port cargo movement. The company has evolved from a single port dealing in a single commodity to an integrated logistics platform.

- Total ~70% of APSEZ revenues is contributed by its port operations. Rest is led by harbour (11%), logistics (7%) and others
- Of the total 247 MT cargo volume in FY21, container volumes were at 105 MT (43%), bulk at 110 MT (44%) and rest by liquid at 32 MT (13%)

Q4FY22 Results: Forex loss impacted Adani Ports' performance.

- Revenues grew 7% YoY to ₹ 3845 crore (ex-GPL volume de-growth of 4%)
- EBITDA margins remained range-bound at 62%. Subsequently, absolute EBITDA remained flat at ₹ 2383 crore
- However, PAT de-grew 21% to ₹ 1024 crore due to forex loss of ₹ 524 crore

What should investors do? APSEZ is embarking on a capex of ~₹ 23000 crore, which will also address infrastructure requirement post reaching 500 MMT target (on the back of strong double digit volume growth in containers, liquid and bulk cargo (ex-coal: which is expected to grow at lower single digits).

- We remain positive on the long term growth prospects of the stock and maintain our **BUY** recommendation

Target Price and Valuation: We value the stock at ₹ 900 on an SOTP basis.

Key triggers for future price performance: Diversified cargo mix (38%, 50%, 12% for container, bulk, liquid, respectively in FY22), overall leadership in Indian ports (extended market share among western ports while eastern side remains competitive) and development of strength in verticals like logistics and warehousing would enable APSEZ to capture loyalty and higher wallet share of its customers.

- DFC connectivity to Mundra (normalisation in the medium term) to provide faster port evacuation, quicker transit time
- Inorganic opportunities such as acquisition of Concor [~67% market share (MS) in CTO business]

Alternate Stock Idea: Apart from Adani Ports, we remain positive on GPPL.

- Gujarat Pipavav is a South-West Gujarat based port with an MNC promoter (Maersk Group). The port container capacity is at 1.35 million TeUs
- We have a BUY rating on the stock, with a target price of ₹ 105



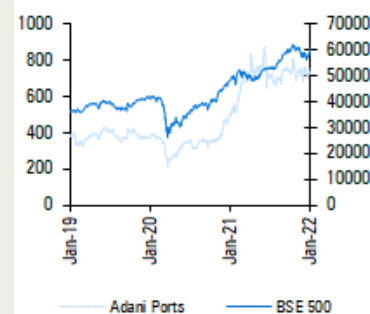
Particulars

Particular	Amount
Market Capitalization (₹ cr)	1,42,223
Total Debt (FY22) (₹ cr)	45,453.0
Cash (FY22) (₹ cr)	10,492.1
EV (₹ cr)	1,77,183.6
52 week H/L	924/638
Equity Capital (₹ cr)	408.4
Face Value (₹)	2.0

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	63.8	63.8	63.8	65.6
Others	36.2	36.2	36.2	34.5

Price Chart



Recent event & key risks

- Acquisition of Gangavaram port in Q4
- Key Risk:** (i) Slowdown in Exim trade (ii) Delay in DFC normalisation

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Key Financial Summary

₹ crore	FY20	FY21	FY22E	5 Years CAGR % (FY17-22)	FY23E	FY24E	2-Years CAGR (%)
Net Sales	11873.1	12549.6	15934.0	13.6	20064.7	23144.4	20.5
EBITDA	7565.4	7983.4	10078.4	13.2	12981.8	15020.7	22.1
EBITDA margin (%)	63.7	63.6	63.3		64.7	64.9	
PAT	3880.4	4994.3	7610.0	14.3	7322.7	9043.4	9.0
P/E (x)	37.8	28.5	30.2		19.5	15.8	
RoCE (%)	11.2	12.7	9.6		13.7	15.1	
RoE (%)	14.5	16.3	11.3		16.5	17.3	

Source: Company, ICICI Direct Research

Key takeaways

Q4FY22 Results: Management keen on Concor acquisition but non-committal on timeline (due to resolution of Concor land licensing fee issue)

- Gangavaram port acquisition (rest 58.1% stake) to be done post NCLT approval (expect by Q1FY23)
- Adani Ports emerged as the highest bidder for developing greenfield terminal at Tajpur, West Bengal

Q4FY22 Earnings Conference Call highlights

- The management expects thermal coal volumes to stay flat in FY23. However, coking coal is expected to grow 10-12%
- Half of the capex lined up for FY23 (overall capex of ₹ 8600 crore) is for the logistics segment (majority for warehousing). The management expects to complete 9 million square feet of warehousing by Q1FY23 (at capex of ₹ 2500 crore)
- Overall, the management has guided for 1 to 1.5 pp of incremental rise in EBITDA margins in the medium to long term. It expects Gangavaram margins to reach 72% from current 66% levels
- For FY23, the management expects to monetise ₹ 350 crore of SEZ land. Going forward, it expects to monetise ₹ 700-800 crore of land each year
- The management expects to bid for Concor, once the issue around the Land Licensing Fee issue is resolved by the Government of India (GoI)

Exhibit 1: SOTP valuation

		FY24 EBITDA	multiple (x)	EV per share value	
Ports (ex-JV terminals)	EV/EBITDA	11162	15	172894	847
JV terminals	EV/EBITDA	1476	15	22145	108
Logistics and others	EV/EBITDA	1478	15	22176	109
Less: Net Debt				32959	161
Less: Minority stakes				11072	54
Equity value					848
Land Bank (Mundra SEZ) 21K acres ₹ 5 mil/acre		10500		10500	51
Total					900

Source: Company, ICICI Direct Research

Exhibit 2: Variance Analysis

Standalone	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Revenue	3,845.0	3,724.0	3,607.9	6.6	3,797.1	1.3	YoY higher revenues as weak volumes (4% de-growth) were negated by higher realisation
Consumption of RM	1,044.2	1,005.5	985.9	5.9	1,011.0	3.3	
Employee Expenses	170.0	167.6	167.0	1.8	160.1	6.2	
Other Expense	248.2	189.9	168.0	47.7	195.4	27.0	
Total Expense	1,462.4	1,363.0	1,320.9	10.7	1,366.6	7.0	
EBITDA (ex-forex gain/loss)	2,382.7	2,361.0	2,287.0	4.2	2,430.6	-2.0	
EBITDA Margin (%)	62.0	63.4	63.4	-142 bps	64.0	-204 bps	EBITDA margins remained at 62-63% levels
Foreign Exchange Gain/(Loss)	-523.9	0.0	24.0	NA	-12.8	NA	Forex loss due to MTM rupee depreciation
Depreciation	675.0	692.6	596.8	13.1	693.1	-2.6	
Interest	648.8	619.6	633.2	2.5	666.5	-2.7	
Other Income	572.8	613.6	464.5	23.3	625.6	-8.4	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	1,107.9	1,662.4	1,545.5	-28.3	1,683.9	-34.2	
Total Tax	137.4	257.4	218.4	-37.1	260.7	-47.3	
PAT	970.5	1,405.0	1,327.2	-26.9	1,423.2	-31.8	
Profit from Associates	62.6	38.0	-6.5	NA	55.6	12.5	
Minority Interest	9.0	0.0	32.9	-72.6	6.5	38.8	
Adjusted PAT	1,024.0	1,443.0	1,287.8	-20.5	1,472.3	-30.4	
Key Metrics	Q4FY22	Q4FY22E	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	
Container volume (MMT)	29.8	29.7	33.3	-10.6	30.0	-0.7	YoY de-growth due to Covid impact in Q1 and disruption in global Exim movement
Bulk volume (MMT)	32.0	28.4	32.2	-0.6	28.2	13.5	Bulk flattish due to higher international commodity prices, leading to lower imports by power plants
Liquid volume (MMT)	8.6	9.5	8.1	6.2	9.7	-12.1	
Overall volume (MMT)	70.4	67.6	73.6	-4.4	67.9	3.6	

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

FY23E	FY23E			FY24E			Comments
	FY22E	Old	New	% Change	Old	New	
(₹ Crore)							
Revenue	15,934.0	20,170.8	20,064.7	-0.5	23,353.5	23,144.4	-0.9 Revenue estimates largely unchanged
EBITDA	9,751.0	13,050.5	12,981.8	-0.5	15,156.4	15,020.7	-0.9
EBITDA Margin (%)	61.2	64.7	64.7	0 bps	64.9	64.9	0 bps
PAT	4,728.1	7,588.4	7,322.7	-3.5	9,420.9	9,043.4	-4.0 PAT impacted by higher depreciation
EPS (₹)	23.2	37.2	35.9	-3.5	46.1	44.3	-4.0

Source: ICICI Direct Research

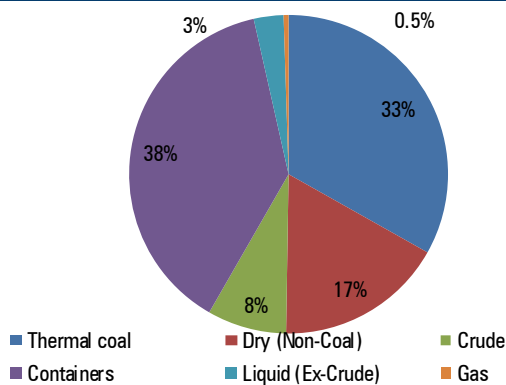
Exhibit 4: Assumptions

	Current			Earlier		Comments
	FY22	FY23E	FY24E	FY23E	FY24E	
Container volume (MMT)	120.0	135.3	155.1	139.1	160.3	
Bulk volume (MMT)	156.2	185.1	203.4	196.9	214.9	Lower coal volumes impact bulk
Liquid volume (MMT)	36.1	40.5	45.3	42.8	49.3	
Overall volume (MMT)	312.3	360.9	403.9	378.9	424.5	Volumes impacted due to geopolitical uncertainties

Source: ICICI Direct Research

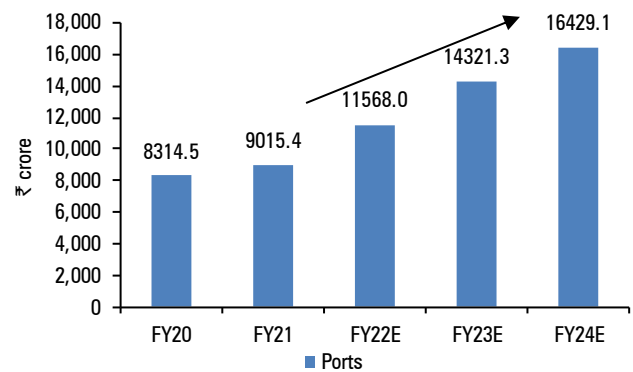
Key Metrics

Exhibit 5: FY22 APSEZ cargo mix



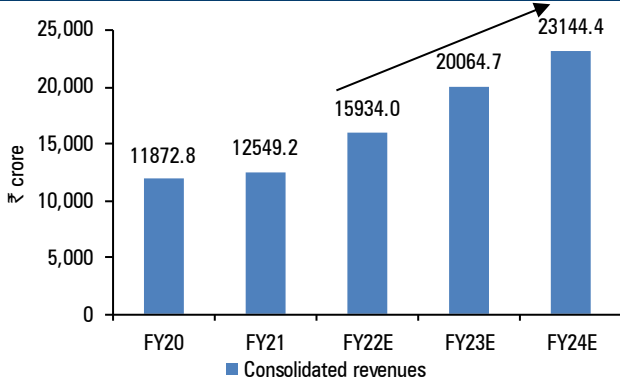
Source: ICICI Direct Research, Company

Exhibit 6: Ports revenues expected to grow at 23% CAGR



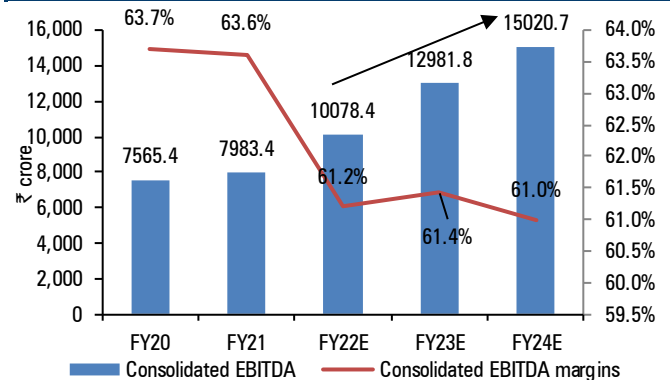
Source: ICICI Direct Research, Company

Exhibit 7: Consolidated revenues to grow at 21% CAGR (FY22-24E)



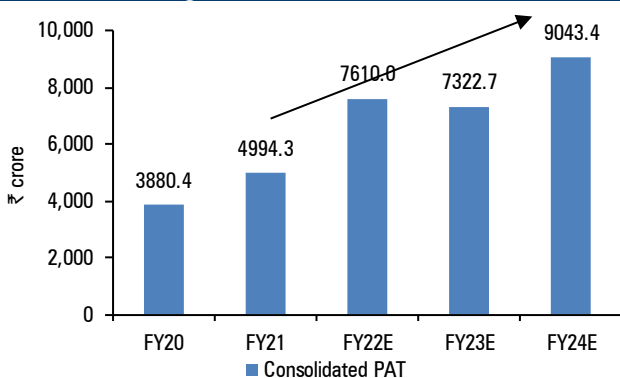
Source: ICICI Direct Research, Company

Exhibit 8: Consolidated EBITDA to grow at 22% CAGR (FY22-24E)



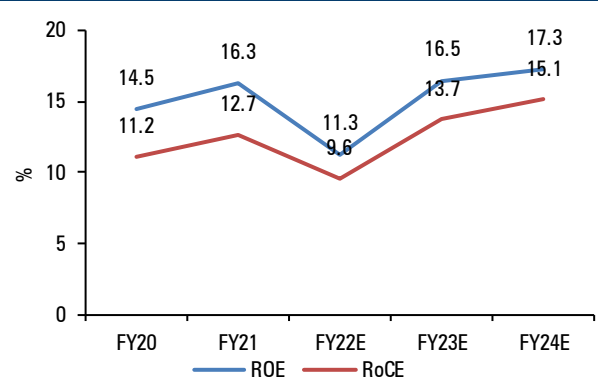
Source: ICICI Direct Research, Company

Exhibit 9: PAT to grow at 9% CAGR (FY22-24E)



Source: Company, ICICI Direct Research

Exhibit 10: Return ratios trend



Source: Company, ICICI Direct Research

Exhibit 11: Valuation parameters

	Sales (₹ cr)	Sales Growth (%)	EPS (₹)	EPS Growth (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY20	11873.1	8.7	18.2	-7.2	37.8	27.4	11.2	11.2
FY21	12549.6	5.7	24.6	34.8	28.5	19.5	12.7	12.7
FY22E	15934.0	27.0	21.2	-13.9	30.2	20.0	9.6	9.6
FY23E	20064.7	25.9	35.9	69.4	19.5	13.8	13.7	13.7
FY24E	23144.4	15.3	44.3	23.5	15.8	11.6	17.3	15.1

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 12: Profit and loss statement		₹ crore			
(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E	
Total Operating Income	12,549.6	15,934.0	20,064.7	23,144.4	
Growth (%)	5.7	27.0	25.9	15.3	
Operating Expenses	3,259.5	4,302.2	5,216.8	6,017.6	
Gross Profit	9,290.1	11,631.8	14,847.9	17,126.9	
Gross Profit Margins (%)	74.0	73.0	74.0	74.0	
Employee Expenses	615.1	663.9	762.5	833.2	
Other Expenditure	691.6	889.5	1,103.6	1,272.9	
Total Operating Expenditure	4,566.2	5,855.6	7,082.8	8,123.7	
EBITDA	7,983.4	10,078.4	12,981.8	15,020.7	
Growth (%)	5.5	26.2	28.8	15.7	
Foreign Exchange Gain/(Loss)	715.2	872.1	0.0	0.0	
Interest	2,255.3	2,540.6	2,867.9	2,735.9	
Depreciation	2,107.3	2,739.6	2,982.5	3,234.5	
Other Income	1,970.2	2,154.8	2,478.0	2,849.7	
PBT before Exceptional Items	6,306.3	7,825.1	9,609.5	11,900.1	
Less: Exceptional Items	0.0	-405.2	0.0	0.0	
PBT after Exceptional Items	6,306.3	8,230.3	9,609.5	11,900.1	
Total Tax	1,243.3	745.9	2,418.7	2,995.2	
PAT before MI	5,063.0	7,484.3	7,190.8	8,904.8	
Minority Interest & Oth ad	54.4	67.2	70.5	74.0	
Profit from Associates	-14.3	192.9	202.5	212.6	
PAT	4,994.3	7,610.0	7,322.7	9,043.4	
Growth (%)	28.7	52.4	-3.8	23.5	
EPS (Adjusted)	24.6	21.2	35.9	44.3	

Source: Company, ICICI Direct Research

Exhibit 13: Cash flow statement		₹ crore			
(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E	
Profit/(Loss) after taxation	4,994.3	4,728.1	7,322.7	9,043.4	
Add: Depreciation & Amortization	2,107.3	2,739.6	2,982.5	3,234.5	
Add: Interest Paid	2,255.3	2,540.6	2,867.9	2,735.9	
Net Increase in Current Assets	503.1	-270.7	-2,930.0	-911.6	
Net Increase in Current Liabilities	663.6	510.8	705.9	314.0	
Others	-3,014.5	-448.5	0.0	0.0	
CF from Operating activities	7,509.1	9,800.0	10,949.0	14,416.2	
(Purchase)/Sale of Fixed Assets	-1,949.7	-3,594.2	-8,201.4	-5,641.3	
Long term Loans & Advances	278.1	414.9	-11.4	-11.7	
Investments	-1,058.2	-3,725.0	-30.0	-30.0	
Others	-3,552.6	-5,523.4	-295.5	-322.2	
CF from Investing activities	-6,282.3	-12,427.7	-8,538.4	-6,005.2	
(inc)/Dec in Loan	-739.9	12,117.5	-2,000.0	-2,000.0	
Dividend & Dividend tax	-844.6	-1,174.0	-1,174.0	-1,174.0	
Less: Interest Paid	-2,255.3	-2,540.6	-2,867.9	-2,735.9	
Other	0.0	16.1	0.0	0.0	
CF from Financing activities	-3,839.8	8,419.0	-6,041.9	-5,909.9	
Net Cash Flow	-2,613.1	5,791.3	-3,631.2	2,501.1	
Cash and Cash Equivalent at the	7,313.9	4,700.8	10,492.1	6,860.9	
Cash	4,700.8	10,492.1	6,860.9	9,362.0	

Source: Company, ICICI Direct Research

Exhibit 14: Balance Sheet		₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Equity Capital	406.4	422.5	422.5	422.5	
Reserve and Surplus	30,221.9	37,827.5	43,976.3	51,845.7	
Total Shareholders funds	30,628.3	38,250.0	44,398.7	52,268.1	
Minority Interest	1,468.5	392.8	400.6	408.6	
Total Debt	33,335.5	45,453.0	43,453.0	41,453.0	
Deferred Tax Liability	1,203.2	2,207.3	2,251.5	2,296.5	
Long-Term Provisions	26.7	32.0	32.7	33.3	
Other Non Current Liabilities	1,845.7	1,215.8	1,240.1	1,264.9	
Source of Funds	68,507.8	87,551.0	91,776.7	97,724.6	
Gross Block - Fixed Assets	52,879.1	62,411.3	71,011.3	77,011.3	
Accumulated Depreciation	8,778.6	11,518.2	14,500.7	17,735.1	
Net Block	44,100.5	50,893.1	56,510.7	59,276.2	
Capital WIP	3,697.1	3,985.8	3,587.2	3,228.5	
Fixed Assets	47,797.6	54,878.9	60,097.8	62,504.6	
Goodwill	4,036.4	5,917.9	6,213.8	6,524.5	
Investments	2,236.2	5,961.1	5,991.1	6,021.1	
Other non-Current Assets	8,575.4	9,794.6	9,871.2	9,961.2	
Inventory	991.9	381.2	1,585.8	1,829.2	
Debtors	2,385.9	2,170.4	3,814.6	4,400.2	
Loans and Advances	2,069.1	1,873.8	1,898.3	1,923.1	
Other Current Assets	2,530.5	3,407.7	3,475.9	3,545.4	
Cash	4,700.8	10,492.1	6,860.9	9,362.0	
Total Current Assets	12,678.1	18,325.3	17,635.4	21,059.8	
Creditors	1,013.9	979.6	1,621.0	1,869.8	
Provisions	95.8	104.8	106.9	109.1	
Other Current Liabilities	5,706.4	6,242.4	6,304.8	6,367.8	
Total Current Liabilities	6,816.0	7,326.8	8,032.7	8,346.7	
Net Current Assets	5,862.2	10,998.5	9,602.8	12,713.1	
Application of Funds	68,507.8	87,551.0	91,776.7	97,724.6	

Source: Company, ICICI Direct Research

Exhibit 15: Key ratios					
(Year-end March)	FY21	FY22E	FY23E	FY24E	
Per share data (₹)					
Reported EPS	24.6	21.2	35.9	44.3	
Cash EPS	18.8	15.4	30.1	38.5	
BV per share	150.7	187.3	217.5	256.0	
Cash per Share	23.1	51.4	33.6	45.9	
Dividend per share	5.8	5.8	5.8	5.8	
Operating Ratios (%)					
Gross Profit Margins	74.0	73.0	74.0	74.0	
EBITDA margins	69.3	55.7	64.7	64.9	
PAT Margins	39.8	27.1	36.5	39.1	
Inventory days	28.8	8.7	28.8	28.8	
Debtor days	69.4	49.7	69.4	69.4	
Creditor days	29.5	22.4	29.5	29.5	
Asset Turnover	0.2	0.3	0.3	0.3	
Return Ratios (%)					
RoE	16.3	11.3	16.5	17.3	
RoCE	12.7	9.6	13.7	15.1	
RoIC	11.3	8.5	12.4	14.0	
Valuation Ratios (x)					
P/E	28.5	30.2	19.5	15.8	
EV / EBITDA	19.5	20.0	13.8	11.6	
EV / Net Sales	13.5	11.1	8.9	7.5	
Market Cap / Sales	11.3	8.9	7.1	6.1	
Price to Book Value	4.6	3.7	3.2	2.7	
Solvency Ratios					
Debt / EBITDA	3.8	5.1	3.3	2.8	
Debt / Equity	1.1	1.2	1.0	0.8	
Current Ratio	1.0	1.0	1.3	1.3	
Quick Ratio	0.9	0.9	1.1	1.1	

Source: Company, ICICI Direct Research

Exhibit 16: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap			EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating	(₹ Cr)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E		
APSEZ	700	900	BUY	1,42,223	21.2	35.9	44.3	28.5	30.2	19.5	19.5	20.0	13.8	12.7	9.6	13.7	16.3	11.3	16.5		
Container Corporation	640	680	BUY	33,146	17.3	30.4	36.8	77.2	37.0	21.1	9.6	5.5	4.3	4.5	10.2	12.2	5.4	9.6	14.8		
Transport Corp. of India	740	860	BUY	5,398	32.0	40.1	49.3	39.1	23.1	18.4	21.4	14.8	11.9	13.3	17.9	19.2	12.9	18.0	18.7		
TCI Express	1,620	2,300	BUY	6,201	26.2	34.0	45.8	69.6	61.9	47.6	51.0	46.2	35.4	36.3	31.9	33.1	29.5	26.1	26.8		
Mahindra Logistics	465	600	BUY	3,335	5.2	10.2	17.6	89.8	45.7	26.4	15.8	12.1	8.8	12.2	29.3	35.5	6.3	11.3	16.7		
BlueDart Express	7,210	6,300	BUY	17,131	135.3	173.9	NA	53.3	41.5	NA	17.3	14.6	NA	69.7	64.7	NA	38.0	33.8	NA		
Gateway Distriparks	75	100	BUY	3,747	4.5	3.7	4.7	39.7	16.7	20.2	13.4	11.0	9.2	11.7	15.4	16.9	6.4	13.7	10.7		

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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