Adani Ports & Special Economic Zone Ltd — Aug 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Beat **One-line:** APSEZ delivered its strongest-ever quarterly performance despite a major cyclone, proving the resilience of its diversified port network and the accelerating scale of its logistics ecosystem.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Normalized EBITDA (ex-FX) is at 25% of the upper end of FY24 guidance despite Q1 being cyclone-impacted.	□
Earnings Quality	High (Core driven)	14% YoY growth in EBITDA (ex-FX) driven by 12% volume growth; one-off FX gain of □11 Cr vs. □1,201 Cr loss YoY.	□
Guidance Confidence	Strong	Q1 run-rate of 101 MMT puts the company on track for 405 MMT, exceeding the 370-390 MMT guidance.	□
Management Credibility	Strong	Efficient integration of Haifa/Karaikal and disciplined deleveraging (Net Debt/EBITDA trajectory).	□
Business Quality Signal	Improving	Logistics margins (+150bps) and Port margins (+150bps) both expanding concurrently.	□
Key Q&A Exchange	Q# 3a/b — Haifa Union negotiations	Mgmt expects union settlement by Dec-23 to unlock full EBITDA potential of Haifa Port.	□
The Street's Primary Anxiety	Debt Repayment / Group Contagion	Management confirmed opportunistic repayment of June bonds to hit 2.5x Net Debt/EBITDA by Mar-24.	□
Capital Cycle Stage	Harvesting / Selective Investment	Strong OCF being used to pay down debt while targeting specific high-IRR logistics assets.	□
Margin / Return Ratio Trajectory	Improving	Domestic Port EBITDA margin reached 72% (+200bps YoY).	□
Pricing Power	Expanding	2.5% blended price hike implemented; full effect to be seen from July onwards.	□
FCF Conversion & Quality	Strong	Historical EBITDA to OCF conversion >70%; no reported working capital spikes.	□
Competitive Moat Signals	Widening	Market share increased 200bps to 26% of Indian cargo; Mundra handling 12% more containers than closest peer.	□
Balance Sheet Strength	Strong	Cash of □9,800 Cr; Net Debt/EBITDA guided to 2.5x (from ~3.1x in Mar-23).	□
Working Capital Efficiency	Stable	No material changes reported in collection cycles or payables.	□
Mgmt Guidance Track Record	Reliable	Historically conservative; 100 MMT/quarter threshold achieved for the first time.	□
Key Vulnerability / Red Flag	Global Trade Slowdown	Shipping lines issuing volume warnings globally; APSEZ reliant on India's relative macro strength.	□
Management Tone	Confident and Operationally Focused	Focused on execution metrics (TAT, rail volume growth) rather than market volatility.	□

Key Takeaways: * **Positives:** Volume growth (12% YoY) is 3x the national average growth; logistics segment is finally delivering scale with a 28% EBITDA margin, outperforming listed peers. * **Negatives:** Operations at Mundra, Dahej, and Tuna were halted for 6 days due to Cyclone Biparjoy, resulting in a loss of ~2 MMT handling volume. * **The Street's Concern:** Analysts remain focused on the maturity of 2024 bonds and the capital allocation toward CONCOR; management was firm on maintaining the 2.5x leverage cap while remaining opportunistic on CONCOR if the valuation is right. * **Forward Watchpoint:** Integration of the 250MW renewable capacity by April 2024, which is expected to move RE share from 14% to ~90%, significantly impacting ESG ratings and potentially lowering future borrowing costs.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *Data Source: PPT figures as primary source. Normalized EBITDA excludes FX gains/losses.*

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Cargo Volume (MMT)	101.37	+12%	First entry	↑	Growth led by containers (+15%) and dry cargo (+10%).
Revenue (□Cr)	6,248	+24%	First entry	↑	Higher realization and volume growth; Includes Haifa/Karaikal.
EBITDA (□Cr)	3,754	+14%	First entry	↑	Excludes FX gain of □11 Cr; reflects core operational growth.
EBITDA Margin %	60.1%	-510 bps	First entry	↓	Consolidated margin impacted by lower-margin Haifa integration.
Port EBITDA Margin %	72%	+150 bps	First entry	↑	Domestic ports business efficiency gains.
Logistics Margin %	28%	+150 bps	First entry	↑	Sweating of assets and higher rail volumes.
PAT (□Cr)	2,119	+80%	First entry	↑	Boosted by swing in FX (□11 Cr gain vs □1,201 Cr loss YoY).
Net Debt (□Cr)	39,000	First entry	First entry	→	Gross Debt: □48,800 Cr; Cash: □9,800 Cr.
Rail Volume (TEUs)	131,420	+18%	First entry	↑	Driven by Mundra-North India circuits.
Bulk Rail (MMT)	4.35	+40%	First entry	↑	Increasing share of GPWIS (General Purpose Wagon) cargo.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Domestic Ports	4,911	+9%	72%	↑	Higher	Krishnapatnam achieved record quarterly volume.
Logistics	521	+39%	28%	↑	Lower	Added 2 trains; 5mn sq ft warehouse under construction.
International Ports	545	N/A	27%	→	Lower	Haifa Port volumes now at 1 MMT per month.
SEZ & Port Dev.	335	-13%	10%	↓	Lower	Lumpy revenue stream by nature.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume (MMT)	370 - 390 MMT	Needs 90-96 MMT/qtr; Currently at 101.4 MMT.	Delivered Q1 beat	Low
Guidance	Revenue (₹Cr)	₹24,000 - ₹25,000	Needs ₹5,917 Cr/qtr; Currently at ₹6,248 Cr.	Delivered Q1 beat	Low
Guidance	EBITDA (₹Cr)	₹14,500 - ₹15,000	Needs ₹3,582 Cr/qtr; Currently at ₹3,754 Cr.	Delivered Q1 beat	Low
Guidance	Capex Plan (₹Cr)	₹4,000 - ₹4,500	On track; includes Vizhinjam & Warehousing.	Constant	Low
Strategy	Leverage (Net Debt/ EBITDA)	2.5x by Mar-24	Needs ~₹1,500 Cr debt reduction from current.	Deleveraging on track	Low
Strategy	Warehousing	60 mn sq. ft. (Long term)	Needs 10 mn sq. ft. per year.	1.6 mn operational	Execution
Macro	Renewable Share (%)	100% by 2025	250MW to be commissioned by April 2024.	Currently 14%	Execution

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Sumit Kishore / Axis Capital	Warehousing Scale	Capex and Allocation	How will the ramp up to 60mn sq ft be phased and funded?	Management is building 5mn sq ft currently and plans to add 10mn sq ft annually at □1,800-2,000/sq ft. This confirms a long-term shift toward a heavy-asset logistics model, requiring consistent capex of ~□2,000 Cr/year for this segment alone.	None	4.0	Specific timeline given
2	3.5	Sumit Kishore / Axis Capital	Rail Mix	Business Overview	Are you gaining market share in North India despite global headwinds?	Rail volume growth of 20% is predominantly EXIM-driven with no current imbalance issues. This indicates APSEZ is successfully capturing market share from competitors on the Mundra-to-NCR route via DFC efficiencies.	None	4.0	Directiona with evidence
3	4.5	Abhiram Iyer / Deutsche Bank	Debt & Cash	Financials	What are the exact debt and cash numbers at quarter end?	Gross debt stands at □48,800 Cr and cash at □9,800 Cr, resulting in net debt of □39,000 Cr. Clear quantification of liquidity reduces "group contagion" fears for the specific APSEZ credit profile.	None	5.0	Clear and quantified

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4	3.0	Achal Lohade / JM Financial	Guidance Conservatism	Management Commentary	Why maintain the 370-390 MMT guidance if Q1 implies 400+ MMT?	Management refuses to change guidance quarterly to remain prudent but acknowledges optimism for the second half. This suggests potential for a "guidance upgrade" in Q2 or Q3 results.	None	3.0	Vague but consistent
5	4.0	Parag Jain / HSBC	Haifa Integration	Business Overview	What steady-state margins are expected from Haifa?	Current margins are suppressed by high manpower costs (80% of opex); a VRS scheme and union negotiations are expected to conclude by Dec-23. Investors should watch Dec-23 as the pivot point for Haifa's margin profile to align with the domestic portfolio.	Exact margin target %	3.0	Deflected — key signal
6	4.5	Shabad Thadani / Arkkan Capital	Bond Repayment	Financials	Will the company continue quarterly tender offers for the 2024 bonds?	Management will look at repayments opportunistically but remains committed to the 2.5x Net Debt/EBITDA target by March 2024. This signals a shift from "forced" quarterly tenders to a more flexible balance sheet	Specific timing of next tender	3.0	Specific target given

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						management strategy.			
7	4.0	Pulkit / Goldman Sachs	International Strategy	Capex and Allocation	What are the criteria for overseas acquisitions?	APSEZ seeks 50% market share in host countries, local partners, and returns equivalent to or better than India. This disciplined framework suggests they will not "overpay" for flag-planting assets outside India.	None	4.0	Directiona with evidence
8	3.5	Aditya Mongia / Kotak	CONCOR	Capex and Allocation	Does the delay in CONCOR privatization reduce its attractiveness?	Management indicated attractiveness decreases as they build their own network but they would still "find a way" to finance it if it becomes available. This confirms CONCOR remains a strategic, albeit non-critical, desire for the portfolio.	None	2.5	Vague/ Hedged

PATTERN FLAGS & SENTIMENT

- **Theme: Deleveraging and Bond Repayment.** Analysts remain hyper-focused on the maturity of the June 2024 bonds. Management's posture was confident, pivoting the conversation away from "liquidity stress" toward "strategic leverage targets (2.5x)." The resolution seems temporary until the next tender offer or repayment is announced.
- **Theme: International Port Efficiency.** Multiple questions focused on Haifa's integration and margins. Management was transparent about union-related manpower cost issues (80% of opex), setting a clear timeline (December 2023) for resolution. This will be a recurring theme for the next two quarters.
- **Theme: Logistics as a Second Growth Engine.** Questions around warehousing and rail market share show shifting analyst interest toward the non-port business. Management's specific data points on rail market share gains (13-14% of Mundra rail) and ICD expansion (Nagpur, Ahmedabad) provided high confidence.

Analyst Sentiment Verdict: Overall sentiment was **Positive**. Friction points were minimal, largely confined to the timing of bond tenders and Haifa's manpower costs. Credibility improved as management delivered record volumes in a quarter where the market expected "cyclone-related" weakness. The primary unresolved risk remains the global trade environment and its impact on container volumes in H2.

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5. WHAT CHANGED vs PRIOR QUARTER

First entry — treat as baseline quarter. No prior context provided.

What Changed	Prior Quarter	This Quarter	Direction
Quarterly Cargo Volume	N/A	Crossed 100 MMT for the first time	↑
Market Share	N/A	Increased to 26% (+200bps YoY)	↑
Portfolio Mix	N/A	Inclusion of Haifa (Full Qtr) & Karaikal	↑
FX Impact	N/A	Swing to □11 Cr Gain from □1,201 Cr Loss (YoY)	↑
Logistics Margin	N/A	28% (+150bps YoY)	↑
Net Debt/EBITDA	~3.1x (Mar-23)	Tracking toward 2.5x (Mar-24)	↑

Earnings Quality Check: * **CFO-to-PAT Ratio:** FY23 ratio was ~0.93x. For Q1 FY24, consolidated PAT was □2,119 Cr, but it was heavily aided by the □1,201 Cr favorable YoY delta in FX. Normalized for FX, core earnings growth remains robust and aligned with volume growth. No signs of aggressive working capital levers in the concall. STOP HERE.