NARNOLIA

ADANIPORTS

BUY

Adani Ports & SEZ

26-Oct-16

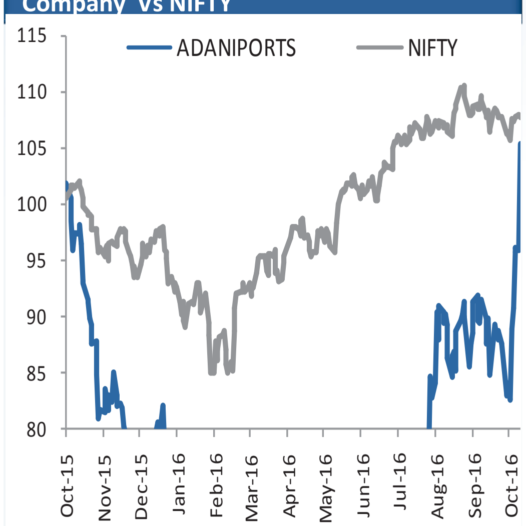
Result Update	
CMP	310
Target Price	365
Previous Target Price	298
Upside	18%
Change from Previous	

Market Data	
BSE Code	532921
NSE Symbol	ADANIPORTS
52wk Range H/L	317/169
Mkt Capital (Rs Cr)	64,737
Av. Volume	615285
Nifty	8691

Stock Performance	1Month	3 Month	1Year
Absolute	13.6	40.0	-0.5
Rel.to Nifty	15.2	37.9	-5.8

Share Holding Pattern-%	2QFY17	1QFY17	4QFY16
Promoters	59%	57%	56%
Public	41%	43%	44%

Company Vs NIFTY



ADANIPORTS reported robust numbers in Q2FY17. Topline grew by 20% to 2183 Cr. from 1808 Cr YoY . EBITDA improved by 100 bps YoY to Rs. 1461 Cr Vs 1230 Cr. PAT grew by 61% YoY to 1091 Cr Vs 678 Cr in Q2FY16. Adjusted PAT margin (adjusting derivative gain) improved by 920 bps on the back of lower interest outgo. Port revenue came at 1789 Cr from 1324 Cr in same period last year registering growth of 35% YoY. Growth in revenue led by strong cargo growth of subsidiaries' ports (Dhamra, Dahej , Hazira and Kattupallai). Adjusted Port EBITDA margin (adj. for expenses of Rs.64 Cr in Katupalli capitalized earlier has now been charged off) improved by 400 bps YoY to 1227 Cr Vs 889 Cr. Reduction in related parties loan and advances has been a very good move by the company. Repayment of borrowings will lead lower interest outgo going forward. ADANIPORTS reduced loan and advances number by 1039 Cr, which helped it to repay it's borrowings (repayment of borrowing during the quarter is 1293 Cr). Going ahead ADANIPORTS is on track to achieve 10-15% cargo volume growth guidance in FY17. Now management's focus is on to completely reduce related party loan and advances by the year end, which is a very positive sign from corporate governance point of view.

Q2FY17 Operational Highlights

♦ Total cargo grew by the 17% YoY to 43 mmt Vs 36 mmt

♦ Cargo grew by 12% YoY to 85 mmt in H1FY17 vs 76 mmt in H1FY16

♦ Container cargo volume grew by 30% YoY in Q2FY17. Currently container cargo accounted 35% of total cargo

♦ Mundra port cargo volume grew by the 5% and subsidiary ports Dhamra, Hazira and Dahej grew by 37%, 36%, 30% respectively.

♦ Once again ADANIPORTS outperformance other India Ports, it grew by 17% while all India ports grew by

♦ New Services liners at Mundra, Hazira and Kattupalli ports commenced

Outlook and Valuation

Going ahead, improvement in corporate governance issue and management's strategy to focus on gaining market share in container cargo volume by entering into new geographies will improve company's realization and balance sheet going forward. Considering the above argument we have positive view on the stock and maintain "BUY" with target price of Rs. 365.

In Rs. Cr

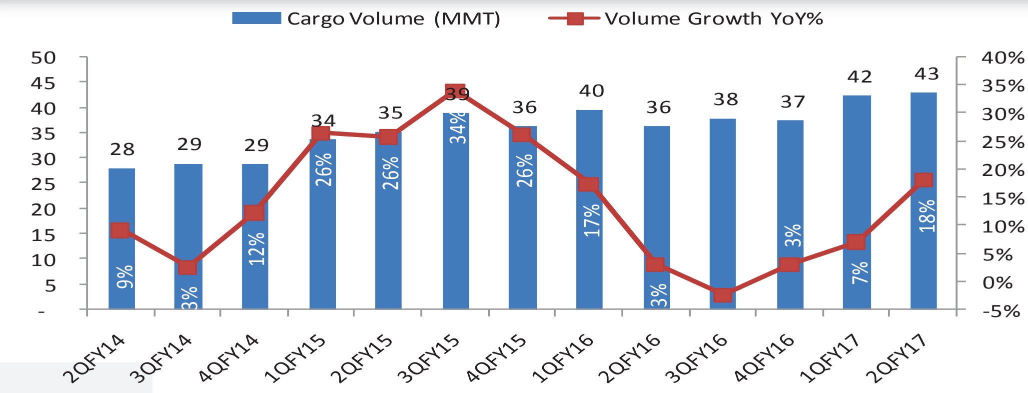
Financials	*FY13*	*FY14*	*FY15*	*FY16*
Sales	*3577*	*4824*	*6152*	*7256*
EBITDA	*2376*	*2920*	*3902*	*4651*
Net Profit	*1654*	*1740*	*2314*	*2867*
EBIDTA%	*66.4%*	*60.5%*	*63.4%*	*64.1%*
EV/EBITDA	*15.7*	*17.0*	*19.7*	*14.3*

(Source: Company/Eastwind)

Managment/ Concall Update

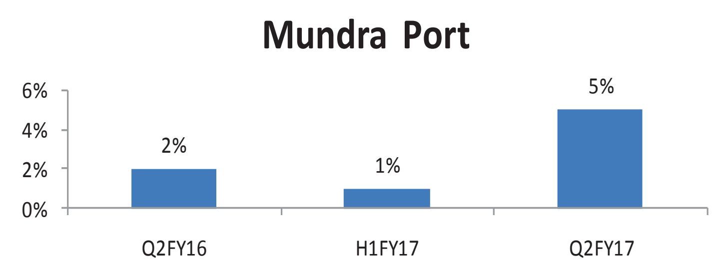
- ♦ ADANIPORTS maintain 10-15% cargo volume and is on track to achieve it
- ♦ Related parties loan and advance reduced by 1035 Cr
- ♦ Commence new services at Mundra, Hazira and Kattupalai port
- ♦ Company received 65 Cr of export incentive from government authority for the period of H1FY17
- ♦ Container run rate at Hazira prots is 112000 TEU and 94000 TEU at Katuupalli port
- ♦ Long Term plan :- focus on gaining market share in container cargo by entering new geography
- ♦ Full capacity utilization at MICT (CT-1) container terminal by year end
- ♦ Ennore port will be operationalize by year end
- ♦ Dhamra and Hazira port start handling fertilizer from Q4FY17
- ♦ ADANIPORTS grew by 17% while all India port grew only by 6%

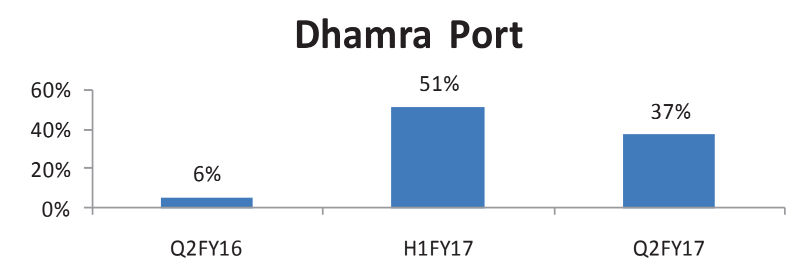
Continues to Outperfoem all India Port

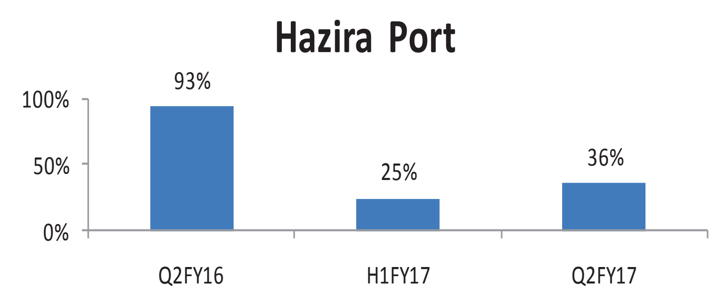


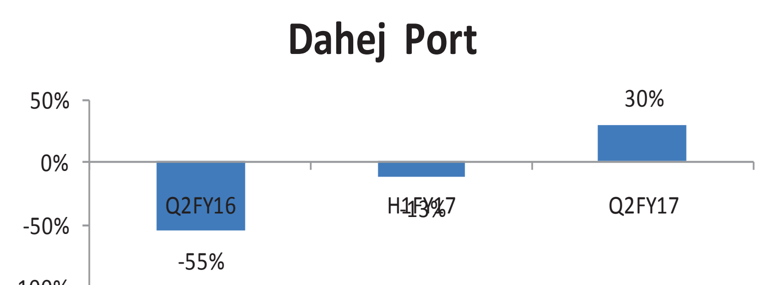
ADANIPORTS is not track to achive cargo volume guidence of 10-15% growth in FY17

Cargo volume growth led buy Subsidary Ports

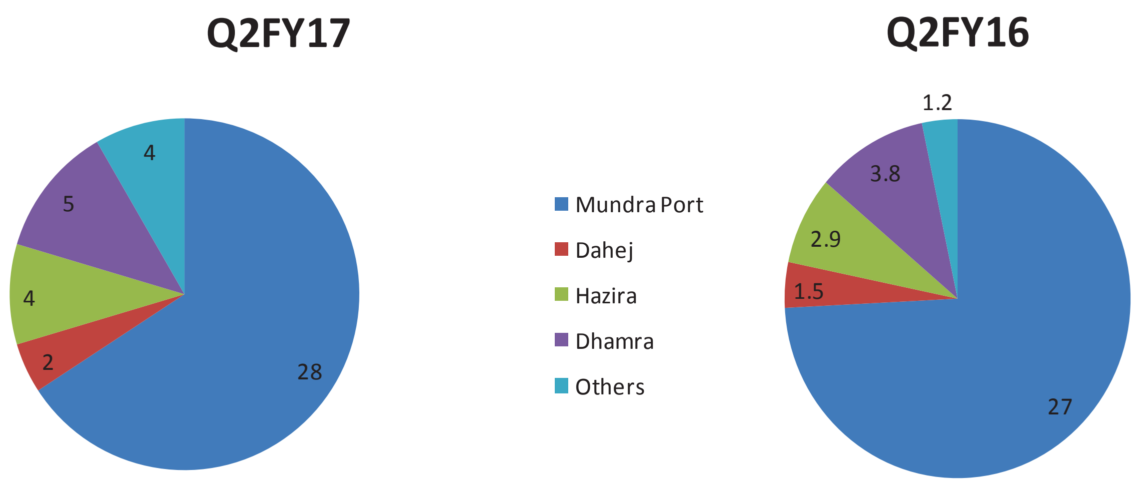




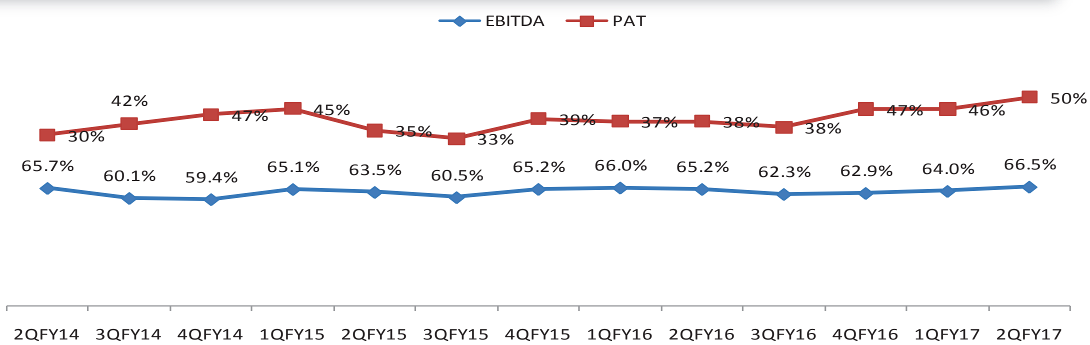




Port wise cargo handle (in MMT)

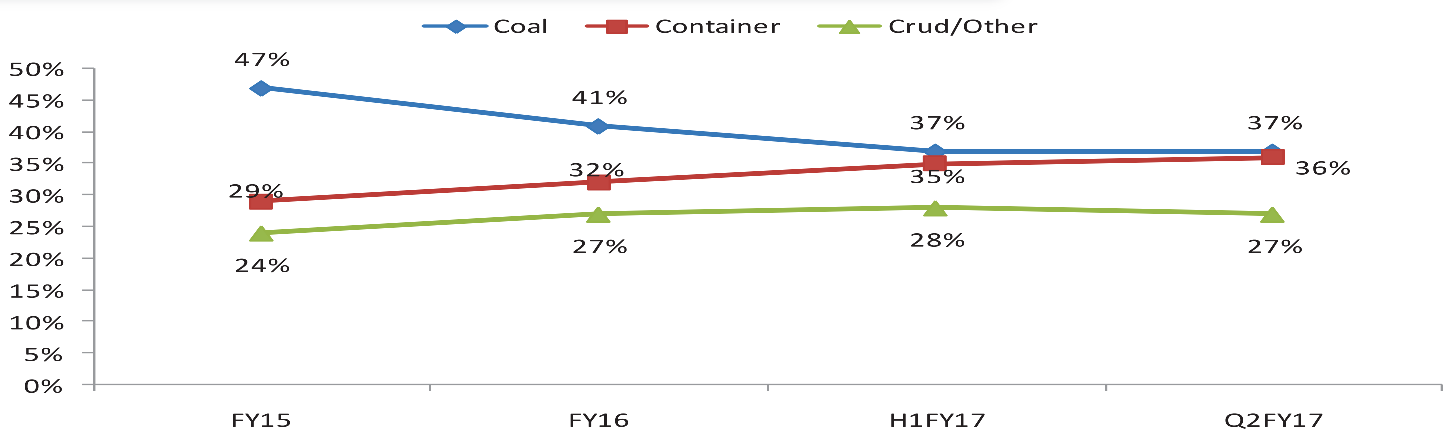


Margin profile



PAT margin increse on back of lower intreset outgo and we expect EBITDA Margin will improve as contribution of container cargo volume increase. ramo up in CT-4 will lead to increse in conatiner cargo.

Cargo Composition



Financials Snap Shot

INCOME STATEMENT

	FY13	FY14	FY15	FY16
Revenue (Net of Excise D	3577	4824	6152	7256
Other Income	264	684	686	685
Total Revenue	3841	5508	6838	7941
COGS	913	1480	1656	1792
GPM	0	0	0	0
Other Expenses	157	262	356	531
EBITDA	2376	2920	3902	4651
EBITDA Margin (%)	66%	61%	63%	64%
Depreciation	422	649	912	1079
EBIT	1954	2271	2991	3571
Interest	542	977	1175	1099
PBT	1677	1978	2501	3157
Tax	123	237	177	327
Tax Rate (%)	7%	12%	7%	10%
Reported PAT	1654	1740	2314	2867
Dividend Paid	164	242	242	266
No. of Shares	200	207	207	207

Souce: Eastwind/Company

RATIOS

	FY13	FY14	FY15	FY16
EPS	8.3	8.4	11.2	13.9
Book Value	31.9	42.4	52.0	63.9
DPS	0.8	1.2	1.2	1.3
Payout (incl. Div. Tax.)	10%	14%	10%	9%
Valuation(x)				
P/E	16.8	22.3	27.6	17.9
Price / Book Value	11.7	13.3	16.3	11.0
Dividend Yield (%)	0.59%	0.62%	0.38%	0.52%
Profitability Ratios				
RoE	26%	20%	21%	22%
RoCE	12%	11%	12%	12%
Turnover Ratios				
Asset Turnover (x)	0.2	0.2	0.2	0.2
Debtors (No. of Days)	74.3	69.9	76.4	97.8
Inventory (No. of Days)	39.2	41.8	57.1	43.5
Creditors (No. of Days)	17.8	20.0	19.5	20.4
Net Debt/Equity (x)	1.60	1.29	1.29	1.23

Souce: Eastwind/Company

	FY13	FY14	FY15	FY16
Share Capital	403	417	417	417
Reserves	5993	8351	10351	12807
Net Worth	6396	8768	10768	13224
Long term Debt	10258	11288	13850	16306
Short term Debt	405	406	1306	3194
Deferred Tax	553	674	859	1067
Total Capital Employed	16654	20057	24618	29529
Net Fixed Assets	14293	15147	19203	20838
Capital WIP	2951	2025	1276	2387
Debtors	728	923	1288	1944
Cash & Bank Balances	831	514	634	1291
Trade payables	174	265	328	405
Total Provisions	404	694	773	173
Net Current Assets	2485	3150	2661	1909
Total Assets	21060	24677	32082	39364

Souce: Eastwind/Company

	FY13	FY14	FY15	FY16
OP/(Loss) before Tax	1677	1978	2501	3157
Depreciation	422	649	912	1079
Direct Taxes Paid	374	520	487	745
Operating profit before w	2381	2926	3953	4756
CF from Op. Activity	1379	1132	3065	2579
Capital expenditure on fix	3837	1246	1801	2527
CF from Inv. Activity	(4690)	(2510)	(2493)	(4656)
Repayment of Long Term	2727	717	4708	11204
Interest Paid	489	659	1167	1154
Divd Paid (incl Tax)	163	172	172	362
CF from Fin. Activity	4138	773	(237)	2447
Inc/(Dec) in Cash	900	(606)	335	370
Add: Opening Balance	375	756	150	485
Closing Balance	756	150	485	856

Souce: Eastwind/Company