

Adani Ports & SEZ

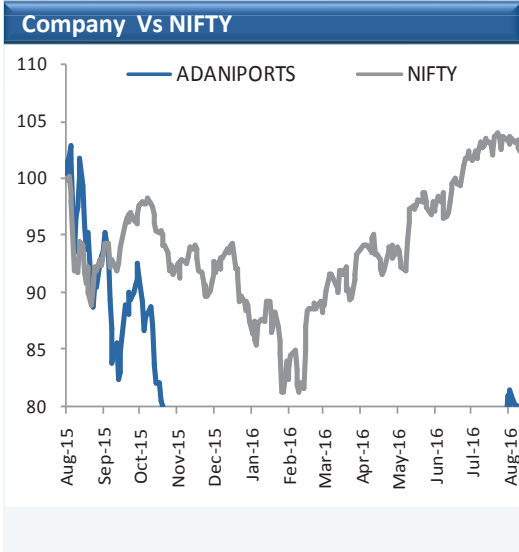
29-Aug-16

Result Update	
CMP	258
Target Price	298
Previous Target Price	-
Upside	16%
Change from Previous	-

Market Data	
BSE Code	532921
NSE Symbol	ADANI PORTS
52wk Range H/L	372/169
Mkt Capital (Rs Cr)	23,468
Av. Volume	467136
Nifty	8573

Stock Performance			
	1Month	3 Month	1Year
Absolute	14.8	-26.0	-3.7
Rel.to Nifty	15.0	-36.0	-11.4

Share Holding Pattern-%			
	1QFY17	4QFY16	3QFY16
Promoters	57%	56%	56%
Public	43%	44%	44%



ADANI PORTS has registered strong 7% growth in cargo volume as compare to 4% industry growth. One stop solution (Multi cargo handling capabilities, better infrastructure and evacuation facilities), capacity constrain and congestion at JNPT port help company to grow higher than the Industry. Adani port registered 27% YoY growth in container cargo (handle 1 mn TEUs). Now container accounted 35% of total cargo as against 29% in Q1FY16. It shows managements continue focus on to increase containerized cargo.

Commissioning of CT-4, Costal Shipping and Kattupalli will be focus area

Trail runs at container terminal 4 have commenced and management expects to start operation at CT-4 (JV with CMA CGM) by the end of the September. It will helps adani ports to grow higher in container segment. Company acquired new shipping line clients such as Maersk, Hyundai merchant services and Bengal Tiger line at Kattupalli. Current monthly run rate at Kattupalli port is around 34000 TEU/month and based on this new client acquisition company targets to reach 55000 TEU/month by the year end. Company handles domestic coal cargo at Dhamra port. During the quarter Dhamra port handled 1 mmt coal, company aims to handle 4 mmt in FY17. We expect improvement in operational efficiency and margin.

Reduction in Loan and advances, boost the margin

Adani port has already started reducing related party loan and advance and aims to reduce by Rs.1000 Cr at end of the September. Company will utilize that money to repay it's debt. We expect lower interest outgo based on repayment of debt.

Outlook and Valuation

Strong volume growth, lower interest and tax outgo helped ADANI PORTS to perform better in Q1FY17. Commencement of CT-4, new client acquisition at Katupalli port will support the company's strategy to increase containerized cargo. Management initiative to reduce related party loan and advance will lead to lower interest outgo. So, based on the above arguments we have positive view on this stock and therefore, we recommended "BUY" with a target price of Rs.298

	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)

Q1FY17 result Highlights

- ◆ ADANI PORTS reported strong volume growth in Q1FY17. Company clocked 7% YoY cargo volume growth to 42.40 MMT as against 39.60 MMT. ADANI PORTS reported 6.5% YoY revenue growth to Rs. 1826 Cr as against Rs. 1715 Cr in Q1FY16.
- ◆ Company posted EBITDA growth of 7% YoY to RS.1217 Cr as against Rs. 1136 Cr. EBITDA margin remain same as compare to corresponding period last year to 66.6%
- ◆ Company reported 10% YoY to Rs. 1633 Cr in port income. No significant SEZ revenue during the quarter. Port EBITDA come at 71% with 10% YoY growth.
- ◆ PAT grew by 31% YoY to Rs. 837 Cr as against Rs. 639 cr. Growth in PAT mainly driven by lower Interest (Rs.30 Cr lower compare to Q1FY16) and Tax outgo. Effective tax rate during the quarter is 6.8% as against 9.38% same period last year.

Managment/ Concall Update

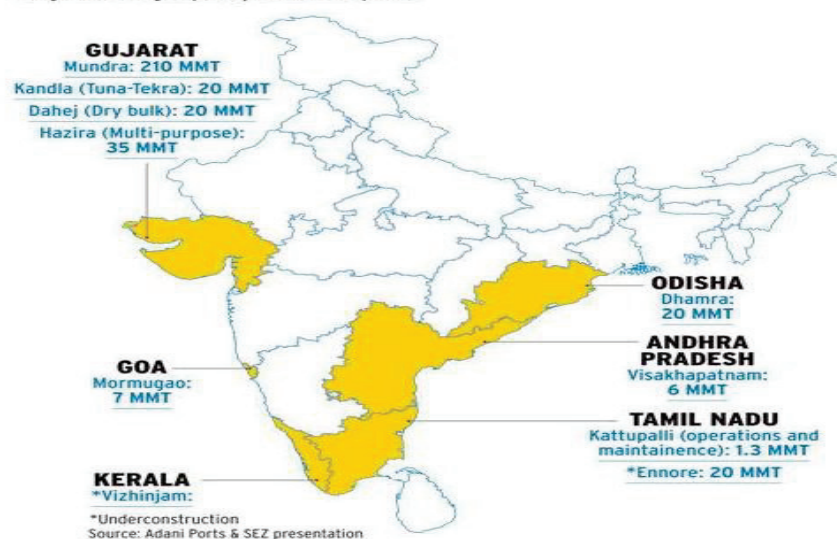
- ◆ 10-15% cargo growth in FY17
- ◆ Rs.1000 cr reduction in loan and advance to related parties by the September end
- ◆ Kattupalli port acquisition transaction will complete by the year end
- ◆ Acquired new shipping line such as Maersk, Hyundai Merchant Service and Bengal Tiger line at Kattupalli port
- ◆ Company expects to reach 55000 TEU/ month at Katuupalli port
- ◆ Target to handle 4 mmt cargo at Dhamra Port
- ◆ Capex for the FY17 iis 2700-2800 Cr

About the Company

Adani Ports and Special Economic Zone Limited is a holding company. The Company is engaged in the business of providing infrastructural facilities. The company currently operates 10 ports in east and west coast of the country. The Company is primarily involved in the business of developing, operating and maintaining the port and port-based related infrastructure services, including multi product special economic zone at port location. The Company's segments include Port and Special Economic Zone activities and others.

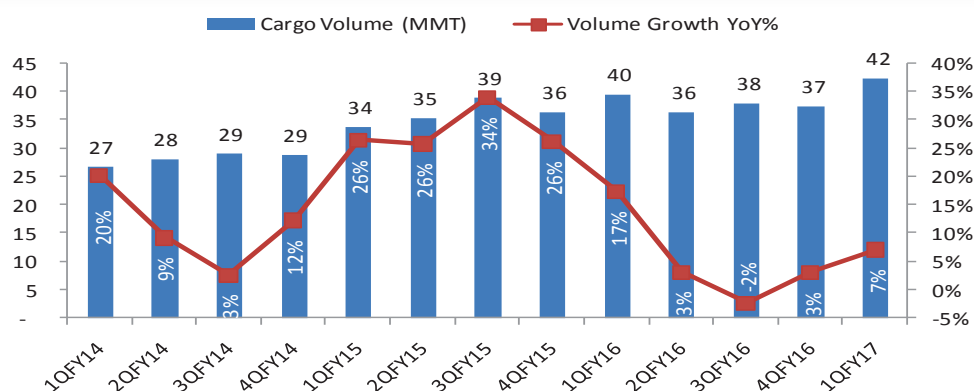
Adani's Port Empire

Cargo-handling capacity at various ports



Company expects to complete Kattupalli port acquisition transaction by the year and numbers starts reflecting in the books.

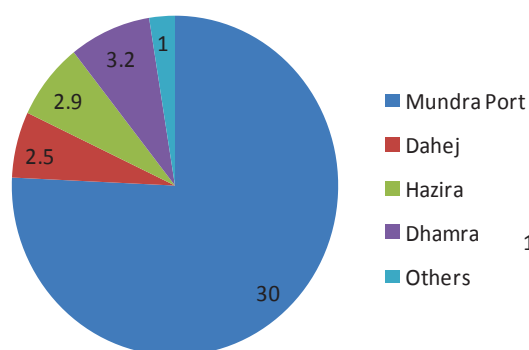
Strong Volume Growth



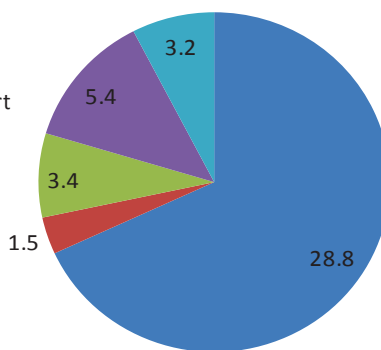
We expecting 10-15% volume growth for the Full year FY17

Port wise cargo handle (in MMT)

Q1FY16

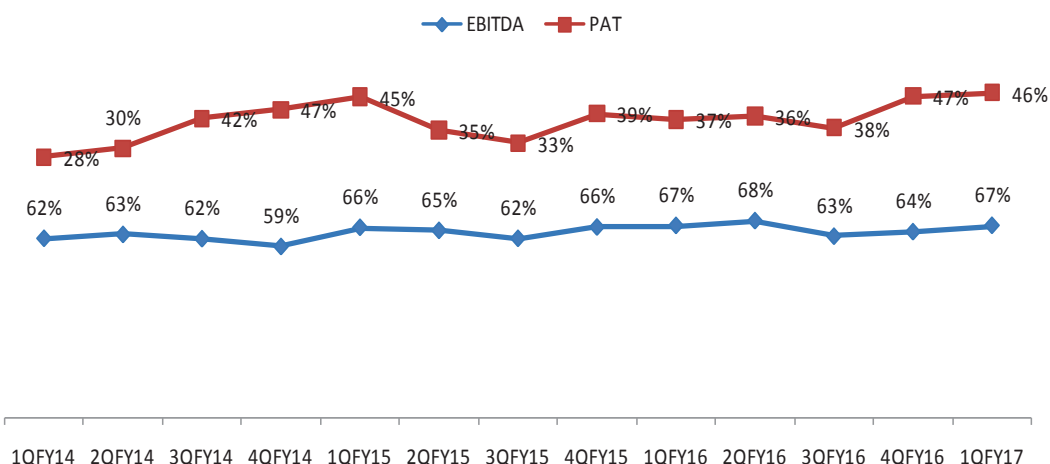


Q1FY17



Costal Shipping help Dhamra port to grow by 68% YoY.

Margin profile



Financials Snap Shot

INCOME STATEMENT					RATIOS				
	FY13	FY14	FY15	FY16		FY13	FY14	FY15	FY16
Revenue (Net of Excise D	3577	4824	6152	7256	EPS	8.3	8.4	11.2	13.9
Other Income	264	684	686	685	Book Value	31.9	42.4	52.0	63.9
Total Revenue	3841	5508	6838	7941	DPS	0.8	1.2	1.2	1.3
COGS	913	1480	1656	1792	Payout (incl. Div. Tax.)	10%	14%	10%	9%
GPM	0	0	0	0	Valuation(x)				
Other Expenses	157	262	356	531	P/E	16.8	22.3	27.6	17.9
EBITDA	2376	2920	3902	4651	Price / Book Value	11.7	13.3	16.3	11.0
EBITDA Margin (%)	66%	61%	63%	64%	Dividend Yield (%)	0.59%	0.62%	0.38%	0.52%
Depreciation	422	649	912	1079	Profitability Ratios				
EBIT	1954	2271	2991	3571	RoE	26%	20%	21%	22%
Interest	542	977	1175	1099	RoCE	12%	11%	12%	12%
PBT	1677	1978	2501	3157	Turnover Ratios				
Tax	123	237	177	327	Asset Turnover (x)	0.2	0.2	0.2	0.2
Tax Rate (%)	7%	12%	7%	10%	Debtors (No. of Days)	74.3	69.9	76.4	97.8
Reported PAT	1654	1740	2314	2867	Inventory (No. of Days)	39.2	41.8	57.1	43.5
Dividend Paid	164	242	242	266	Creditors (No. of Days)	17.8	20.0	19.5	20.4
No. of Shares	200	207	207	207	Net Debt/Equity (x)	1.60	1.29	1.29	1.23
Source: Eastwind/Company					Source: Eastwind/Company				

	FY13	FY14	FY15	FY16		FY13	FY14	FY15	FY16
Share Capital	403	417	417	417	OP/(Loss) before Tax	1677	1978	2501	3157
Reserves	5993	8351	10351	12807	Depreciation	422	649	912	1079
Net Worth	6396	8768	10768	13224	Direct Taxes Paid	374	520	487	745
Long term Debt	10258	11288	13850	16306	Operating profit before w	2381	2926	3953	4756
Short term Debt	405	406	1306	3194	CF from Op. Activity	1379	1132	3065	2579
Deferred Tax	553	674	859	1067	Capital expenditure on fix	3837	1246	1801	2527
Total Capital Employed	16654	20057	24618	29529	CF from Inv. Activity	(4690)	(2510)	(2493)	(4656)
Net Fixed Assets	14293	15147	19203	20838	Repayment of Long Term	2727	717	4708	11204
Capital WIP	2951	2025	1276	2387	Interest Paid	489	659	1167	1154
Debtors	728	923	1288	1944	Divd Paid (incl Tax)	163	172	172	362
Cash & Bank Balances	831	514	634	1291	CF from Fin. Activity	4138	773	(237)	2447
Trade payables	174	265	328	405	Inc/(Dec) in Cash	900	(606)	335	370
Total Provisions	404	694	773	173	Add: Opening Balance	375	756	150	485
Net Current Assets	2485	3150	2661	1909	Closing Balance	756	150	485	856
Total Assets	21060	24677	32082	39364	Source: Eastwind/Company				
Source: Eastwind/Company					Source: Eastwind/Company				