Adani Ports & Special Economic Zone Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**APSEZ has transitioned into a dominant "Transport Utility" with a high-moat business model where 56% of cargo is "tied-in" via take-or-pay contracts.**	□Positive
2	**Revenue grew 28.10% YoY to □26,711 Cr, driven by inorganic expansion and successful geographic diversification with non-Mundra domestic cargo reaching 56%.**	□Positive
3	**Operating Profit Margins expanded to 58%, supported by high-margin logistics integration and improved operational efficiencies.**	□Positive
4	**Net Profit of □8,104 Cr was achieved alongside a significant improvement in asset efficiency, with debtor days reducing from 69 to 50.**	□Positive
5	***Aggressive deleveraging resulted in a 3,964 Cr reduction in total debt, bringing the Debt/Equity ratio down to 0.94x and Net Debt/EBITDA to 2.3x.***	□Positive
6	**Cash Flow from Operations (CFO) reached □15,018 Cr, representing a superior cash conversion rate of 1.85x of PAT, enabling self-funded growth.**	□Positive
7	***Capital allocation remains focused on growth with 10,936 Cr in CWIP; however, 1,519 Cr of this capital has been stagnant for over 3 years, dragging on ROCE.***	□Negative
8	***Earnings quality is bolstered by high cash conversion but slightly diluted by the capitalization of 155 Cr in interest and 58 Cr in depreciation into CWIP.***	□Neutral
9	***Governance is on an improving trajectory (8/10 rating) with a professional CEO and 50% independent board, though RPTs at 5.69% and ecosystem financing persist.***	□Neutral
10	***Material risks include 56% of bank balances (3,420 Cr) being pledged as margin money and 1,093 hectares of land pending registration.***	□Negative
11	**The outlook is centered on achieving 2030 capacity targets, with the commissioning of Vizhinjam Port and conversion of CWIP to fixed assets as key catalysts.**	□Positive
12	**Stance: ACCUMULATE; monitor for Net Debt/EBITDA exceeding 3.5x or further delays in the commissioning of stagnant capital projects.**	□Positive

1. BUSINESS OVERVIEW

- **Business Segments:** Operates as an "Integrated Transport Utility" providing end-to-end logistics solutions, including Port Operations, Marine Services, Logistics (Rail & Warehousing), and Special Economic Zones (SEZ).
- **Revenue Drivers:** Driven by cargo volumes (container, dry bulk, liquid, and gas), "take-or-pay" contract charges, marine service fees, and rail evacuation services.

- **Cost Drivers:** Major costs include manufacturing/operating expenses (27.24% of sales), employee benefits, fuel/power for port equipment, and significant depreciation/finance costs from heavy infrastructure assets.
- **Industry Position:** India's largest private port operator with a growing global footprint; currently transitioning from a domestic leader to a global geopolitical infrastructure player.
- **Expansion Plans:** Targeting 1 Billion MT of cargo capacity by 2030; focusing on the IMEC corridor and international O&M contracts (e.g., Tanzania, Oman).
- **Acquisitions:** Recent full-year consolidation of Haifa Port (Israel) and Karaikal Port; aggressive inorganic pipeline indicated by a spike in acquisition advances to ₹2,851.40 Cr.
- **Capacity Additions:** Significant focus on Vizhinjam (India's first semi-automated transshipment port) and Haldia terminal; CWIP stands at ₹10,936.09 Cr.
- **Segment Performance:** Non-Mundra domestic cargo now accounts for 56% of total volumes, successfully de-risking the portfolio from over-reliance on the flagship Mundra port.
- **Geographical Presence:** Balanced East Coast-West Coast parity (43:57) in India; international presence in Israel (Haifa), Sri Lanka, and East Africa.

2. MANAGEMENT COMMENTARY & OUTLOOK

- **Strategic Pivot:** Formalization of the "Integrated Transport Utility" model to control the entire movement of cargo from "factory gate to ship's hold."
- **Cargo Stickiness:** 56% of cargo is now "tied-in" through bundled services (marine, rail, warehousing), reducing volume volatility.
- **Logistics Flywheel:** Expansion into Agri-silos (1.2 MMT) and 12 Multi-Modal Logistics Parks (MMLPs) to dictate cargo flow toward APSEZ-owned ports.
- **Vision 2030:** Doubling down on the 1 Billion MT target, signaling continued aggressive inorganic growth and brownfield expansion.
- **Leadership Institutionalization:** Transition of Karan Adani to MD and appointment of Ashwani Gupta (ex-Nissan) as CEO to move toward a global-corporate structure.
- **Transshipment Strategy:** Vizhinjam Port is positioned to capture Indian transshipment cargo currently handled by international hubs like Colombo.
- **Digitalization:** Launch of the Integrated Transport Utility Platform (ITUP) to increase customer switching costs through real-time visibility.
- **ESG Leadership:** Targeting Net Zero by 2040 and Carbon Neutrality for port operations by 2025 to lower the cost of international capital.
- **De-leveraging Focus:** Emphasis on reducing Net Debt/EBITDA to 2.3x and maintaining the AAA credit rating to rebuild investor trust.
- **Management Tone:** Confident, Institutional, and Resilient. Management has moved from a defensive "crisis management" mode in early 2023 to an offensive "market dominance" mode in 2024, leaning heavily into the "National Interest" narrative and global scaling.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2024	Mar 2023
Sales -	26,711.00	20,852.00
Sales Growth %	28.10	21.81
Expenses -	11,121.00	9,905.00
Material Cost % -	0.00	0.00
Raw material cost	0.00	0.00
Manufacturing Cost %	27.24	27.66
Employee Cost %	7.11	5.66
Other Cost %	7.29	14.18
Operating Profit	15,589.00	10,947.00
OPM %	58.00	52.00
Other Income -	671.00	327.00
Exceptional items	-820.00	-1,213.00
Other income normal	1,491.00	1,540.00
Interest	2,733.00	2,363.00
Depreciation	3,888.00	3,425.00
Profit before tax	9,639.00	5,487.00
Tax %	16.00	2.00
Net Profit -	8,104.00	5,391.00
Profit from Associates	0.00	0.00
Minority share	7.00	-82.00
Exceptional items AT	-762.00	-997.00
Profit excl Excep	8,866.00	6,388.00
Profit for PE	8,873.00	6,291.00
Profit for EPS	8,111.00	5,309.00
Profit Growth %	41.00	20.00
EPS in Rs	37.55	24.58
Dividend Payout %	16.00	20.00

Balance Sheet (₹Crores)

Line Item	Mar 2024	Mar 2023
Equity Capital	432.00	432.00
Reserves	52,346.00	44,957.00
Borrowings -	49,470.00	53,434.00
Long term Borrowings	37,663.00	46,517.00
Short term Borrowings	8,616.00	4,001.00
Lease Liabilities	3,024.00	2,749.00
Preference Capital	304.00	292.00
Other Borrowings	-137.00	-126.00
Other Liabilities -	14,751.00	13,740.00
Non controlling int	1,598.00	1,361.00
Trade Payables	1,912.00	2,296.00
Advance from Customers	885.00	884.00
Other liability items	10,355.00	9,198.00
Total Liabilities	116,999.00	112,563.00
Fixed Assets -	75,148.00	72,224.00
Land	12,567.00	11,455.00
Building	11,552.00	17,530.00
Plant Machinery	19,193.00	17,933.00
Ships Vessels	5,016.00	4,613.00
Equipments	583.00	571.00
Computers	193.00	186.00
Furniture n fittings	282.00	322.00
Railway sidings	3,612.00	2,911.00
Vehicles	2,359.00	1,948.00
Intangible Assets	13,467.00	13,418.00
Other fixed assets	24,181.00	16,044.00
Gross Block	93,006.00	86,930.00
Accumulated Depreciation	17,858.00	14,707.00
CWIP	10,936.00	6,637.00
Investments	4,289.00	7,432.00
Other Assets -	26,627.00	26,271.00
Inventories	438.00	452.00
Trade receivables -	3,667.00	3,957.00
Receivables over 6m	524.00	615.00
Receivables under 6m	3,338.00	3,533.00
Prov for Doubtful	-195.00	-191.00

Line Item	Mar 2024	Mar 2023
Cash Equivalents	7,632.00	4,334.00
Loans n Advances	274.00	295.00
Other asset items	14,616.00	17,233.00
Total Assets	116,999.00	112,563.00

Cash Flow Statement (Crores)

Line Item	Mar 2024	Mar 2023
Cash from Operating Activity -	15,018.00	11,900.00
Profit from operations	16,299.00	13,621.00
Receivables	-330.00	-748.00
Inventory	8.00	-67.00
Payables	-620.00	133.00
Loans Advances	0.00	0.00
Other WC items	932.00	-192.00
Working capital changes	-10.00	-874.00
Direct taxes	-1,272.00	-847.00
Cash from Investing Activity -	-6,947.00	-16,716.00
Fixed assets purchased	-7,416.00	-9,141.00
Fixed assets sold	27.00	204.00
Investments purchased	-114.00	-321.00
Investments sold	3,305.00	201.00
Interest received	969.00	1,461.00
Dividends received	214.00	0.00
Investment in group cos	-419.00	-1,209.00
Redemp n Canc of Shares	248.00	0.00
Acquisition of companies	-3,102.00	-13,222.00
Inter corporate deposits	0.00	0.00
Other investing items	-658.00	5,310.00
Cash from Financing Activity -	-7,800.00	-2,734.00
Proceeds from shares	0.00	0.00
Redemption of debentures	0.00	0.00
Proceeds from borrowings	1,930.00	7,446.00
Repayment of borrowings	-6,059.00	-7,101.00
Proceeds from deposits	0.00	0.00
Interest paid fin	-2,809.00	-2,371.00
Dividends paid	-1,080.00	-1,093.00
Financial liabilities	-48.00	-53.00
Other financing items	265.00	438.00
Net Cash Flow	271.00	-7,550.00
Free Cash Flow	7,628.00	2,962.00
CFO/OP	104.00	116.00

Key Ratios (₹Crores)

Line Item	Mar 2024	Mar 2023
Debtor Days	50.00	69.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	50.00	69.00
Working Capital Days	-101.00	-56.00
ROCE %	13.00	10.00

3.2 Financial Analysis Summary

- **Revenue** grew by **28.10%** to **₹26,711.00 Cr**, significantly driven by the full-year consolidation of Haifa and Karaikal ports, while **Operating Profit** margins expanded to **58.00%** due to high-quality "take-or-pay" charges that mitigate volume volatility.
- **Net Profit** increased by **50.32%** to **₹8,104.00 Cr**, translating into a robust **ROE** of **15.36%**, despite **Exceptional items** of **-₹820.00 Cr** and the capitalization of **₹155.38 Cr** in **Finance Cost**, which temporarily inflates current earnings by deferring interest expenses to the **Balance Sheet**.
- **Depreciation** rose to **₹3,888.00 Cr** following a **15.56%** increase in **Fixed Assets**, though margins were supported by the capitalization of **₹58.58 Cr** in project-related depreciation into **CWIP** and the use of a long 50-year useful life for marine structures.
- **Trade Receivables** decreased to **₹3,667.00 Cr** despite higher **Revenue**, aided by the clearance of **₹699.12 Cr** in bills discounting, which improved **Debtor Days** from **69** to **50** and boosted **CFO** by reducing the working capital drag.
- **Working Capital** efficiency is highlighted by **Working Capital Days** of **-101.00**, yet a forensic risk exists as **₹215.82 Cr** of **Trade Receivables** are aged over 3 years and the Group continues to act as a financier by charging 7.5%-10% interest on extended credit to related parties.
- **Total Debt** reduced to **₹49,470.00 Cr** from **₹53,434.00 Cr**, improving the **Debt/Equity** ratio to **0.94**, while **Interest Coverage** strengthened to **4.53x**, reflecting a shift toward internal accruals for funding despite a spike in **Short term Borrowings** to **₹8,616.00 Cr**.
- **Cash from Operating Activity** of **₹15,018.00 Cr** remains exceptionally strong, covering **1.85x** of **Net Profit**, which allowed the company to fund **₹7,416.00 Cr** in **Capex** and still generate a positive **Free Cash Flow** of **₹7,628.00 Cr**.
- **CWIP** surged by **64.78%** to **₹10,936.00 Cr**, indicating a massive expansion phase, although **₹1,519.42 Cr** has been stagnant for over 3 years, posing a risk to future **ROCE** if these legacy projects fail to commission promptly.
- **Other Assets** reveal an aggressive inorganic pipeline with **Advance for Acquisition** jumping from **₹220.00 Cr** to **₹2,851.40 Cr**, while liquidity is tighter than the **₹7,632.00 Cr Cash Equivalents** suggest, as **₹3,420.24 Cr** is pledged as margin money.
- **Intangible Assets** of **₹13,467.00 Cr** consist largely of port concession rights amortized over 30 years, carrying a terminal value of zero, which necessitates high future **Revenue** growth to justify the current **Total Assets** base of **₹116,999.00 Cr**.
- **Investments** decreased to **₹4,289.00 Cr** as the Group liquidated **₹3,305.00 Cr** of holdings to optimize the **Balance Sheet**, including a **₹286.33 Cr** exit from an ARC investment that provided a one-time liquidity boost.

- The Group utilizes "Hedge Accounting" to designate foreign currency **Borrowings** against forecast **Revenue**, a practice that protects the P&L from exchange volatility but risks recycling losses from equity if cargo volumes drop below "highly probable" levels.
- **Other Assets** analysis shows **Capital Advances** of **₹3,317.94 Cr** (including **₹830.89 Cr** to government authorities for land) which are non-liquid and dependent on allotment timelines.
- **Other Expenses** were impacted by **₹820 Cr** in exceptional losses, though core **Operating Profit** remained resilient due to a reduction in "Other Costs" from 14.18% to 7.29% of sales.
- **Overall Synthesis:** Adani Ports demonstrated a year of aggressive inorganic scaling and margin expansion, where robust **CFO** and improved **ROCE** of **13.00%** successfully supported a reduction in **Total Debt**, although the ballooning **CWIP** and high volume of pledged cash suggest that future capital efficiency depends heavily on the timely execution of long-gestation projects.

3.3 Contingent Liabilities & Commitments

- **Capital Commitments:** ₹10,936.09 Cr related to ongoing CWIP projects.
- **Stalled Projects:** ₹1,519.42 Cr of CWIP has been outstanding for more than 3 years, suggesting execution bottlenecks in legacy projects.
- **Land Title Risk:** 1,093.53 hectares of reclaimed land are pending registration in the Company's name, creating legal and valuation risks.
- **Guarantees:** Margin money deposits of ₹3,420.24 Cr are pledged against bank guarantees and LCs, restricting 56% of "Other Bank Balances."

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — high cash conversion; CFO of ₹15,018 Cr significantly exceeds PAT of ₹8,104 Cr.	□	PAT ₹8,104 Cr; CFO ₹15,018 Cr	CFO/OP ratio at 104% indicates high quality of earnings and cash collection.
2	Receivables & channel-stuffing signal	Revenue ↑ — high quality growth; receivables fell 7.3% despite 28.1% sales growth.	□	Sales ₹26,711 Cr (+28%); Receivables ₹3,667 Cr (-7.3%)	Debtor days improved from 69 to 50; no evidence of aggressive channel stuffing.
3	Revenue timing (unbilled / contract assets)	Revenue ↑ — improved billing efficiency; contract assets halved to ₹190.39 Cr, accelerating cash.	□	Contract assets ₹190.39 Cr (vs ₹370.68 Cr)	Note 8(b) shows a significant reduction in unbilled revenue, suggesting faster project billing.
4	Revenue from related parties %	Revenue ↑ — ecosystem financing; extended credit to related parties at 7.5-10% interest rates.	□	Interest income on credit: 7.5% to 10%	Note 6(b) confirms the Group acts as a financer to its ecosystem via credit.
5	Inventory vs revenue growth	Neutral — service model; inventory is only stores/spares and fell 3% vs sales growth.	□	Inventory ₹438 Cr (vs ₹452 Cr); Sales +28%	Note 9 confirms inventory is limited to fuel and spares, typical for port services.
6	Inventory valuation method change	Neutral — consistent policy; moving weighted average cost used for stores and spares valuation.	□	Note 2.3(m)	No change in valuation policy; custom duty included in bonded warehouse item costs.
7	Exceptional items in operating profit	Profit ↓ — non-recurring charges; ₹820 Cr exceptional loss reduces PAT but not OPM.	□	Exceptional items: -₹820 Cr	Exceptional items are presented below Operating Profit, maintaining transparency in core performance.
8	Depreciation rate vs useful life policy	Profit ↑ — aggressive useful life; 50-year life for marine structures reduces annual depreciation.	□	Marine structures life: 50 years	Note 2.3(h) uses long amortization periods; ₹58.58 Cr depreciation was capitalized into CWIP.
9	Provision reversals boosting PAT	Profit ↓ — conservative provisioning; allowance for ECL increased slightly to ₹194.93 Cr.	□	ECL Allowance ₹194.93 Cr (vs ₹191.11 Cr)	No evidence of PAT boosting via provision reversals; provisioning remains steady despite growth.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — tax efficiency; 16% effective rate remains below statutory due to SEZ.	□	P&L Tax 16%; Cash Tax ₹1,272 Cr	Tax rate increased from 2% to 16% as tax holiday benefits begin to expire.
11	CWIP age and stalling projects	Profit ↓ — capital inefficiency; ₹1,519 Cr CWIP aged over 3 years delays asset returns.	□	CWIP > 3 years: ₹1,519.42 Cr	Note 3(e) shows 14% of CWIP is aged, suggesting potential delays in project commissioning.
12	Deferred tax asset recognition adequacy	Neutral — tax normalization; effective tax rate increased to 16% as tax holidays expire.	□	Tax %: 16% (FY24) vs 2% (FY23)	The increase in tax rate reflects the transition out of tax-exempt status for units.
13	RPT quantum and trend	Neutral — declining exposure; loans and advances to related parties decreased in FY 2024.	□	Loans to JVs: ₹205.01 Cr (vs ₹300.33 Cr)	Note 6(b) and 32 show a downward trend in direct financial support to related parties.
14	Dividend paid vs FCF adequacy		□	FCF ₹7,628 Cr; Dividends ₹1,080 Cr	

#	Check	Impact	Status	Evidence	Notes Detail
		Neutral — strong coverage; FCF of □7,628 Cr easily covers □1,080 Cr dividend.			Dividend payout is conservative at 16%, leaving ample cash for aggressive inorganic expansion.
15	Hedge Accounting Risks	Profit ↑↓ — potential recycling of losses; USD borrowings hedged against forecast sales.	□	Note 2.4(B)(vi)	If cargo volumes drop, exchange losses parked in OCI must be recycled to P&L.
16	Consolidation Judgments	Neutral — de facto control; consolidation of entities with <50% equity (e.g., Mundra Solar).	□	Note 2.4(A)(i)	Auditor evaluates control via board representation or receivables despite low equity.
17	Terminal Value Uncertainty	Profit ↑ — depreciation proxy; DRV for Gujarat ports is "not determinable."	□	Note 2.3(h)	Group uses carrying value as proxy for DRV, risking lower-than-expected terminal payouts.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type:** Unqualified.
- **KAM 1: Impairment of Goodwill/Non-financial Assets:** Auditor flagged subjectivity in DCF models for CGUs, specifically sensitivity to discount rates and terminal growth assumptions.
- **KAM 2: Hedge Accounting for Forecast Sales:** Auditor monitors the "highly probable" nature of USD revenues. If cargo volumes underperform, exchange losses currently parked in Equity (OCI) must be recycled to the P&L.
- **KAM 3: Consolidation Judgments:** Auditor evaluated "de facto" control assessments for entities like Mundra Solar Technopark where APSEZ holds <50% equity but claims control via board representation or significant receivables.

B. Related Party Transactions

Party	Relationship	Nature	Amount (□ Cr)	Concern
Adani Total Pvt Ltd	Joint Venture	Investment	1,303.41 Cr	**Significant capital lock-in in non-core JV**
Joint Ventures	JVs	Loans (Current)	205.01 Cr	***Direct financial support to entities not fully controlled***
Various Related Parties	Group Entities	Interest on Credit	7.5% - 10%	***Acting as a financier to the broader Adani ecosystem***
Related Parties	Group Entities	Advances	12.55 Cr	Minor operational advances

- **RPT Verdict:** Monitor □ While direct loans have moderated, the use of "extended credit terms" (charging 7.5%-10% interest) as a financing tool for the Adani ecosystem remains a governance overhang.

C. Shareholding

Shareholding Pattern	Mar 2024 (%)	Mar 2023 (%)
Promoters	65.89	65.13
FIIs	14.72	17.98
DIIs	11.94	13.11
Public	7.45	3.78

D. Board Composition + KMP Compensation

- **Total Directors:** 10 | **Independent %:** 50.00% | **Women Directors:** 1 (10.00%).
- **KMP Compensation:**
  - **Ashwani Gupta (CEO):** □3.06 Cr (0.019% of EBITDA).
  - **Karan Adani (MD):** □5.40 Cr (Prior Year).
- **Family Presence:** Gautam S. Adani, Rajesh S. Adani, and Karan Adani serve on the board/management.
- **Alignment:** 30% of KMP pay is aligned with organizational performance (Revenue, EBITDA, ROCE).

F. Capital Allocation & Capex

Action	FY Current (□Cr)	FY Prior (□Cr)	% of CFO	Signal
Dividends	1,080.00 Cr	1,093.00 Cr	7.19%	□
Capex (Fixed Assets)	7,416.00 Cr	9,141.00 Cr	49.38%	
Acquisitions	3,102.00 Cr	13,222.00 Cr	20.65%	
Net Debt Change	-3,964.00 Cr	5,499.00 Cr	-26.39%	**Positive**
Interest Payments	2,809.00 Cr	2,371.00 Cr	18.70%	□
Impairments	820.00 Cr	1,213.00 Cr	5.46%	

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex:** Ratio of **2.02** indicates the company can fully self-fund maintenance and growth capex.
  - **Nature of Capex:** Growth-oriented; **CWIP surged 64.78% to □10,936.09 Cr**, driven by Vizhinjam and Haldia.
  - **Deployment Efficiency:** Revenue grew 28.10% vs a 6.98% increase in Gross Block, suggesting high incremental asset turnover.
  - **Key Takeaways:** **□1,519.42 Cr of CWIP is aged >3 years**, signaling execution bottlenecks in legacy projects.

H. Risks

- ***Climate Change:*** High cost of damage and adaptation for 4 vulnerable ports (Mundra, Hazira, Dhamra, Krishnapatnam) due to sea-level rise. □High
- ***Regulatory:*** Changes in government policies or trade regulations could disrupt trade flows and credit ratings. □High
- **Debt Repayment:** Net Debt/EBITDA improved to 2.3x; □9,817 Cr cash covers 12-month obligations. □Low
- ***Land Title:*** 1,093.53 hectares of reclaimed land pending registration creates legal and valuation risks. □High

- ***CWIP Stalling:*** □1,519.42 Cr stuck in CWIP for >3 years drags down ROCE. □Medium
- **Liquidity Restriction: □3,420.24 Cr of cash is pledged as margin money**, meaning 56% of bank balances are not freely available.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	5	→	56% tied-in cargo; East-West parity	Strong moat through integrated logistics and geographic diversification.
Financial Health	4	↑	D/E 0.94x; CFO □15,018 Cr > PAT	Significant deleveraging and strong cash flow generation.
Earnings Quality	4	→	CFO/PAT 1.85x; Unqualified audit	High cash conversion offset by aggressive depreciation and interest capitalization.
Management & Governance	3	↑	50% Independent Board; RPTs < 6%	Improving transparency and institutionalization, but ecosystem financing remains.
Capital Allocation & Earnings Visibility	4	→	ROCE 13%; CWIP □10.9k Cr	Disciplined capex funded by CFO, though legacy CWIP ageing is a drag.

BUSINESS POSITIVES (for this company this year) * □**Strong Cash Conversion: CFO of □15,018 Cr** represents 1.85x of Net Profit, allowing for self-funded growth. * □**De-leveraging:** Reduced **Total Debt by □3,964 Cr**, bringing **Debt/Equity down to 0.94x**. * □**Operational Diversification: Non-Mundra domestic cargo reached 56%**, reducing regional concentration risk. * □**Margin Expansion: Operating Profit Margin** expanded to **58%** due to high-margin "take-or-pay" contracts. * □**Asset Efficiency: Debtor Days improved from 69 to 50**, reflecting better collection and billing cycles.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Stalled Capital: □1,519.42 Cr of CWIP** has been stagnant for over 3 years, dragging down potential ROCE. * □**Liquidity Encumbrance: 56% of bank balances (□3,420.24 Cr)** are pledged as margin money and are not freely available. * □**Ecosystem Financing:** The Group continues to act as a financier to related parties, charging **7.5%-10% interest** on extended credit. * □**Title Risk: 1,093.53 hectares of land** remain pending registration, posing a long-term legal hurdle. * □**Aggressive Accounting:** Capitalization of **□155.38 Cr in interest** and **□58.58 Cr in depreciation** into CWIP inflates current PAT.

OVERALL SCORECARD SUMMARY Adani Ports has demonstrated a strong financial recovery, characterized by robust cash flow generation and significant debt reduction. The business model is evolving into a high-moat "Transport Utility" with diversified revenue streams that mitigate regional risks. While governance and transparency are on an improving trajectory with the appointment of professional leadership, the company still maintains complex financial linkages with the broader Adani ecosystem. Overall, the business is on a **stable to improving** trajectory, supported by strong operational performance and a clear path toward its 2030 capacity targets.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion for FY24
2	Promoter pledge = 0?	□	Not explicitly disclosed in snippet (Monitor)
3	KMP pay < 5% of PAT?	□	CEO pay □3.06 Cr is < 0.1% of PAT
4	RPT quantum < 5% of revenue?	□	Identifiable RPTs at 5.69% (slightly above 5% threshold)
5	Board > 50% independent?	□	50% (5 out of 10 directors)
6	At least 1 woman director?	□	1 woman director (10%)
7	No statutory dues outstanding?	□	None reported as significant
8	No fraud reported?	□	No fraud reported in the audit summary
9	Audit trail enabled?	□	Confirmed in statutory reports
10	Frequent Auditor change	□	No change reported in FY24
Final line: "Total: 8/10 □— Governance Rating: 4"			

Part C: Investor Verdict

THESIS: APSEZ is a dominant infrastructure play transitioning into a global logistics utility with superior cash flow generation and a widening competitive moat. **OVERALL STANCE:** ACCUMULATE **RATIONALE:** Strong operational de-risking and deleveraging outweigh the lingering governance overhang of the broader group ecosystem. **RE-EVALUATE WHEN:** Net Debt/EBITDA exceeds 3.5x or if Vizhinjam Port commissioning is delayed beyond FY25. **BULL CASE:** Successful capture of 15% of Indian transshipment cargo from Colombo, driving ROCE toward 18%. **BEAR CASE:** Geopolitical disruption at Haifa Port or regulatory intervention in tariff structures at Mundra. **KEY MONITORABLE:** CWIP to Fixed Asset conversion: Current CWIP □10,936 Cr → Watch for □5,000 Cr+ commissioning in FY25.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Aggressive inorganic expansion (□13,222 Cr) funded by debt and cash depletion.	Disciplined deleveraging (Debt reduced by □3,964 Cr) with growth funded by internal accruals.	The pivot from debt-fueled acquisitions to self-funded growth indicates a strategic shift toward balance sheet fortification.
Working Capital	Receivables grew 45.9% (2x revenue growth), signaling aggressive credit or collection lag.	Receivables fell 7.3% despite 28.1% revenue growth, with debtor days dropping from 69 to 50.	The drastic reversal in receivable trends suggests a significant cleanup of revenue recognition practices or aggressive collection of overdue balances.
Margin Trajectory	Operating Profit Margin at 52% with massive impairments (Myanmar) impacting PAT.	Operating Profit Margin expanded to 58% due to high-margin "take-or-pay" contracts.	Margin expansion driven by "tied-in" cargo reflects increased pricing power and successful integration of higher-margin logistics services.
Audit & Governance	Qualified Opinion and Material Weakness in IFC regarding short-seller allegations.	Unqualified Opinion with a focus on institutionalization and professional CEO appointment.	The transition to an unqualified audit opinion is a critical forensic milestone in rebuilding institutional credibility and reducing tail risk.
Management Tone	Defensive and reactive, focused on "crisis management" and liquidity preservation.	Offensive and confident, leaning into "National Interest" and "Market Dominance" narratives.	Management has successfully pivoted from reputational defense to an aggressive global scaling narrative.

7.2 Persistent Patterns

- **Stalled Capital (CWIP):** A significant portion of capital (□1,519 Cr) remains stagnant in CWIP for over 3 years, indicating persistent execution bottlenecks in legacy projects like Vizhinjam.
- **Ecosystem Financing:** The company consistently acts as a financier to the broader Adani ecosystem by providing extended credit terms and charging 7.5%-10% interest on related-party balances.
- **Land Title Risk: Over 1,000 hectares of reclaimed land remain pending registration**, representing a multi-year legal and valuation overhang that management has yet to resolve.
- **High Operating Moat:** The business maintains a structural advantage through "take-or-pay" contracts and integrated logistics, consistently delivering industry-leading EBITDA margins.
- **Hedge Accounting Subjectivity: The recurring use of hedge accounting to park FX volatility in OCI** remains a key tool for smoothing P&L earnings, contingent on "highly probable" future USD revenues.
- **Liquidity Encumbrance:** A high percentage of cash (56% in the current year) remains consistently pledged as margin money, restricting the actual "free" liquidity available for operations.
- **Geographic Diversification:** There is a sustained and successful trend of de-risking the portfolio away from the flagship Mundra port toward a balanced East-West coast parity.