

December 2, 2024

Visit Update

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23	FY24
Sales (Rs. m)	1,25,496	1,71,188	2,08,519	2,67,106
EBITDA (Rs. m)	79,834	1,03,965	1,28,335	1,58,639
Margin (%)	63.6	60.7	61.5	59.4
PAT (Rs. m)	49,943	48,860	53,089	81,106
EPS (Rs.)	24.6	22.6	24.6	37.6
Gr. (%)	34.0	-8.0	8.7	52.8
DPS (Rs.)	5.0	5.0	5.0	6.0
Yield (%)	0.4	0.4	0.4	0.5
RoE (%)	17.9	13.5	12.1	16.5
RoCE (%)	15.7	13.8	13.3	15.6
EV/Sales (x)	24.3	17.8	14.7	11.4
EV/EBITDA (x)	38.3	29.4	23.8	19.3
PE (x)	49.1	53.3	49.1	32.1
P/BV (x)	8.0	6.1	5.7	4.9

Key Data

APSE.BO | ADSEZ IN

52-W High / Low	Rs.1,621 / Rs.858
Sensex / Nifty	79,803 / 24,131
Market Cap	Rs.2,602.9bn/ \$ 30,751.2m
Shares Outstanding	2,160.1m
3M Avg. Daily Value	Rs.5,506.8m

Shareholding Pattern (%)

Promoter's	65.89
Foreign	15.22
Domestic Institution	13.26
Public & Others	5.63
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(14.7)	(17.3)	43.8
Relative	(13.9)	(24.4)	24.7

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Automation to drive efficiencies

We visited Vizhinjam port being built by Adani Ports & SEZ (APSEZ) located 16km to the south of Thiruvananthapuram, Kerala. Strategically located about 10 nautical miles (~19km) from the international busy East-West shipping route connecting Western Asia, Europe, Africa and the far eastern areas of the world, the port is expected to open up transshipment and exim opportunities for entire India. It is the first deep water transshipment hub in the Indian subcontinent, and is being developed in 3 phases. Trial operation of the first phase is underway, and commercial operations are expected to commence from Dec'24. Vizhinjam is India's first semi-automatic port with automatic stacking cranes for precision loading and unloading, and auto gate systems developed with the help of ABB and Camco Technologies. This has not only opened up opportunities for improved exim for Southern India but also created local employment.

APSEZ is India's largest commercial port operator, accounting for ~27% of all port cargo movements. Port operations accounted for ~62% of total revenue in FY24, rest contributed by harbor (10%), logistics (7%) and other services (20%). APSEZ clocked cargo volumes to the tune of 419mmt in FY24 and targeting 1,000mmt by 2030. We are positive on the business and believe the stock should be accumulated, during the turbulent times. At CMP, the stock is trading at an EV of 19.3x FY24 EBITDA. Not rated.

Natural advantages of the site: The port has natural draft of ~20m, which requires minimal dredging, and has minimal littoral drift. Vizhinjam has a significant location advantage in that it lies within 10 nautical miles from the major international shipping route as shown in Exhibit 1. The port can attract large share of container transshipment traffic destined or originating to/from India, which is now being diverted primarily through Colombo, Singapore and Dubai. Amid disruptions in the Red Sea region, this port is well-positioned to address the growing transshipment demand in the Indian Ocean Region. This port would fuel market expansion for India as per the management. The berth is ~800m, which would increase to 2km after expansion. The breakwater created for this port is ~3km long and would be extended to 4.5km in the final phase. It has height of ~8m above waterline and extends ~21m below. This breakwater has been made using 8-20t concrete tetrapods to break water, and absorb and split wave energy for improving stability of vessels during loading/unloading. A multi-purpose jetty is planned on the wall along with 2-lane highway.

Existing ports to continue to drive domestic cargo volumes over next few years:

With aggregate EC-approved capacity across APSEZ's domestic ports at 1,560mmt (current nameplate capacity of 633mmt), the company is expected to drive significant domestic cargo volume growth over the next few years. APSEZ has built diverse cargo handling capability at its indigenous ports such as Mundra, while the strategic location of its acquired ports (closer to mineral rich belts, serving landlocked hinterland of Indian states) such as Dhamra and Krishnapatnam, is expected to drive volume growth. With ongoing expansions of container terminals, berth mechanization and railway line expansion, APSEZ is targeting to

achieve 1,000mmt cargo volumes in the next 5 years. Most of the acquired ports have been successfully turned around by improving rail connectivity, introducing liquid berth, increasing mechanization and enhancing product portfolio and thus capturing incremental traffic from other major ports. Further, strategic partnerships with global partners such as MSC, TotalEnergies, John Keells, Gadot and IOC, have aided APSEZ's sticky cargo share improvement from 49% in FY22 to 56% in FY24.

Strategic location of Vizhinjam to drive volumes

With a natural deep draft close to shore that requires no capital dredging, Vizhinjam can leverage its natural depth to host even ultra-large next-gen container ships requiring 20m+ draft. With a capacity to handle 24,000+ TEU 400m+ long ships, scalable infrastructure to match cargo growth and minimal siltation, Vizhinjam is future ready as per the management. Strategically located at the southern tip of India, Vizhinjam is poised to emerge as a transshipment hub that can consolidate and transfer Indian and regional origin cargo to mainline vessels at lower costs, instead of routing them via Colombo. As per the management, very few transshipment ports are successful globally; these include Bhusan, Dubai T4 and London. APSEZ has recently signed a supplementary concession agreement with Kerala government to fast track the development of second and third phases for completion by 2028, earlier planned for 2045. APSEZ has invested ~Rs40bn in phase 1 along with investments by state and central government. The current capacity of the port is 1mn TEUs, which will be increased to 3mn TEUs by FY28. APSEZ can achieve 30–40% higher utilisation over the rated capacity with the automation.

In the trial run, Vizhinjam has already achieved 29 moves per hour with the help of automation and mechanization. Post successful implementation of auto trucks at upcoming Colombo terminal, APSEZ plans to replace the manual trucks at Vizhinjam to further drive efficiency. The first phase has 8 ship-to-shore cranes and 24 yard cranes. The indigenously developed vessel traffic management system uses AI, radars and weather sensors for tracking real-time location and movement of vessels, thus optimizing port traffic flow and berth assignments. As a result of automation, only 11 employees, instead of 40+, will be required to operate entire operations. The port would be connected to national highways (2km away) in the next 5-6 months and the railway network (12km away) in the next 1 year.

Exhibit 1: Proximity to busy international shipping route



Source: Company, PL

Future ready with integrated tech platforms

Since FY08, APSEZ has successfully implemented Integrated Port Management System and Navis application for terminal operations at Mundra, to be well-integrated with SAP system. With strong cash flow generation, APSEZ is investing in digital transformation to make its ports future ready. The investments are mainly in a) port operation management, b) real-time rake tracking, c) automated container depot management, d) fleet management system and e) last mile connectivity with a digital customer portal. Over the next 5 years, the company is expected to scale up digitalization (crane operation digitalization, gate operation automation, etc.), optimization of yard inventory and resources (RTGs, manpower, etc.), and AI/ML driven operation to achieve a zero-touch Integrated Transport Utility Platform. The platform represents the future in digitalization of logistics processes, bringing together ML/ AI, automation, accurate and trackable data, and a host of other tools to make business seamless and cost effective.

Marine portfolio: foraying into global waters

APSEZ has a diverse set of marine assets: 114 tugs, 28 dredgers, 26 offshore support vessels (OSVs) and support vessels. Further, it offers an extensive range of marine services, including pilotage, mooring, diving support, harbor towage, and ship-to-ship operations. Aspiring to become one of the world’s largest marine operators, APSEZ has recently acquired 80% stake in Singapore-headquartered Astro Offshore for USD185mn, which is similar to the business of earlier acquired domestic company Ocean Sparkle. Astro owns a diverse, modern fleet of 26 OSVs and has an impressive roster of Tier-1 customers in the EPC, oil & gas, and renewables industries.

Adani Logistics: Building land bank

APSEZ is developing logistics sites using existing land bank and buying land in and around industrial clusters (e.g., Virochannagar - 900 acres, NRC - 390 acres, Wadgaon - 130 acres, Nagpur - 108 acres). The multi-modal logistics parks (MMLPs) being developed would have India's first zero-touch terminals located close to major industrial clusters and offering integrated transport solutions to/from port gate to customer gate. The state-of-the-art MMLPs will have rail yards, container stacking areas and warehouses. In agri logistics, APSEZ has over 50% market share. Further, it is building silo projects at 70 locations having 2.8mmt capacity, taking total capacity to 4mmt by FY26.

Growth envisaged from existing ports over next few years

With ongoing expansions of container terminals, berth mechanization, and railway line expansion, APSEZ is targeting to achieve 1,000mmt cargo volumes (~15% from international portfolio) in the next 5 years without any inorganic growth. APSEZ is investing in building an asset portfolio to maximize wallet share from existing customers and gaining market share from competition through improved efficiencies.

Exhibit 2: Targeting 1,000mmt via building an asset portfolio

Assets ->	Tugs (nos.)	Rakes (nos.)	Rail tracks (km)	MMLPs (nos.)	Warehousing (msf)	Trucks (nos.)	Cargo volumes (mmt)
FY20	26	58	na	5	0.4	0	247
Q2FY25	111	132	690	12	3.1	936	460-480*
FY29E	140	300	2,000	20	20	5,000	1,000

Source: Company, PL

* FY25 cargo guidance

Exhibit 3: From a tough terrain in 2015...



Source: Company, PL

Exhibit 4: ...To one of the finest semi-auto transshipment hubs in India in 2024



Source: Company, PL

Exhibit 5: 800m berth in Phase 1 capable of handling largest vessels in the world



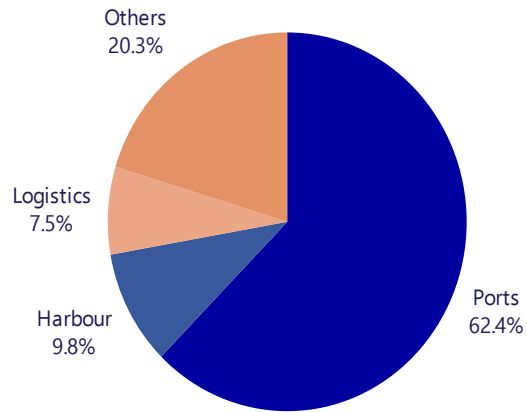
Source: Company, PL

Exhibit 6: Automatic stacking cranes for precision loading and unloading



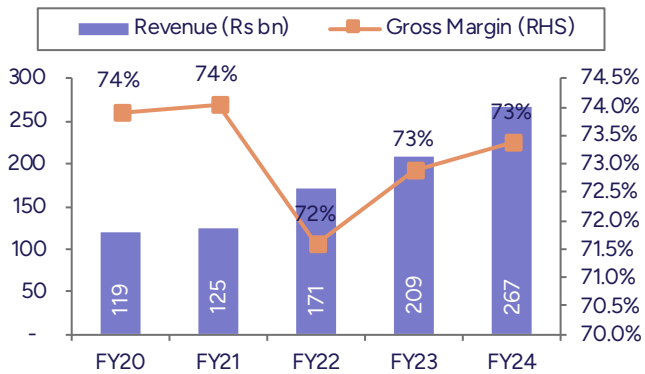
Source: Company, PL

Exhibit 7: Ports continue to remain major revenue contributor (FY24)



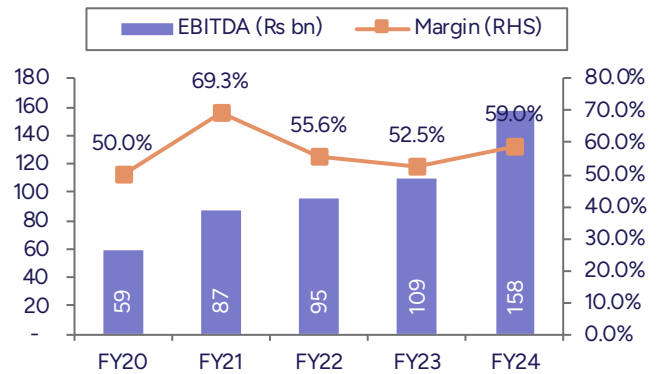
Source: Company, PL

Exhibit 8: Revenue and gross margins trend



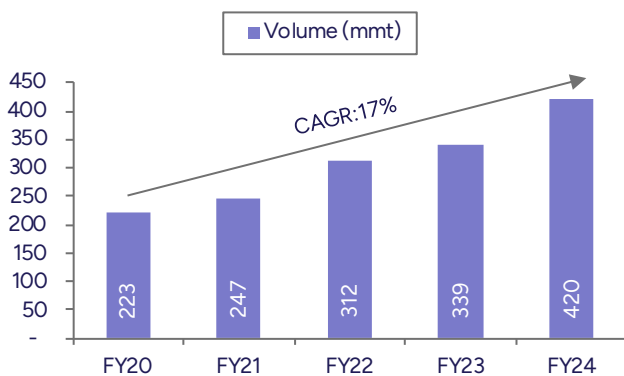
Source: Company, PL

Exhibit 9: EBITDA and margin trend



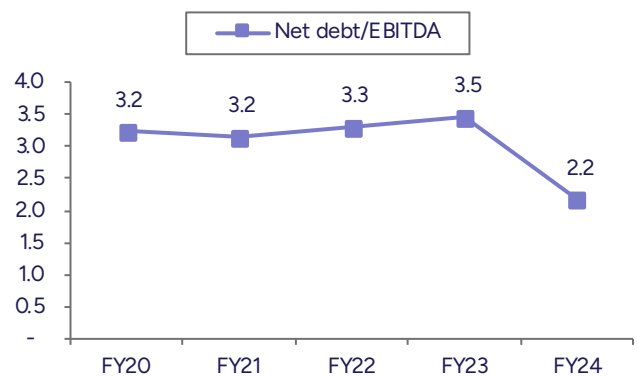
Source: Company, PL

Exhibit 10: 17% CAGR in Cargo volume growth



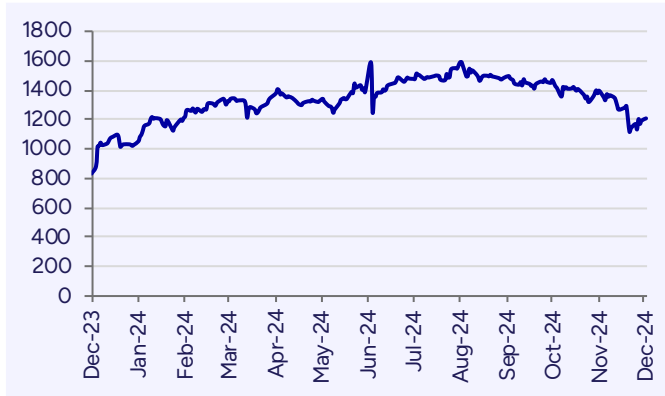
Source: Company, PL

Exhibit 11: Comfortable Net debt/EBITDA range



Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
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Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ACC	BUY	3,262	2,238
2	Ambuja Cement	BUY	708	569
3	Dalmia Bharat	Accumulate	2,073	1,831
4	Hindalco Industries	BUY	741	652
5	Jindal Stainless	Accumulate	814	740
6	Jindal Steel & Power	Accumulate	1,017	948
7	JSW Steel	Accumulate	1,014	944
8	National Aluminium Co.	Reduce	201	220
9	NMDC	Accumulate	253	223
10	Nuvoco Vistas Corporation	Accumulate	372	342
11	Shree Cement	Accumulate	25,815	24,424
12	Steel Authority of India	Reduce	104	118
13	Tata Steel	Accumulate	161	151
14	Ultratech Cement	Accumulate	12,401	10,869

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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