Adani Ports & Special Economic Zone Ltd — Feb 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Miss on Volumes / Inline on Financials (Guidance Revised Down) **One-line:** A temporary air pocket in thermal coal volumes does not derail the aggressive "Transport Utility" pivot, though it exposes the portfolio's lingering sensitivity to imported coal.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	Q3 volumes fell 11% YoY; Revenue/EBITDA guidance revised downward.	□
Earnings Quality	High (Core driven)	Growth led by container market share gains and logistics efficiency.	□
Guidance Confidence	Neutral	Volume guidance withdrawn due to coal uncertainty; FY25 targets maintained.	□
Management Credibility	Strong	Transparent about coal headwinds; executing fast on M&A (Sarguja/GPL).	□
Business Quality Signal	Improving	Pivot to Logistics/Rail and East Coast parity is reducing Mundra-dependence.	□
Key Q&A Exchange	Q# 10 - Concor Acquisition	Cash/Debt kept on BS for Concor; unwinding only if deal is officially dead.	□
The Street's Primary Anxiety	Thermal Coal Drag	Management confirms coal is a structural 1-2% CAGR business, not a driver.	□
Capital Cycle Stage	Investment / Consolidation	Heavy M&A integration phase (Krishnapatnam, Gangavaram, Sarguja).	□
Margin / Return Ratio Trajectory	Stable	Port EBITDA margins held at 71%; Logistics margins expanding (+179 bps).	□
Pricing Power	Stable	Gains in container market share (42.2%) despite global supply chain issues.	□
FCF Conversion & Quality	Distorted	High cash levels held for M&A (Concor) impacting net debt profiles.	□
Competitive Moat Signals	Widening	Only player with PAN-India footprint and integrated rail-port-warehouse.	□
Balance Sheet Strength	Adequate	Strategic debt addition for acquisitions; Capex maintained at □3-3.5k Cr.	□
Working Capital Efficiency	Stable	No material mentions of stress; GPWIS rakes improving asset turns.	□
Mgmt Guidance Track Record	Mixed	Historically reliable, but revised FY22 numbers down this quarter.	□
Key Vulnerability / Red Flag	Indonesia Coal Policy	Regulatory shifts in Indonesia caused 9 MMT volume loss in Q3.	□
Management Tone	Confident & Transparent	Focused on the long-term FY25 "half-billion ton" cargo goal.	□

Sentiment: □Positive (Long-term) | □Neutral (Short-term)

Key Takeaways (Positives & Negatives):

Positives: * **Logistics Scaling:** Logistics EBITDA grew 32% with margins expanding to 25%, proving the "end-to-end" integrated model is yielding higher wallet share. * **Market Share Dominance:** APSEZ now controls 28.1% of all Indian cargo and 42.2% of containers, with Mundra volumes now 17% higher than JNPT. * **East Coast Parity:** The portfolio is successfully rebalancing; East Coast ports now contribute 47% (52% including pro-forma Gangavaram) of volumes, up from 24% previously. * **Asset Integration:** Successful consolidation of Sarguja Rail Corridor into the "Ports" segment, creating a unified rail platform (Adani Track Management).

Negatives: * **Thermal Coal Cliff:** Imported coal volumes fell by 9 MMT in Q3 due to high prices and Indonesian export bans, forcing a downward revision of FY22 guidance. * **Kattupalli Weakness:** Third consecutive quarter of decline (-30%) due to supply chain disruptions in the automotive sector. * **Guidance Withdrawal:** Management's refusal to provide specific volume guidance for the remainder of FY22 signals ongoing volatility in the bulk segment.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT not available — all numbers sourced from concall transcript.

Metric (Consolidated)	Current Qtr (Q3) / 9M	YoY Change (9M)	QoQ Change	Trend	Mgmt Commentary
Volume (MMT)	212 MMT (9M)	↑ 22%	↓ 11% (Q3)	↓	Q3 hit by 9 MMT drop in coal imports by Adani/Tata Power.
Container Volume (TEU)	6.2 Mn (9M)	↑ 25%	→ (Flat)	→	Mundra is "magnet" for containers; 8 new services added.
Rail Volume (TEU)	284,477 (9M)	↑ 25%	Not stated	↑	Achieved despite blockade at Kila Raipur park.
Revenue (₹Cr)	₹12,089 Cr (9M)	↑ 35%	Not stated	↑	Driven by 27% port growth and 22% logistics growth.
Port Revenue (₹Cr)	₹9,706 Cr (9M)	↑ 27%	Not stated	↑	Includes contribution from Krishnapatnam (₹987 Cr).
Logistics Rev (₹Cr)	₹845 Cr (9M)	↑ 22%	↑ 15% (Q3)	↑	Driven by GPWIS and bulk cargo transportation.
EBITDA (₹Cr)	₹7,428 Cr (9M)	↑ 29%	Not stated	↑	Port EBITDA at ₹6,876 Cr; Logistics at ₹214 Cr.
EBITDA Margin % (Port)	71% (9M)	→ (Stable)	Not stated	→	Integration of acquisitions (KPCL) maintaining high margins.
EBITDA Margin % (Log)	25% (9M)	↑ 179 bps	Not stated	↑	Focus on operational efficiency and loss-making route cuts.
PAT (₹Cr)	₹3,762 Cr (9M)	Not stated	Not stated	→	PBT for 9M stood at ₹4,776 Cr.
Effective Tax Rate	19 - 20% (Annual)	Not in doc	Not in doc	↓	Lower tax due to API jurisdictions in non-Mundra ports.
Net Debt / EBITDA	Not stated	Not in doc	Not in doc	→	Debt raised/held for strategic acquisitions (Concor).

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth (9M)	Margin (EBITDA)	Trend	vs Co. Avg	Key Development
Ports	₹9,706 Cr	27%	71%	→	Higher	Sarguja Rail consolidation; 350 bps market share gain.
Logistics	₹845 Cr	22%	25%	↑	Lower	Nagpur MMLP commissioned; 86% growth in bulk (GPWIS).
SEZ/Dev	Not stated	Higher	Not stated	↑	N/A	POSCO MOU for 5MT steel plant; Land sale expected Q1FY23.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Cargo Volume	500 MMT by FY25	Needs ~18% CAGR from current ~315 MMT run-rate.	On track (9M @ 22%)	Medium (Coal drag)
Guidance	Revenue	Revised Down (FY22)	Management refused to quantify new target.	Miss (Q3 Vol dip)	High
Guidance	Rail Track	2000 km by FY25	Needs 3x growth from current 620 km.	First entry	Low (PPP focus)
Guidance	Warehousing	60m sqft by FY26	Massive scale-up from current levels.	First entry	Medium (Execution)
Guidance	Rakes	200+ rakes by FY25	Needs ~3x growth from current 71 rakes.	On track (+18% YoY)	Low
Strategy	Carbon Neutrality	Net Zero by 2025	Scaling renewables and electrification.	Delivered (Intensity ↓)	Low
Capex	Annual Capex	₹3,000 - 3,500 Cr	Maintaining run-rate for container/gas expansion.	On track	Low
M&A	Gangavaram Integration	FY22 Consolidation	Awaiting NCLT; retrospective from April 2021.	On track	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdi
1	4.0	Atul Tiwari, Citi	Sarguja Rail	Financials	Where is Sarguja Rail Corridor (SRCPL) being consolidated?	Management confirmed SRCPL is consolidated under the Ports segment revenue because most rail assets are linked to port performance. This moves the P&L closer to a "utility" model where rail and port margins are blended.	None	5.0	Clear quanti
2	4.5	Atul Tiwari, Citi	Guidance	Financials	What is the new volume guidance after the revenue/ EBITDA revision?	Management declined to give a new volume guidance, citing the extreme unpredictability of coal imports. This indicates a loss of near-term visibility in the bulk cargo segment.	Volume guidance for Q4.	2.0	Evasi volum
3	4.0	Sumit Kishore, Axis	Container Growth	Business Overview	Why was container growth flattish in Q3 when overall 9M growth is high?	Management explained that Mundra remains the preferred gateway (+26% growth) while southern automotive hubs (Chennai) saw depressed volumes. Container market share continues to consolidate toward Mundra, which is now 17% larger than JNPT.	None	4.0	Direct evide
4	4.5	Sumit Kishore, Axis	Coal Dynamics	Business Overview	Why did APSEZ coal volumes	The decline was specific to IPPs at Mundra	None	4.0	Speci on IPI

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					decline while major ports remained flat?	(Adani/Tata) which were hit by Indonesian export restrictions and high international prices. This exposes a portfolio concentration risk to specific large-scale power utilities.			
5	3.5	Sumit Kishore, Axis	Logistics Growth	Financials	How did logistics revenue grow only 15% vs 30% rail volume growth?	Management noted they have optimized the network by stopping loss-making routes and focusing on train turnaround times. This implies revenue growth is more "profitable" even if it lags pure volume growth due to mix changes.	Reconciliation of yield.	3.0	Opera focus
6	4.0	Swarnim Maheshwari, Edelweiss	Gangavaram	Financials	What led to the 21% jump in pro-forma realizations at Gangavaram?	Management attributed the improvement to the "APSEZ playbook" of debottlenecking, mechanization, and increasing EBITDA margins to 75% +. This confirms management's ability to extract value from acquisitions via operational excellence.	Exact breakdown of yield vs cost.	4.0	Speci skill s
7	3.5	Swarnim Maheshwari, Edelweiss	Kattupalli	Business Overview	Why has Kattupalli seen significant	The decline is linked to the automotive sector	None	3.0	Exter factor

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					volume decline for three quarters?	slowdown and global supply chain disruptions in China. Management expects stabilization in Q1FY23 with the addition of a new container service.			
8	4.0	Mohit Kumar, DAM Capital	Market Trends	Business Overview	Is coal recovery visible in January 2022?	Management noted coal continues to disappoint due to unresolved Indonesia issues, but containers are hitting records. A recovery in coal is not expected until mid-February at the earliest.	None	3.5	Cautio outloo
9	4.5	Mohit Kumar, DAM Capital	New Bids	Capex and Allocation	Have you won the Haldia terminal bid?	Management confirmed they won the bulk terminal bid at Haldia, making APSEZ present in every maritime state in India. This reinforces the "Pan-India" strategic moat and diversifies away from western hub risk.	None	5.0	New r
10	4.0	Prateek Kumar, Antique	Concor Bid	Capex and Allocation	Does the lower divestment target in the budget mean you should unwind cash/ debt for Concor?	Management stated they have no official signal that Concor is shelved and will keep cash/debt on the balance sheet for	None	4.0	Strate intent

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						another year. This confirms the acquisition of Concor remains the top capital allocation priority.			
11	3.0	Ashish Shah, Centrum	Capex	Capex and Allocation	Will coal headwinds slow down Capex?	Management confirmed Capex will remain at □3,000-3,500 Cr as current projects (Vizhinjam, Colombo, Dhamra) are container or gas-focused. Growth investments are decoupled from the thermal coal cycle.	None	4.0	Decou growt
12	3.5	Parash Jain, HSBC	International Strategy	Management Commentary	Will you expand aggressively overseas to become the largest port operator?	Management clarified the strategy is South Asia focused (Sri Lanka, Bangladesh) to make India a regional logistics hub. They will not chase global assets for the sake of size if the returns aren't superior to Indian opportunities.	None	4.0	Strate shift

PATTERN FLAGS & SENTIMENT

Analysts focused heavily on the **structural decline of thermal coal** versus the **growth in containers and logistics**. Management was highly transparent that coal is no longer a growth engine (1-2% CAGR) and is being replaced by gas and metal-related cargo. This pivot appeared to satisfy analysts, though the short-term guidance revision created a minor overhang.

The **Concor acquisition** remains a point of friction due to the high cash/debt levels being maintained on the balance sheet. Management's posture was defensive but firm—they will not unwind the "war chest" until the government explicitly cancels the divestment.

Analyst Sentiment Verdict: Generally positive on the long-term "Transport Utility" transformation, but skeptical about the predictability of bulk volumes in the near term. The biggest credibility boost came from the successful integration of Krishnapatnam and the pro-forma efficiency at Gangavaram. The greatest risk remains the timing of the Concor deal, which keeps the balance sheet in a "holding pattern."

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q/Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
FY22 Guidance	Initial Revenue/ EBITDA targets	Revised downward during call	Management admitted to a revision but refused to provide a new floor.	Low; short-term timing issue vs structural story.
Coal Growth	Part of the general cargo growth	"We are not bullish on coal"	Structural pivot: Coal growth capped at 1-2% CAGR for next 5 years.	High; requires container growth to over-compensate.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.