



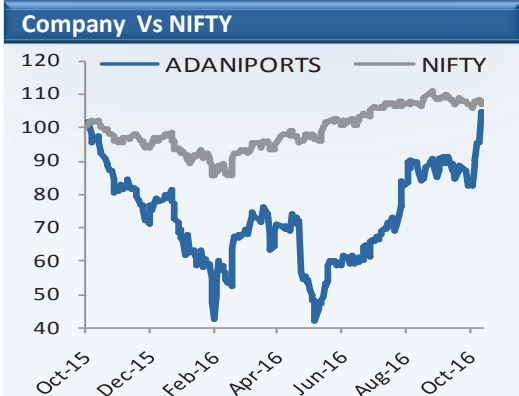
Adani Ports & SEZ

| Result Update | |
|-----------------------|-----|
| CMP | 304 |
| Target Price | 365 |
| Previous Target Price | 298 |
| Upside | 20% |
| Change from Previous | |

| Market Data | |
|---------------------|-------------|
| BSE Code | 532921 |
| NSE Symbol | ADANI PORTS |
| 52wk Range H/L | 317/169 |
| Mkt Capital (Rs Cr) | 64737 |
| Av. Volume | 615285 |
| Nifty | 8615 |

| Stock Performance | | | |
|-------------------|--------|---------|-------|
| | 1Month | 3 Month | 1Year |
| Absolute | 12.8 | 34.9 | -2.9 |
| Rel.to Nifty | 14.0 | 35.1 | -6.7 |

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



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Outpacing Industry growth with wide margin

Strategic presence across the country helped ADANI PORT to grow higher than the industry. Company's focus on gaining market share by entering into new geographies in container segment has augured well for the company as it has reduced dependency on bulk cargo to a big extent, leading to better cargo mix and improving realisations. Container cargo contribution increased from 29% in FY15 to 35% in H1FY17 of the total cargo volume and we expect it to improve further after full ramp-up of CT-4 (Mundra port). Currently company is operating container cargo at Mundra, Hazira and Kattupalli port and it will start operations at Ennore port by the Q4FY17. Full commencement of Container Terminal-4 will bring additional container volume at mundra port. Recently company has acquired 3 new clients in shipping lines for container cargo. Company is well on track to achieve cargo volume guidance of 10-15% and container volume growth of 25%.

Concerns over related party advances are being addressed as guided by Mgt.

ADANI PORTS reduced related party advances by Rs.1039 cr in Q2FY17, which is a positive sign from corporate governance point of view. This improvement led to reduction in borrowings (repayment of borrowings of 1300 cr in H1FY17). Management will reduce it completely (Remaining portion is Rs.1500 Cr approx.) by the year end. So we expect further reduction in borrowings and lower interest outgo will result in healthy bottom line going forward

Growing opportunities in Costal Shipping services

Dhamra port is a major beneficiary of costal cargo movement through Indian coastline. Lower import of coal is compensated by domestic coal movement from Dhamra port. Growing opportunity in costal cargo movement will boost the operating efficiency. Till Q1FY17 it has handled over 1MMT cargo and targets to handle 4 MMT in full FY17.

Outlook and Valuation

ADANI PORTS posted robust numbers in Q2FY17. Cargo volume grew by 17% YoY while all India port grew only by 6% and we expect it to continue. Systematic shift towards container cargo will results into rationalization of operating cost. We expects improvement in operating margin based on change in cargo mix and bottom line based on lower interest going forward. Keeping in view above developments, we have positive stance on the stock with a price target of 365/- with upside potential of 20%+ over current price.

In Rs. Cr

| Financials | FY13 | FY14 | FY15 | FY16 | FY17E |
|------------|-------|-------|-------|-------|-------|
| Sales | 3577 | 4824 | 6152 | 7256 | 8302 |
| EBITDA | 2376 | 2920 | 3902 | 4651 | 5337 |
| Net Profit | 1654 | 1740 | 2314 | 2867 | 3333 |
| EBITDA M% | 66.4% | 60.5% | 63.4% | 64.1% | 67.6% |
| PAT M % | 46% | 36% | 38% | 40% | 43% |

(Source: Company/Eastwind)