

# Adani Port & SEZ Ltd.

"Hold"  
20th May '13

*"Consistent performance will command premium valuations....."*

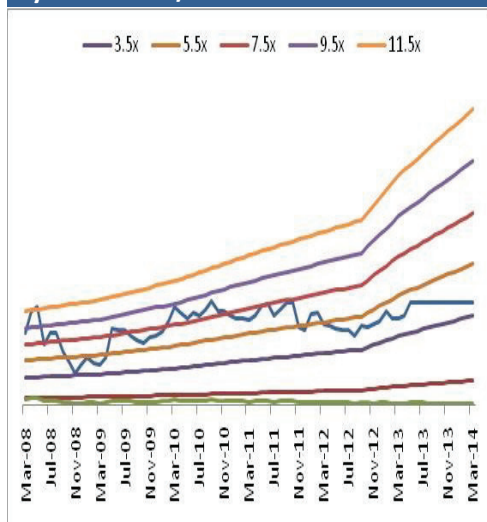
Result update	Hold
CMP	165
Target Price	180
Previous Target Price	165
Upside	9%
Change from Previous	9%

Market Data	
BSE Code	532921
NSE Symbol	ADANIPTS
52wk Range H/L	105/167
Mkt Capital (Rs Crores)	33136
Average Daily Volume (Nos.)	733861
Nifty	6185

Stock Performance-%	1M	1yr	YTD
Absolute	19	46	18
Rel. to Nifty	10	21	10

Share Holding Pattern-%	Current	4QFY13	3QFY13
Promoters	77.5	77.5	77.5
FII	10.9	10.2	9.9
DII	4.9	5.1	5.2
Others	6.7	7.2	7.4

## 1 yr Forward P/B



## Strong quarter; much above expectations.....

On consolidated basis, the company reported revenue growth of 16.15% YoY to INR10.3bn. The company has not consolidated Abbot Point numbers during the quarter so numbers are not comparable. EBITDA increased by 60.9% YoY to INR6.3bn with stable margins of 63%. Adani port is among the largest beneficiaries of an increasing demand and supply mismatch in India's port capacity. APSEZ's competitive advantage and attractive location plus connectivity provides a strong visibility of traffic for APSEZ. We believe that given its strong operational focus, there is still upside to the stock. We revised our rating on stock from "Buy" to "Hold" with a revised target price of Rs. 180 as we roll to FY14E financials and valuing at P/BV of 4.5x FY14E.

**During the quarter,** net sales, on consolidated basis of the company rose by over 48% to Rs 1,035.51 crore vis-a-vis Rs 697.36 crore of the 4QFY13. Total expenditure also increased by over 49% to Rs 639.94 crore, while its interest outgo jumped over three times to Rs 312.06 crore in the quarter. Q3 net up 12% to Rs 361 cr. Company reported a 12.52% growth in consolidated net profit at Rs 361.09 crore for the third quarter ended December 31, 2012. The company had reported a net profit of Rs 320.90 crore in the same quarter of the previous fiscal. The company handled 22.89 million tonnes of cargo, a growth of 37.7% YoY, at APSEZ's main project, the Mundra Port.

## Outlook:

It should be noted that 90% of estimated APSEZ traffic comprise of coal, crude oil and containers. Of this, coal and crude oil are not likely to see any impact from global macro concerns, while container traffic should continue to benefit from the shortage on capacity on India's west coast. Mundra Port, given its strategic positioning & diversified mix of cargo and is expected to deliver strong volume growth. The company having delivered a strong track record of maintaining superior realisation and margins has emerged as the preferred port due to superior infrastructure which facilitates faster transit of cargo, thereby reducing the overall cost of handlings for logistics company and end users. Amongst other projects, Dahej are already operational and gaining traction. Despite being in a capital intensive business, the debt situation for ADSEZ is very comfortable level. The stable cash flows assured cargo and minimum working capital investment would be very important for the company to make more capex in the future for growth.

## Valuation:

We believe that given its strong operational focus, there is still upside to the stock. We revised our rating on stock from "Buy" to "Hold" with a revised target price of Rs. 180 as we roll to FY14E financials and valuing at P/BV of 4.5x FY14E. At the current price the stock is trading at P/BV of 4.1x FY14E

Financials	Rs, Crore				
	4QFY13	3QFY13	(QoQ)-%	4QFY12	(YoY)-%
Revenue	1035.5	1042.0	-0.6	697.4	48.5
EBITDA	651.9	719.0	-9.3	463.5	40.6
Adjusted PAT	378.4	431.8	-12.4	231.6	63.4
EBITDA Margin	63.0%	69.0%	(600) bps	66.5%	(350) bps
PAT Margin	35.0%	40.1%	(510) bps	32.9%	210 bps

(Source: Company/Eastwind)

# Adani Port & SEZ Ltd.

## Company profile:

The company was incorporated in 1998 and is based in Ahmedabad Gujarat- India. It was earlier known as Gujarat Adani Port Ltd, Later named as Mundra Port and Special economic Zones Ltd. In January 2013 the company was renamed as Adani Port and Special Economic Zones Ltd. It is a subsidiary of Adani Enterprises Ltd From 1st Sep 2010. The company engaged in development, operations and maintenance of multi product special economic zones and related infrastructure in India. The company through its Mundra Port located in Gulf of Kutch, India provides cargo handling and other value added port related services. It operates port infrastructure facilities of bulk cargo at Dahej, Gujarat, handles bulk, liquid and containerised cargo, single point mooring, storage and transportation of cargo by road, rail and pipeline. APSEZL is near completion of setting up coal cargo terminal at Mormugao port, Goa. The company is also developing a non LNG- multiuser, multi cargo port facilities at Hazaria under the subconcession route. The company also operates container trains on specific railway routes; and provides multi model cargo storage and logistics services through the development of inland container depots at various locations. It operates a fleet of approximately 2517 vessels. In addition, APSEZL provides non scheduled (Passenger) services through its aircrafts. Adani port and SEZ Ltd is compared with Essar Port & Gujarat Pipav locally & Globally with Meiko Trans Co. Ltd & Azuma Shipping Co Ltd of Japan; Rizhao Port Co Ltd; Shenzhen Chiwan Wharf Holding Ltd.

## Result highlights (standalone):

- Standalone revenue increased by 42.6% YoY (QoQ increase of 2.6%) to INR9.15bn. The company reported SEZ revenue of INR1.3bn during the quarter as compared to revenue of INR487m in 3QFY12. The revenue was 2% higher than our estimates of INR8.95bn.
- Standalone EBITDA increased by 38% YoY from INR4.6bn in 4QFY12 to INR6.4bn in 4QFY13. EBITDA margins declined from 72.2% in 4QFY12 to 69.9% in 4QFY13 mainly due to 69% YoY increase in other expenditure to INR467m. Operating expenses as percentage of sales increased from 20.1% in 3QFY12 to 22% in 4QFY13. The adjusting for SEZ income margins would have been ~65% in 4QFY13 compared to ~70% in 4QFY12.
- Depreciation cost increased by 26.7% YoY to INR972m. Net interest cost increased by 321% on YoY basis to INR1.25bn due to funding of capacity expansion.
- Adjusted net Profits increased by 17.3% YoY (QoQ marginal decline of 2.5%) to INR4bn translating into EPS of INR2, in line with our estimates of INR2.1. Profits are adjusted for INR700.1m extraordinary income from divestment of equity of subsidiaries in Australia. The company divested entire holding in Adani Abbot Point in Australia to promoter company Abbot Point Port Holding Pte Ltd, Singapore for AUD235.7m.

## Adani Ports divest significant stake in Abbot Point Coal Terminal in Australia:

The board of directors of the company has in-principle decided to divest the company's significant stake in entities controlling the Abbot Point Coal Terminal in Queensland, Australia to the Adani family. This divestment will further enhance the financial strength of APSEZ in order to pursue its plans to acquire/set up new ports and logistics assets in India, the company said in a statement. Abbot point contributes to ~60% of consolidated debt and transfer of business would bring down the D/F ratio from 3x to 1x.

The cash infusion and de-leveraging along with improvement in consolidated earnings would be positive for the company going ahead.

# Adani Port & SEZ Ltd.

## APSEZ - Operational Highlights :

### APSEZ (Mundra) 4QFY13 (standalone) :

Particulars	UOM	Q4 12-13	Q4 11-12	PoP (%)
Vessels	Counts	698	645	8%
GRT	Million	24.90	20.85	19%
Cargo Handled	MMT	22.89	16.62	38%
Dry Cargo	MMT	10.78	6.11	76%
Liquid Cargo (Incl HPCL/Crude)	MMT	5.13	4.32	19%
Bulk Cargo	MMT	15.91	10.43	53%
Containers	MMT	6.98	6.19	13%

INR in crores

(Source: Company/Eastwind)

### APSEZ (Mundra) FY13 :

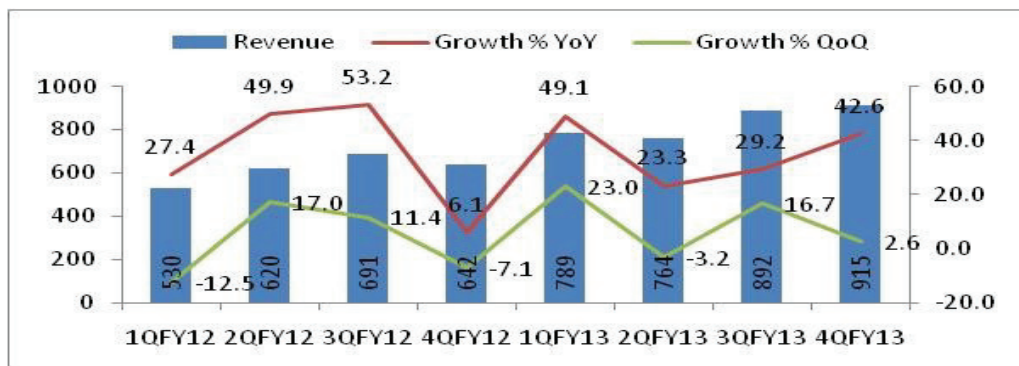
Particulars	UOM	FY 12-13	FY 11-12	PoP (%)
Vessels	Counts	2,668	2,577	4%
GRT	Million	93.52	83.89	11%
Cargo Handled	MMT	82.13	67.96	21%
Dry Cargo	MMT	37.38	29.25	28%
Liquid Cargo (Incl HPCL/Crude)	MMT	19.27	16.42	17%
Bulk Cargo	MMT	56.65	45.67	24%
Containers	MMT	25.48	22.29	14%

INR in crores

(Source: Company/Eastwind)

## Story in graphs :

### Revenue QoQ :



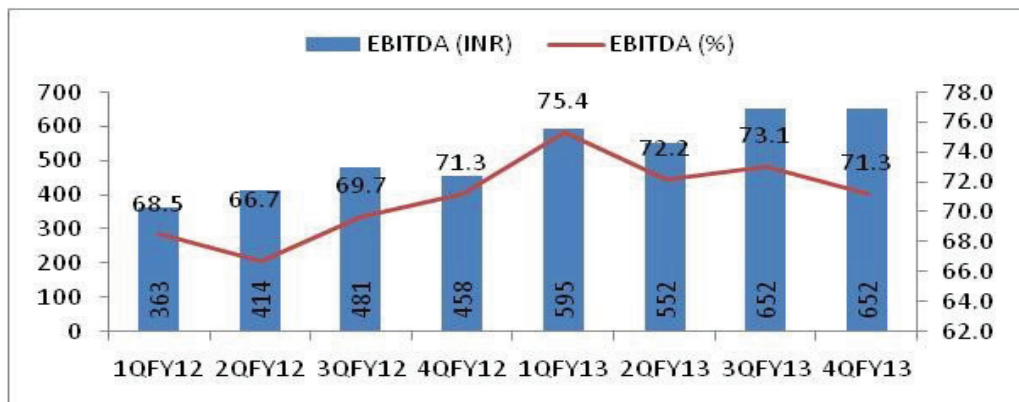
Revenue in crores

(Source: Company/Eastwind)

- Abbot point was acquired on 1st June'11.
- Cargo for FY11-12 considered from June'11 to March'12.
- Abbot Point divested on 30th March'13.

# Adani Port & SEZ Ltd.

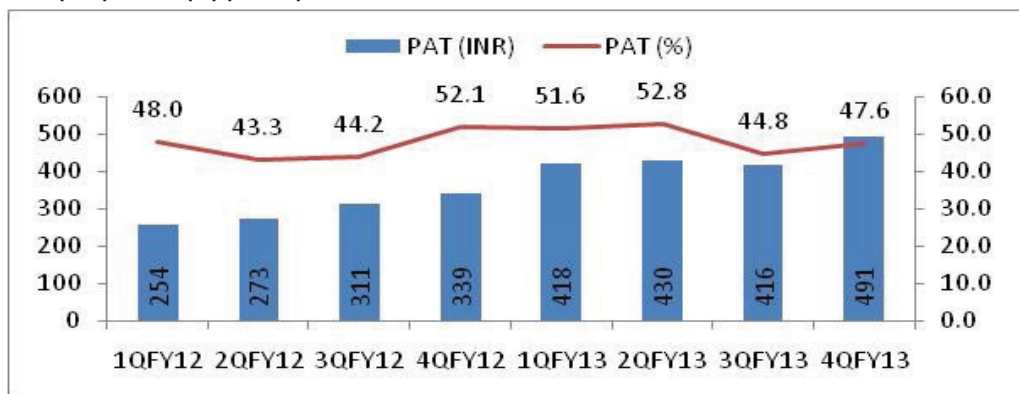
## EBITDA (INR) & EBITDA (%) (Q-o-Q) :



INR in crores

(Source: Company/Eastwind)

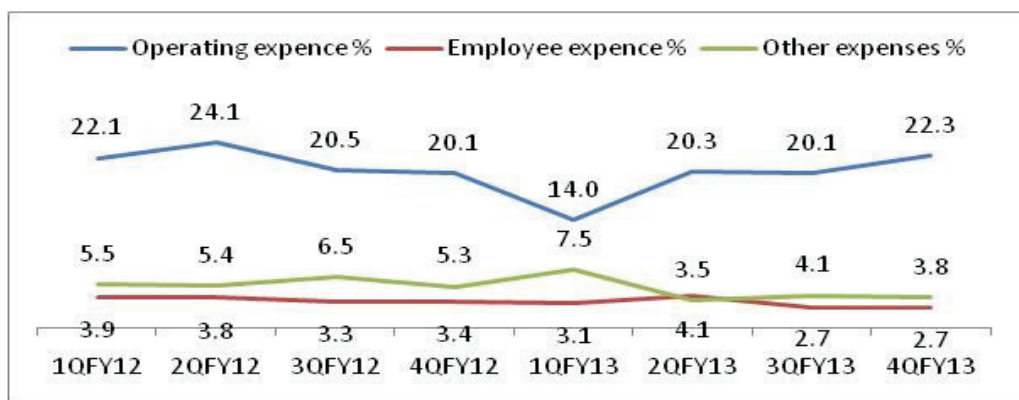
## PAT (INR) & PAT (%) (Q-o-Q) :



INR in crores

(Source: Company/Eastwind)

## Cost % of revenue :



(Source: Company/Eastwind)

# Adani Port & SEZ Ltd.

## Key financials :

PARTICULAR	2008A	2009A	2010A	2011A	2012A	2013A	2014E
Revenue	817	1195	1496	2000	3271	3577	4650
Other Income	28	45	45	110	60	264	86
Total Income	845	1240	1540	2110	3330	3841	4736
EBITDA	534	734	944	1299	2065	2376	3022
EBIT	432	587	758	1061	1602	1954	2461
Depreciation	102	147	187	239	463	422	561
Intrest Cost	108	146	68	167	480	542	400
PBT	341	486	732	1004	1182	1677	2147
TAX	153	53	60	87	90	123	158
Extra Oridiniary Items	(12)	0	(2)	0	0	85	0
Reported PAT	187	433	672	916	1093	1639	1989
Adjusted PAT	178	393	633	816	1038	1308	1910
EBITDA %	65.4%	61.4%	63.1%	65.0%	63.1%	66.4%	65.0%
NPM %	22.1%	34.9%	43.6%	43.4%	32.8%	42.7%	42.0%
Tax %	45.0%	11.0%	8.2%	8.7%	7.6%	7.3%	7.3%
ROE %	7.1%	14.8%	19.5%	21.9%	22.6%	25.6%	24.4%
ROCE%	4.0%	7.4%	9.4%	11.7%	4.9%	8.8%	10.4%
Dividend Yeild %	0.2%	1.0%	0.5%	0.7%	0.9%	0.8%	0.7%
Book Value	13	15	17	21	24	32	41
P/B	9.5	4.2	8.6	6.6	5.1	4.3	4.1
P/E	132.5	28.7	44.3	30.1	22.6	17.0	16.6
EPS	0.9	2.2	3.4	4.6	5.5	8.2	9.9
EV/EBITDA	50.3	20.8	35.4	24.0	20.5	16.8	14.6
Net Worth	2620	2930	3454	4190	4838	6396	8153
Total Debt	2068	2896	3706	3621	17620	12162	11000
Capital Employed	4688	5825	7160	7811	22459	18558	19153

INR in crores

(Source: Company/Eastwind)