Adani Ports & Special Economic Zone Ltd — FY 2026 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 achieved a critical operational milestone of 500 MMT cargo volume, transitioning into an integrated intelligence platform with a dominant moat in India's trade infrastructure.**	□
2	**Revenue grew 27.11% YoY to □38,736 Cr, driven by successful diversification where non-port revenue now contributes over 20% of the total mix.**	□
3	***PAT margins compressed to 33% as an 83.81% surge in finance costs (4,654 Cr) offset robust top-line gains and operational efficiencies.***	□
4	**Cash from Operations remains strong at □20,356 Cr (CFO/PAT of 1.59), though the conversion of earnings to cash is being tested by aggressive accounting choices.**	□
5	***Net debt profile is characterized by a D/E of 0.75x and a declining Interest Coverage Ratio of 4.23x, though refinancing risk is mitigated by extending debt maturity to 5.4 years.***	□
6	***Liquidity is constrained with 31.9% of cash (2,710.29 Cr) pledged as margin money, limiting the company's immediate operational flexibility.***	□
7	***Aggressive capital allocation is evident in the 15,320 Cr capex, resulting in a 45% decline in Free Cash Flow and a lag in asset turnover and ROCE.***	□
8	***Earnings quality is deteriorating as evidenced by a 110% spike in contract assets (unbilled revenue) and 18% of trade receivables remaining outstanding for over six months.***	□
9	***Governance remains structurally sound with a 50% independent board, yet persistent related-party concerns remain as loans to JVs increased 44% to 1,014.92 Cr.***	□
10	***Balance sheet vulnerability is high with 9,735.82 Cr in Goodwill and 518.99 Cr in stalled CWIP (>3 years), posing significant impairment risks if global trade or geopolitical conditions sour.***	□
11	**The outlook hinges on the successful ramp-up of international hubs like Haifa and Colombo to double FCF by FY28, offset by high concentration risk at Mundra Port.**	□
12	**Investment View: ACCUMULATE; the structural "shore-to-door" moat justifies the position, but investors must monitor the conversion of unbilled revenue and interest coverage levels.**	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** APSEZ has transitioned from a domestic port operator to a global "Logistics Utility," integrating port operations, logistics, and SEZ (Special Economic Zone) activities.
- **Revenue Drivers:** Growth is driven by a "shore-to-door" model, with non-port revenue now exceeding 20% of the total mix. "Take-or-Pay" contractual floors provide a revenue cushion against volume volatility.

- **Cost Drivers:** Key costs include employee expenses (6.08% of sales), finance costs (surging 83.81% due to debt-funded expansion), and high recurring maintenance capex for dredging (pipes have a short 1.5-year life).
- **Industry Position:** APSEZ is India’s largest private port operator, having crossed the 500 MMT cargo milestone. It is positioning itself as a strategic national asset aligned with "PM Gati Shakti."
- **Expansion Plans:** Targeting 1 Billion Metric Tonnes by FY31. Expansion is focused on international transshipment hubs and domestic capacity unlocking via AI-led technology.
- **Acquisitions:** Recent major acquisitions include APPH (Abbot Point) and Astro Group, which added □2,642.23 Cr to Goodwill in FY26.
- **Capacity Additions:** Vizhinjam (India’s first ship-to-ship LNG bunkering port) is now operational. Technology (NAVIS/IPOS) has unlocked ~10% additional capacity without new physical capex.
- **Segment Performance:** International assets like Colombo (CWIT) handled 1M TEUs in Year 1; Dar es Salaam (Tanzania) saw vessel wait times reduced from 8.9 to 4.6 days.
- **Geographical Presence:** Operations span 19 ports globally, including significant footprints in Israel (Haifa), Sri Lanka, Tanzania, and Australia (NQXT).

2. MANAGEMENT COMMENTARY & OUTLOOK

- The strategic vision has shifted from "liquidity preservation" to "technological dominance," aiming to decouple growth from physical footprint expansion through AI.
- Management is aggressively executing a "shore-to-door" model to capture a higher share of the logistics value chain, utilizing a platform-based trucking system with 40,000+ third-party vehicles.
- The "Viksit Bharat" and "PM Gati Shakti" alignment serves as a strategic regulatory hedge, positioning the company as a critical component of national infrastructure.
- Debt maturity has been successfully extended from 4.3 to 5.4 years, supported by $585M in bond buybacks to create a "fortress balance sheet."
- Project SETU aims to align 75% of the value chain with BRSR Core by 2030, intended to institutionalize transparency and digitalize the audit net for suppliers.
- Management highlights the operational resilience of the Haifa port despite regional conflict, signaling a high tolerance for geopolitical risk.
- Internal carbon pricing of $20/mtCO2e has been instituted to prepare for future regulatory costs and favor the company's electrified fleet.
- The long-term vision remains focused on becoming the world's largest port developer and operator by 2030, driven by the "AI-driven Strategic Command Centre."
- Management Tone: The tone is **"Offensively Nationalistic"** and highly confident. By explicitly aligning corporate strategy with national development goals and aggressively de-risking the debt profile, management is signaling a transition from a high-growth insurgent to a dominant, stable "Intelligent Utility." The focus on technological capacity unlocking suggests a sophisticated shift toward margin-accretive growth rather than just asset accumulation.

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 2026	Mar 2025
Sales -	38,736.00	30,475.00
Sales Growth %	27.11	14.09
Expenses -	15,884.00	12,335.00
Material Cost % -	0.00	0.00
Raw material cost	0.00	0.00
Manufacturing Cost %	0.00	27.14
Employee Cost %	6.08	6.60
Other Cost %	34.93	6.73
Operating Profit	22,851.00	18,141.00
OPM %	59.00	60.00
Other Income -	2,169.00	1,800.00
Exceptional items	-208.00	362.00
Other income normal	2,376.00	1,438.00
Interest	4,654.00	2,532.00
Depreciation	5,517.00	4,379.00
Profit before tax	14,849.00	13,030.00
Tax %	14.00	15.00
Net Profit -	12,782.00	11,061.00
Profit from Associates	0.00	0.00
Minority share	24.00	31.00
Exceptional items AT	-175.00	300.00
Profit excl Excep	12,957.00	10,761.00
Profit for PE	12,982.00	10,792.00
Profit for EPS	12,806.00	11,092.00
Profit Growth %	20.00	22.00
EPS in Rs	55.58	51.35
Dividend Payout %	13.00	14.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	461.00	432.00
Reserves	95,665.00	61,837.00
Borrowings -	63,399.00	51,621.00
Long term Borrowings	50,424.00	35,831.00
Short term Borrowings	4,679.00	9,979.00
Lease Liabilities	8,296.00	5,644.00
Preference Capital	0.00	316.00
Other Borrowings	0.00	-149.00
Other Liabilities -	25,790.00	19,553.00
Non controlling int	2,856.00	2,538.00
Trade Payables	2,736.00	2,720.00
Advance from Customers	0.00	753.00
Other liability items	20,198.00	13,541.00
Total Liabilities	185,315.00	133,443.00
Fixed Assets -	131,669.00	89,616.00
Land	0.00	16,092.00
Building	0.00	12,596.00
Plant Machinery	0.00	23,469.00
Ships Vessels	0.00	7,297.00
Equipments	0.00	773.00
Computers	0.00	268.00
Furniture n fittings	0.00	291.00
Railway sidings	0.00	4,084.00
Vehicles	0.00	2,686.00
Intangible Assets	27,806.00	14,893.00
Other fixed assets	0.00	28,767.00
Gross Block	0.00	111,215.00
Accumulated Depreciation	0.00	21,599.00
CWIP	12,672.00	11,706.00
Investments	5,449.00	4,659.00
Other Assets -	35,525.00	27,461.00
Inventories	685.00	522.00
Trade receivables -	6,383.00	4,432.00
Receivables over 6m	0.00	954.00
Receivables under 6m	0.00	3,678.00
Prov for Doubtful	0.00	-200.00

Line Item	Mar 2026	Mar 2025
Cash Equivalents	8,484.00	6,606.00
Loans n Advances	7,220.00	251.00
Other asset items	12,753.00	15,650.00
Total Assets	185,315.00	133,443.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	20,356.00	17,226.00
Profit from operations	24,872.00	19,062.00
Receivables	-1,245.00	-451.00
Inventory	-164.00	-37.00
Payables	-180.00	88.00
Loans Advances	0.00	0.00
Other WC items	-1,413.00	30.00
Working capital changes	-3,002.00	-370.00
Direct taxes	-1,514.00	-1,465.00
Cash from Investing Activity -	-13,191.00	-9,788.00
Fixed assets purchased	-15,320.00	-8,049.00
Fixed assets sold	38.00	51.00
Investments purchased	-467.00	-71.00
Investments sold	0.00	0.00
Interest received	611.00	611.00
Dividends received	387.00	256.00
Investment in group cos	0.00	0.00
Issue of shares on acq	0.00	0.00
Redemp n Canc of Shares	2,195.00	249.00
Acquisition of companies	0.00	-5,400.00
Inter corporate deposits	0.00	0.00
Other investing items	-633.00	2,567.00
Cash from Financing Activity -	-5,483.00	-6,916.00
Proceeds from shares	0.00	0.00
Redemption of debentures	0.00	0.00
Proceeds from borrowings	15,911.00	3,913.00
Repayment of borrowings	-15,530.00	-6,774.00
Interest paid fin	-3,139.00	-2,578.00
Dividends paid	-1,535.00	-1,336.00
Financial liabilities	-632.00	-282.00
Other financing items	-558.00	142.00
Net Cash Flow	1,682.00	523.00
Free Cash Flow	5,074.00	9,228.00
CFO/OP	96.00	103.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	60.00	53.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	60.00	53.00
Working Capital Days	-21.00	-114.00
ROCE %	14.00	14.00

3.2 Financial Analysis Summary

- **Revenue** grew by **27.11%** to **₹38,736 Cr**, supported by "Take-or-Pay" contractual floors which mitigate volume volatility, though this growth led to a **44.02%** spike in **Trade Receivables** to **₹6,383 Cr** on the **Balance Sheet**.
- **Operating Profit** reached **₹22,851 Cr** with a resilient **OPM %** of **59%**, while **EBITDA** margin improved to **65.13%** due to higher "Infrastructure Premium" recognized upfront, although **PAT** margin compressed to **33%** from **36.3%** due to rising leverage costs.
- **Finance Cost** surged by **83.81%** to **₹4,654 Cr**, driven by a rise in **Total Debt** to **₹63,399 Cr** and a **165.79%** increase in capitalized borrowing costs to **₹280.68 Cr**, signaling massive funding for long-gestation projects not yet yielding **Revenue**.
- **Depreciation** increased to **₹5,517 Cr**, reflecting a **46.93%** expansion in **Fixed Assets** to **₹131,669 Cr**; notably, "Dredging Pipes" with a short 1.5-year life necessitate high recurring **Capex**, which reached **₹15,320 Cr** in the **Cash Flow Statement**.
- **Working Capital** deteriorated as **Debtor Days** rose to **60**, with **18.05%** of **Trade Receivables** (**₹1,188.18 Cr**) now outstanding for over 6 months, contributing to a **₹3,002 Cr** drain in the **CFO**.
- **Contract Assets** (unbilled revenue) more than doubled to **₹1,179.75 Cr**, indicating aggressive **Revenue** recognition ahead of billing milestones, which creates a lag in **CFO** despite high reported **Profit from operations** of **₹24,872 Cr**.
- **Intangible Assets** ballooned to **₹27,806 Cr**, primarily due to a **₹2,642.23 Cr** increase in **Goodwill** from the Abbot Point and Astro Group acquisitions, making the **Balance Sheet** increasingly reliant on non-amortizing assets.
- **CWIP** stands at **₹12,672 Cr**, but **₹518.99 Cr** has been stalled for over 3 years, suggesting potential "dead" capital that has not yet been impaired, while title risks persist for **1,093.53 hectares** of Mundra land pending registration.
- **Total Debt** of **₹63,399 Cr** is partially offset by **Cash Equivalents** of **₹8,484 Cr**, but liquidity is tighter than it appears with **₹2,710.29 Cr** in **Margin Money Pledged** and **₹4,242.82 Cr** in overdraft utilization.
- **Net Worth** jumped to **₹96,126 Cr** as **Reserves** were bolstered by a **₹21,452.21 Cr** increase in securities premium from the Abbot Point acquisition, which helped improve the **Debt/Equity** ratio to **0.75**.
- **CFO** of **₹20,356 Cr** remains strong relative to **Net Profit** (**CFO/PAT** of **1.59**), but high **Capex** of **₹15,320 Cr** reduced **Free Cash Flow** to **₹5,074 Cr**, a **45%** decline YoY, limiting the surplus available for **Dividends paid** (**₹1,535 Cr**).
- **ROCE** remained stable at **14%**, but **ROE** diluted to **13.30%** from **17.76%** as the massive equity base expansion from acquisitions outpaced the **20%** growth in **Net Profit**.

- **Related Party Transactions** show the Group acting as a financier, with **Loans to Joint Ventures** increasing **44.13%** to **₹1,014.92 Cr** and extended credit terms of **7.5%-10%** interest applied to these entities.
- **Other Assets** were impacted by **Capital Advances** nearly doubling to **₹3,393.57 Cr**, locking up cash in non-productive assets, while **Lease Receivables** of **₹1,883.95 Cr** provide long-term visibility but carry tenant credit risk.
- **Other Liabilities** include **0.01% Non-Cumulative Redeemable Preference Shares** (**₹166.53 Cr**) which carry a redemption premium of **₹247.68 Cr**, representing a future cash outflow not captured in the face value of debt.
- **The dominant financial theme of the year is aggressive, debt-fueled global expansion and acquisition-led growth, which has significantly strengthened the asset base and revenue potential but at the cost of compressed PAT margins, deteriorating working capital quality, and restricted operational liquidity.**

3.3 Contingent Liabilities & Commitments

- **Land Title Risk:** 1,093.53 hectares of reclaimed land at Mundra is pending registration in the Company's name, posing a title risk for a significant portion of the asset base.
- **Disputed Receivables:** ₹144.78 Cr in disputed trade receivables are considered "Good" by management and have not been provided for.
- **Capital Commitments:** While specific figures for FY26 were not disclosed, Capital Advances nearly doubled to ₹3,393.57 Cr, indicating significant upcoming commitments.
- **Land Consideration:** Advance for land consideration in Odisha is being adjusted against revenue share over 15 years.
- **Redemption Premium:** A redemption premium of ₹247.68 Cr on preference shares represents a future cash commitment.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; CFO of □20,356 Cr lags Operating Profit of □24,872 Cr.	□	CFO/OP at 96% in 2026 vs 103% in 2025; Net Profit □12,782 Cr.	[CFO Table]: Working capital changes of -□3,002 Cr significantly dragged down cash conversion from operations.
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↑↓ — liquidity risk; receivables + inventory rose 43.5% vs sales growth of 27.1%.	□	Receivables □6,383 Cr (+44%) + Inventory □685 Cr (+31%) vs Sales □38,736 Cr.	[Note 6(c)]: 18.05% of receivables (□1,188.18 Cr) are older than 6 months, indicating potential collection delays.
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↑ — aggressive recognition; contract assets spiked 110% ahead of contractual billing milestones.	□	Contract assets (unbilled) rose to □1,179.75 Cr from □560.28 Cr.	[Note 8(b)]: Significant spike in unbilled revenue suggests a lag between service execution and the right to invoice.
4	Revenue from related parties %	Revenue ↑↓ — non-standard terms; extended credit at 7.5-10% interest offered to related entities.	□	Loans to JVs increased 44% to □1,014.92 Cr; Advances to RPs rose to □78.23 Cr.	[Note 32/Note 6(b)]: Group acts as a financier to customers/ related parties, potentially inflating revenue through credit support.
5	Inventory vs revenue growth	Neutral — service sector profile; inventory consists of consumables and spares, not finished goods.	□	Inventory □685 Cr (1.7% of sales); Sales □38,736 Cr.	[Inventory Breakdown]: Inventory is primarily Stores, Spares, Fuel & Lubricants; typical for port operations.
6	Inventory valuation method change	Neutral — no policy change; valuation remains at lower of cost or net realizable value.	□	Inventory Days at 0.00 (Service Sector).	[Note 2.3]: Standard accounting policies for consumables and spares maintained consistently across periods.
7	Exceptional items in operating profit	Profit ↓ — non-recurring drag; □208 Cr exceptional loss reduced reported PBT in FY26.	□	Exceptional items: -□208 Cr (FY26) vs +□362 Cr (FY25).	[P&L Statement]: Profit excluding exceptional items (□12,957 Cr) is higher than reported Net Profit (□12,782 Cr).
8	Depreciation rate vs useful life policy	Profit ↑ — expense deferral; dredging pipes depreciated over 1.5 years but other assets use long lives.	□	Depreciation □5,517 Cr; Intangible assets rose to □27,806 Cr.	[Note 2.3(j)]: Port concession rights amortized over 30 years; Mundra residual value based on "undeterminable" DRV.
9	Provision reversals boosting PAT	Profit ↑ — asset overstatement; □144.78 Cr in disputed receivables not provided for in P&L.	□	Provision for Doubtful: □0.00 in Mar 2026 vs -□200 Cr in Mar 2025.	[Note 6(c)]: Management considers disputed trade receivables "Good," avoiding a hit to the current year's profit.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — low effective tax; 14% P&L tax rate is below statutory corporate rates.	□	Tax % at 14.00; Cash tax paid □1,514 Cr vs P&L tax provision □2,067 Cr.	[P&L Statement]: Low tax rate likely due to SEZ tax benefits and deferred tax adjustments on acquisitions.
11	CWIP age and stalling projects	Profit ↓ — impairment risk; □518.99 Cr in CWIP is aged over 3 years.	□	Total CWIP □12,672 Cr; Aged CWIP > 3 years is □518.99 Cr.	[Note 3(e)]: Stalled or "dead" capex in CWIP indicates potential future write-downs if projects are not commissioned.

#	Check	Impact	Status	Evidence	Notes Detail
12	Deferred tax asset recognition adequacy	Neutral — hedge accounting; exchange losses deferred to reserves rather than hitting P&L tax.	□	Tax % consistent at 14-15%.	[Note 2.3(s)]: Use of hedge accounting for "highly probable sales" defers P&L impact of currency volatility.
13	RPT quantum and trend	Profit ↑↓ — capital diversion; loans to JVs and advances to RPs increased significantly.	□	Loans to JVs: □1,014.92 Cr (+44%); Advances to RPs: □78.23 Cr (from □4.84 Cr).	[Note 7]: Parent is heavily funding growth of JV terminals, increasing exposure to non-controlled entities.
14	Dividend paid vs FCF adequacy	Neutral — sustainable payout; □1,535 Cr dividend well covered by □5,074 Cr FCF.	□	Dividend Payout 13%; FCF □5,074 Cr; Dividends Paid □1,535 Cr.	[Cash Flow Statement]: Despite high capex (□15,320 Cr), the company generates sufficient FCF to maintain payouts.
15	Goodwill Impairment Risk	Profit ↓ — valuation subjectivity; □9,735.82 Cr in Goodwill is sensitive to DCF assumptions.	□	Goodwill increased by □2,642.23 Cr YoY.	[KAM 1]: Auditor flagged sensitivity of 5-year forecasts to discount rates and terminal growth.
16	De Facto Control Consolidation	Profit ↑↓ — risk masking; consolidation of entities with <50% equity (DIPL, Mundra Solar).	□	199 consolidated entities.	[KAM 3]: Full consolidation of assets and debt of minority-held ventures may obscure true risk profile.
17	Liquidity Restriction	Neutral — restricted cash; 31.9% of cash is pledged as margin money.	□	□2,710.29 Cr pledged vs □8,484 Cr total cash.	[Note 11(i)]: High reliance on overdrafts (□4,242.82 Cr) despite high reported profits.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type:** Unqualified.
- **KAM 1: Impairment of Goodwill & Non-financial Assets:** Auditor flagged the valuation of **9,735.82 Cr** in Goodwill (Note 2.4(B)(i)). The concern centers on the subjectivity of Discounted Cash Flow (DCF) models, specifically the sensitivity of 5-year forecasts to discount rates and terminal growth. With Goodwill increasing by **2,642.23 Cr** YoY due to APPH and Astro acquisitions, the risk of future write-downs is heightened.
- **KAM 2: Hedge Accounting (Note 2.4(B)(vi)):** Auditor evaluated management's judgment regarding "highly probable forecast sales." Forensic risk exists because if cargo volumes underperform, deferred exchange losses currently parked in the Cash Flow Hedge Reserve would be recycled to the P&L, potentially severely impacting reported PAT.
- **KAM 3: De Facto Control Assessments (Note 2.4(A)(i)):** Auditor reviewed the consolidation of entities like DIPL, Mundra Solar, and EAGL where APSEZ holds <50% equity. This "de facto" control allows for full consolidation of assets and debt, which may obscure the true risk profile of minority-held ventures.
- **Auditor Fees:** M S K A & Associates LLP (BDO member firm). The complexity of 199 consolidated entities suggests high reliance on management's internal controls.
- **Going Concern:** No material uncertainty noted by the auditor.

B. Related Party Transactions

Party	Relationship	Nature	Amount (FY26)	Concern
Joint Venture Entities	JVs	Loans	1,014.92 Cr	***44.13% surge in funding to non-controlled entities (Note 7)***
Adani Total Pvt Ltd	Joint Venture	Investment	3,340.86 Cr	**Capital lock-in in non-core JV (Note 7)**
Related Parties	Group Entities	Advances	78.23 Cr	***1,516.32% spike in advances from 4.84 Cr (Note 7)***
Various Customers	Related/Third Party	Interest on Credit	7.5% - 10%	***Acting as a financier via extended credit terms (Note 6b)***

RPT Risk Checks: * **% of Revenue:** Identifiable RPT Loans/Advances (1,093.15 Cr) represent 2.82% of Revenue (38,736.00 Cr). * **% of CFO:** RPT Loans/Advances represent 5.37% of CFO (20,356.00 Cr). * **Trend:** Increasing. Loans to JVs rose from 704.15 Cr to 1,014.92 Cr, indicating the parent continues to subsidize the working capital of entities it does not fully control. Extended credit terms (7.5%-10% interest) apply to related parties, suggesting non-standard commercial terms.

C. Shareholding

Shareholder Category	Mar 2026 (%)	Mar 2025 (%)
Promoters	65.89	65.89
FIIs	14.72	14.72
DIIs	11.94	11.94
Public	7.45	7.45

- **Pledged Shares:** Historically a monitorable for the Adani Group; specific FY26 pledge % remains a key governance risk.

D. Board Composition + KMP Compensation

- **Total Directors:** 10 **| Independent %:** 50.00% **| Women Directors:** 1 (10.00%).
- **Family Relations: Gautam S. Adani** (Chairman), **Rajesh S. Adani**, and **Karan Adani** (MD) serve on the board, indicating significant family influence.
- **KMP Compensation:** Karan Adani (MD) received □5.40 Cr in the prior year. Total Employee Cost % of Sales decreased from 6.60% to 6.08%, suggesting compensation growth is trailing the 27.11% revenue growth.

F. Capital Allocation & Capex

Action	FY Current (FY26)	FY Prior (FY25)	% of CFO	Signal
Dividends Paid	1,535.00 Cr	1,336.00 Cr	7.54%	□
Capex (Fixed Assets)	15,320.00 Cr	8,049.00 Cr	75.26%	
Acquisitions	0.00 Cr	5,400.00 Cr	0.00%	□
Net Debt Change	11,778.00 Cr	2,151.00 Cr	57.86%	
Interest Payments	3,139.00 Cr	2,578.00 Cr	15.42%	□
Loans to JVs	1,014.92 Cr	704.15 Cr	4.99%	
Margin Money Pledged	2,710.29 Cr	1,285.44 Cr	13.31%	

CAPEX ANALYTICAL NOTES: * **CFO Coverage of Capex:** Ratio of **1.33** indicates the company can fund organic capex from operations, but the margin has narrowed significantly from 2.14. * **Nature of Capex:** Growth-oriented; **CWIP stands at 12,672.00 Cr**, with major additions in Vizhinjam and international terminals. * **Capex Deployment Efficiency:** Revenue grew 27.11% vs a **46.93% increase in Fixed Assets**, suggesting a lag in asset turnover as massive new projects are in the commissioning phase. * **Key Takeaways: 518.99 Cr of CWIP is aged >3 years**, signaling persistent execution bottlenecks in legacy projects.

H. Risks

#	Risk	Category	Description	Potential Impact	Severity
1	***Climate Change***	Physical	Sea-level rise and extreme weather at 19 ports.	**1-day Mundra closure = 23 Cr PBT loss; all ports = 83 Cr loss.**	□High
2	***Land Title***	Regulatory	**1,093.53 hectares of reclaimed land pending registration.**	Title risk for a significant portion of the Mundra asset base.	□High
3	***Liquidity Drag***	Financial	**2,710.29 Cr of cash is pledged as margin money.**	31.9% of cash is not freely available for operations.	□Med
4	***CWIP Stalling***	Operational	**518.99 Cr stuck in CWIP for >3 years.**	Drag on ROCE and potential future impairments.	□Med
5	***Hedge Accounting***	Financial	Parking FX losses on debt in OCI (Equity) vs P&L.	**Smoothes P&L but risks a massive equity hit if USD revenues drop.**	□Med
6	***Geopolitical***	External	Operations in war zones (Haifa, Israel).	Potential for sudden asset impairment or operational cessation.	□High

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	500 MMT milestone; 20% non-port revenue	Strong moat and scale, but high geographical/geopolitical risk.
Financial Health	3	↓	D/E 0.75x; Interest Coverage 4.23x	Robust CFO but rising debt and restricted liquidity (pledged cash).
Earnings Quality	2	↓	Contract Assets +110%; CFO < OP	Aggressive revenue recognition and deteriorating working capital.
Management & Governance	3	→	50% Independent Board; RPT Loans +44%	Strong strategic execution offset by persistent group RPT concerns.
Capital Allocation & Earnings Visibility	3	↓	Capex □15,320 Cr; FCF -45%	Aggressive reinvestment with a lag in asset turnover and ROCE.

BUSINESS POSITIVES (for this company this year) * □**Volume Milestone:** Successfully crossed the 500 MMT cargo milestone, demonstrating massive operational scale. * □**Revenue Diversification:** Non-port revenue now exceeds 20%, reducing reliance on pure landlord port models. * □**Strategic Asset Commissioning:** Vizhinjam port is now operational, offering unique ship-to-ship LNG bunkering in India. * □**Debt Maturity Profile:** Extended debt maturity from 4.3 to 5.4 years, reducing near-term refinancing risk. * □**Operational Efficiency:** AI-led capacity unlocking provided a ~10% "hidden" expansion without physical capex. * □**Strong CFO:** Generated □20,356 Cr in Cash from Operations, maintaining a CFO/PAT ratio of 1.59.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Working Capital Stress:** Trade receivables rose 44% to □6,383 Cr, with 18% of debtors outstanding for >6 months. * □**Aggressive Accounting:** Contract assets (unbilled revenue) spiked 110.56% to □1,179.75 Cr, signaling revenue recognition ahead of billing. * □**Liquidity Restrictions:** □2,710.29 Cr (31.9% of cash) is pledged as margin money and unavailable for operations. * □**Stalled Capital:** □518.99 Cr of CWIP has been aged for over 3 years, posing impairment risks. * □**Rising Leverage Costs:** Finance costs surged 83.81% to □4,654 Cr, compressing PAT margins. * □**Related Party Funding:** Loans to JVs increased by 44.13% to □1,014.92 Cr, indicating continued support of non-controlled entities.

OVERALL SCORECARD SUMMARY APSEZ remains a dominant infrastructure powerhouse with a strengthening strategic moat, evidenced by its 500 MMT milestone and successful international ramp-ups. However, the financial trajectory is currently characterized by aggressive, debt-funded expansion that is straining working capital and compressing net margins. While governance structures are compliant, the persistent use of the balance sheet to fund related party JVs and the spike in unbilled revenue suggest a weakening in earnings quality. The business is on a **stable but high-risk trajectory**, where massive capital deployment must now urgently translate into billed cash flows to offset rising interest burdens.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion issued by MSKA & Associates.
2	Promoter pledge = 0?	□	Historically present; specific FY26 % not updated in snippet.
3	KMP pay < 5% of PAT?	□	Total employee cost is 6.08% of sales; KMP pay well within limits.
4	RPT quantum < 5% of revenue?	□	Identifiable RPT Loans/Advances at 2.82% of revenue.
5	Board > 50% independent?	□	50% (5 out of 10 directors) are independent.
6	At least 1 woman director?	□	1 woman director (10% of board).
7	No statutory dues outstanding?	□	No material defaults reported.
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	Confirmed in auditor's report.
10	Frequent Auditor change	□	MSKA & Associates (BDO) remains the auditor.
Total: 9/10 □— Governance Rating: 4			

Part C: Investor Verdict

THESIS: APSEZ is a dominant, technologically-evolving logistics utility that serves as a leveraged play on India's trade GDP, currently undergoing a high-capex global expansion phase. **OVERALL STANCE:** ACCUMULATE **RATIONALE:** Strong operational moats and "Take-or-Pay" cash flow floors outweigh the temporary working capital stress and high interest costs associated with its aggressive growth phase. **RE-EVALUATE WHEN:** Trade Receivables > 6 months exceed 25% of total receivables OR Interest Coverage Ratio falls below 3.0x. **BULL CASE:** Successful commissioning of international hubs (Haifa/Colombo) leads to a 20% surge in transshipment volumes and FCF doubling by FY28. **BEAR CASE:** Geopolitical escalation in the Middle East leads to a total impairment of the Haifa asset (□9,700 Cr+ Goodwill/Asset risk) and a credit rating downgrade. **KEY MONITORABLE:** Contract Assets (Unbilled Revenue): □1,179.75 Cr → Watch for conversion to billed receivables.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Balanced growth with CFO covering capex 2.14x; acquisitions totaled ₹5,400 Cr.	Aggressive organic pivot with capex doubling to ₹15,320 Cr; CFO coverage tightened to 1.33x.	The company has shifted from inorganic acquisition-led growth to massive, self-funded internal infrastructure development that is consuming a higher proportion of operating cash.
Working Capital Quality	Contract assets at ₹560 Cr; debtor days at 53.	Contract assets doubled to ₹1,179 Cr; debtor days rose to 60 with 18% of receivables aged >6 months.	Deteriorating working capital quality suggests that revenue is being recognized significantly ahead of cash collection cycles and billing milestones.
Margin Trajectory	PAT margin at 36.3% with interest costs at ₹2,532 Cr.	PAT margin compressed to 33% as finance costs surged 83.81% to ₹4,654 Cr.	While operating efficiency remains high, aggressive debt-funded expansion is creating a significant interest drag that is eroding bottom-line profitability.
Liquidity Profile	19.4% of cash (₹1,285 Cr) encumbered as margin money.	31.9% of cash (₹2,710 Cr) encumbered as margin money.	A growing portion of the reported cash balance is restricted, reducing the actual "free" liquidity available for immediate operational needs or debt servicing.
Management Tone	"Offensively Nationalistic" focus on becoming a "Global Utility."	"Technological Dominance" focus using AI to unlock capacity without physical capex.	Management is attempting to pivot the narrative toward "Intelligent Utility" to justify higher margins and decouple growth from capital-intensive land acquisition.

7.2 Persistent Patterns

- **Ecosystem Financing:** The group consistently acts as a high-yield financier to its related parties and customers, maintaining interest rates of 7.5%–10% on extended credit terms across both periods.
- **Land Title Risk: Over 1,000 hectares of reclaimed land at Mundra remain pending registration**, representing a multi-year legal and valuation overhang that management has failed to resolve.
- **Hedge Accounting Subjectivity:** Recurring use of cash flow hedge accounting to park FX volatility in OCI (Equity) rather than the P&L, which effectively smoothes reported earnings.
- **Stalled Capital (CWIP): Approximately ₹500 Cr of capital remains stuck in CWIP for >3 years**, signaling chronic execution bottlenecks or a refusal to recognize impairments on legacy projects.
- **Related Party Subsidization: A sustained trend of increasing financial support to non-controlled Joint Ventures**, with loans growing from ₹806 Cr to over ₹1,014 Cr.
- **Climate Vulnerability:** Consistent identification of flagship ports as high-risk zones for sea-level rise, with a 1-day Mundra closure resulting in a stable ~₹23 Cr PBT loss.
- **De Facto Control Consolidation: Persistent use of "de facto" control judgments to consolidate entities where APSEZ holds <50% equity**, potentially masking the true debt and risk profile of minority-held ventures.
- **Goodwill Sensitivity:** Recurring auditor warnings regarding the high sensitivity of Goodwill valuations (now ~₹9,735 Cr) to subjective DCF assumptions and terminal growth rates.