Adani Ports & Special Economic Zone Ltd — 29 Apr 2025 Credit Rating Summary

As an equity-focused credit analyst, I have synthesized the CRISIL rating report for Adani Ports and Special Economic Zone (APSEZ) into the required format.

Equity Credit Analysis: Adani Ports and Special Economic Zone (APSEZ)

Section	Details
Agency	CRISIL Ratings
Rating Change	**Reaffirmed** at **AAA** (Long Term) and **A1+** (Short Term)
Outlook (Current vs Prev)	**Stable** vs **Stable**
Key Drivers of Change	1. **Australia Acquisition (NQXT):** Acquiring NQXT for ~₹1,320 Cr ($160M) plus US$2.2B affiliate debt settlement; adds A$180M annual EBITDA with long-term take-or-pay contracts. 2. **Debt Discipline:** Net Debt-to-EBITDA improved to **2.25x** (Mar-24) from >3.0x; management committed to capping this at **2.5x** despite global M&A. 3. **Market Dominance:** 27% of India's total cargo and 44% of container volumes; FY24 volume growth was **24%**, significantly outpacing the industry. 4. **Cash Flow Robustness:** Expected annual cash accruals of **>₹14,000 Cr** comfortably cover capex requirements of ₹11,000–15,000 Cr.
Rated Instruments	1. **Bank Loan Facilities:** ₹17,252 Cr
Key Observations	• **Operational Excellence:** Turnaround time (TAT) of **0.7 days** vs. national average of ~2 days. • **Revenue Diversification:** Mundra port concentration fell from 66% to **34%**; East Coast now contributes 43% of volumes. • **Cargo Stickiness: 60%** of cargo is under long-term/sticky contracts, ensuring cash flow predictability. • **Profitability:** Best-in-class EBITDA margins of **>60%** and PAT margin of **30%** (FY24). • **Governance Risk:** Rationale explicitly notes "pending regulatory investigations" as a potential downward sensitivity factor. • **Refinancing:** High reliance on foreign currency bonds (**64%** of debt), but mitigated by 25-30% natural hedge in USD revenues.
Investor Impact	• **Growth:** Strategic expansion into Haifa (Israel) and NQXT (Australia) diversifies geographic risk. • **Dilution Risk:** Acquisition of NQXT involves issuing **new equity shares** via preferential allotment to related parties to settle affiliate debt; monitor dilution impact on EPS. • **Leverage:** Strong balance sheet (Gearing at **0.85x**) provides significant headroom for future inorganic growth without equity raises for cash.
Agency / Cross Analysis	**Same Agency (CRISIL):** The rating remains unchanged at the highest possible grade. The key evolution is the agency's acceptance of the **Australia acquisition structure**. CRISIL views the settlement of US$2.2B affiliate debt through equity/internal accruals as credit-neutral/positive as it prevents external debt spikes. **Conclusion: Improvement.** Financial metrics (Interest coverage improved to 6.28x) and deleveraging from 3.0x to 2.25x Net Debt/EBITDA justify the "Stable AAA" despite geopolitical tensions.
Final Inference	**Real Improvement.** This is a "Fortress Balance Sheet" signal. APSEZ has successfully transitioned from a domestic port operator to a global infrastructure major while simultaneously *reducing* leverage, making it a rare high-growth/low-credit-risk equity play.

Financial Snapshot (FY24): * **Revenue:** ₹26,978 Cr (↑28% YoY) * **PAT:** ₹8,104 Cr (↑50% YoY) * **Adjusted Gearing:** 0.85x (vs 1.08x in FY23) * **Interest Coverage:** 6.28x (expected to exceed 7.0x in medium term)