

Adani Ports & Special Economic Zone Ltd — Aug 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Operational Beat **One-line:** APSEZ is successfully executing its "Integrated Transport Utility" pivot, where lower-margin but ROCE-accretive logistics and international volumes are compensating for a rare volume dip at Mundra, all while de-leveraging the balance sheet to a record low of 1.8x Net Debt/EBITDA.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Q1 EBITDA at ₹5,495 Cr puts the co. on track to exceed the ₹21k-22k Cr FY26 guidance.	□
Earnings Quality	High (Core driven)	Growth driven by volume expansion in non-Mundra ports (+17%) and Logistics (+105%).	□
Guidance Confidence	Strong	Reaffirmed FY26 volume (505-515 MMT) and EBITDA guidance despite global trade volatility.	□
Management Credibility	Strong	Secured 15-year long-term funding from LIC and achieved S&P "Positive" outlook.	□
Business Quality Signal	Improving	Transition to end-to-end logistics (trucking, rakes, warehouses) deepening the moat.	□
Key Q&A Exchange	Not applicable	Concall transcript provided contains only website navigation data.	□
The Street's Primary Anxiety	Margin Dilution	EBITDA margin fell to 60% (vs 64% YoY) due to new low-margin business lines.	□
Capital Cycle Stage	Harvesting / Re-investing	Mature port cash flows are funding a ₹11k-12k Cr annual capex in Logistics/International.	□
Margin Trajectory	Deteriorating (by design)	Consolidated margins down due to trucking (4.8% margin) and Int'l freight (8.9%).	□
Pricing Power	Expanding	Domestic port revenue grew 14% vs 6% volume growth, implying strong realization/mix.	□
FCF Conversion & Quality	Strong	FFO/Gross Debt at 30%; Q1 cash balance remains robust at ₹16,921 Cr.	□
Competitive Moat Signals	Widening	Only Indian player with transshipment (Vizhinjam/Colombo) + 25k truck fleet.	□
Balance Sheet Strength	Strong	Net Debt/EBITDA at 1.8x is the lowest in recent history.	□
Working Capital Efficiency	Stable	Logistics scale-up handled without significant spikes in DSO/ Inventory.	□
Mgmt Guidance Track Record	Reliable	Consistent market share gains; All-India market share up to 27.8%.	□
Key Vulnerability	Mundra Volume	Mundra volume declined 6% YoY (48 MMT vs 51.2 MMT) due to competitive/seasonal shifts.	□
Management Tone	Confident / Strategic	Focus on "One Billion Tonne" 2030 target and tech-enabled supply chain.	□

Key Takeaways (Positives & Negatives): * **Positives:** The business has reached a self-sustaining cycle where domestic port dominance (72-75% margins) is funding the rapid scale-up of the Logistics vertical (revenue doubled to ₹1,169 Cr). The de-leveraging to 1.8x Net Debt/EBITDA provides a massive buffer for the planned ₹65,000-75,000 Cr five-year capex. Strategically, the commencement of Colombo (CWIT) and 100% utilization at Vizhinjam (Month 9) cement APSEZ as the dominant regional transshipment player. * **Negatives:** Consolidated EBITDA margins compressed by 400bps YoY (60% vs 64%). While management argues this is ROCE-accretive, it changes the earnings profile from a high-margin infrastructure play to a mid-margin utility mix. Mundra's 6% volume contraction is a point of concern, though mitigated by 17% growth in other domestic ports. * **Street Concern:** The primary concern is the "Related Party Transaction" (RPT) history and the impact of lower-margin trucking on the overall valuation multiple. Management has addressed the capital structure by extending debt maturity to 5.2 years via LIC NCDs, reducing refinancing risk. * **Watchpoint:** Monitoring if Mundra's volume decline is a temporary blip or a structural shift of cargo to other Adani ports (Hazira/Dahej) or competitors.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source. Concall not available — commentary absent.

Metric	Current Qtr (Q1 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Cargo Volume (MMT)	120.6	+11%	+11.7%	↑	Driven by International (+245%) and Non-Mundra (+17%).
Revenue (₹Cr)	9,126	+21%	+7.5%	↑	Driven by Logistics (+105%) and Marine (+188%).
EBITDA (₹Cr)	5,495	+13%	+13.3%	↑	Growth slower than revenue due to segment mix change.
EBITDA Margin %	60%	↓ 400bps	↑ 340bps	↔	Diluted by Trucking/Freight; Port margins stay 70%+.
PAT (₹Cr)	3,311	+7%	+64%	↑	Q4 FY25 had high tax/one-offs; Q1 FY26 is normalized.
ROCE (%)	15%	→	→	→	Integrated utility ROCE target 15%; Domestic ports 21%.
Cash Flow (OCF 9M)*	16,921 (Cash)	+140%	+111%	↑	Cash balance spike due to LIC NCD proceeds.
Net Debt / EBITDA	1.8x	↓ (from 2.3)	↓ (from 2.1)	↑	Significant de-leveraging despite ongoing capex.
Interest Coverage	7.0x	↑ (from 5.6)	↑ (from 5.6)	↑	Robust coverage; debt yield reduced by 116bps.
Container Volume (MTEU)	3.45	+20%	+11.3%	↑	Strong growth in International transshipment.
Rail Container (TEUs)	1,79,479	+15%	-5.5%	↔	Seasonal dip vs Q4; steady YoY expansion.

*Cash Flow (OCF) for the single quarter not explicitly stated; Cash on balance sheet used as proxy for liquidity strength.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Domestic Ports	6,137	+14%	74.6%	↑	Above	Non-Mundra ports now 58% of domestic volume.
International Ports	468	+22%	12.8%	↓	Below	Commenced Colombo; Haifa EBITDA at record high.
Logistics	1,169	+105%	18.1%	↓	Below	Trucking rev will grow 3-4x in FY26; ROCE accretive.
Marine*	1,068	+188%	55%	↓	Below	Includes Astro Offshore acquisition; fleet at 118.
SEZ & Port Dev	243	-61%	100%	↑	Above	Revenue lower due to lumpiness of land sales.

*Marine revenue was previously partly embedded in Domestic Ports; now reported separately with Astro/OSL.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	₹36,000 - 38,000 Cr	Needs ₹9,200 Cr/qtr. Q1 at ₹9,126 Cr. High feasibility with H2 seasonality.	Reliable	Low
Guidance	EBITDA	₹21,000 - 22,000 Cr	Needs ₹5,160 Cr/qtr. Q1 at ₹5,495 Cr. Very High feasibility.	Reliable	Low
Guidance	Volume	505 - 515 MMT	Needs 130 MMT/qtr. Q1 at 120.6 MMT. Feasible given H2 peak.	Reliable	Medium
Guidance	Capex Plan	₹11,000 - 12,000 Cr	Consistent with historical ₹10k-12k Cr run rate.	On Track	Low
Strategy	Logistics	₹14,000 Cr Rev (FY29)	Needs ~40% CAGR from FY25 base. Currently at 100%+ YoY.	Strong	Medium
Strategy	International	150 MMT (by 2030)	Currently ~31 MMT run-rate. Needs 4.8x growth.	Ramping	High
Strategy	Net Zero	Carbon Neutral 2025	Adding 1000MW renewables; 25MW operational.	On Track	Low
Balance	Debt Target	Net Debt/EBITDA < 2.5x	Currently 1.8x. Massive headroom for M&A.	Disciplined	Low

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

Comparison between Q1 FY26 (current) and Q3 FY25 (prior context provided).

What Changed	Prior Quarter (Q3 FY25)	This Quarter (Q1 FY26)	Direction
Net Debt / EBITDA	2.1x	1.8x	↑ Significant De-leveraging
Logistics Margin	23%	18%	↓ Mix-driven dilution (Trucking)
Debt Maturity	4.3 Years	5.2 Years	↑ Risk Reduction
International Volume	18 MMT (Annualized)	31 MMT (Annualized)	↑ Scale Step-change
Mundra Concentration	48% of Domestic Volume	42% of Domestic Volume	↑ Diversification
Funding Source	Bond Markets/Banks	LIC (15-year NCD)	↑ Institutional Credibility
Rating Outlook	Negative (S&P)	Positive (S&P)	↑ Credit Strengthening
Asset Base	10 Indian Ports	15 Indian Ports	↑ Footprint Expansion

Investor Notes:

- * **Earnings Quality Check:** The divergence between Revenue growth (21%) and EBITDA growth (13%) is entirely explained by the strategy to capture the "Customer Gate" through trucking and international freight. While these businesses have <10% EBITDA margins, they require almost zero incremental capex (asset-light), thus boosting the overall ROCE of the logistics vertical from 5% to 6% and eventually to 10% +.
- * **Mundra Performance:** The 6% volume dip at Mundra is the only major operational blemish. However, the port's EBITDA margin improved from 56% to 67% YoY (note: Q1 FY25 was impacted by Cyclone Biparjoy, making the margin comparison slightly skewed, but the underlying realization remains elite).
- * **Working Capital Lever:** The de-leveraging to 1.8x was aided by the issuance of ₹5,000 Cr NCDs to LIC, which replaced shorter-term debt and bolstered the cash position to ₹16,921 Cr.
- * **Forensic Trigger:** The acquisition of NQXT (Australia) is still "pending regulatory approval." Once concluded, this will move from an off-balance sheet/related party concern to a consolidated cash-generating asset, further simplifying the corporate structure.