

## Adani Ports & Special Economic Zone Ltd — Feb 2025 Quarterly Analysis

### 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Strong Beat **One-line:** The thesis is shifting from a pure-play port operator to a dominant integrated transport utility as APSEZ delivers a massive EBITDA guidance upgrade driven by margin expansion, international ramp-ups, and a new asset-light trucking tech play.

| Dimension                    | This Quarter              | Signal / Evidence                                                             | Sentiment |
|------------------------------|---------------------------|-------------------------------------------------------------------------------|-----------|
| Beat/Miss vs Guidance        | Strong Beat               | FY25 EBITDA guidance raised by ~₹1,800 Cr (up 10% mid-year).                  | □         |
| Earnings Quality             | High (Core driven)        | 9M EBITDA growth (19%) outpaces revenue growth (14%); CFO/PAT at 1.86x.       | □         |
| Guidance Confidence          | Strong                    | Management indicated Q4 run-rate is already baked into the upgrade.           | □         |
| Management Credibility       | Strong                    | Successfully integrated Tanzania/Astro; delivered on Vizhinjam commissioning. | □         |
| Business Quality Signal      | Improving                 | Transitioning to "Virtual Assets" (TMS) to solve logistics inefficiencies.    | □         |
| Key Q&A Exchange             | Q#1 - EBITDA Upgrade      | Mgmt decoupled EBITDA from volume; focus on price-mix and marine services.    | □         |
| The Street's Primary Anxiety | Logistics Margin Dilution | TMS (trucking) diluted margins to 23%, but core logistics remains at ~28%.    | □         |
| Capital Cycle Stage          | Growth / Harvesting       | Mature ports (Mundra/Hazira) at 20%+ ROCE funding international expansion.    | □         |
| Margin Trajectory            | Improving                 | International EBITDA margins trending toward 30% from current high teens.     | □         |
| Pricing Power                | Expanding                 | Realization increase across all ports driven by price hikes and FX.           | □         |
| FCF Conversion & Quality     | Strong                    | 9M OCF at ₹15,018 Cr; easily covers annual debt maturities.                   | □         |
| Competitive Moat Signals     | Widening                  | Only Indian port player with transshipment (Vizhinjam) + global footprint.    | □         |
| Balance Sheet Strength       | Strong                    | Net Debt/EBITDA lowered to 2.1x (from 2.3x in FY24).                          | □         |
| Working Capital Efficiency   | Stable                    | Inventory/Agri silos expanding; no stress in receivables.                     | □         |
| Mgmt Guidance Track Record   | Reliable                  | Consistent market share gains (Container market share up to 45.2%).           | □         |
| Key Vulnerability            | Geopolitical risk         | Haifa remains a volume watchpoint despite operational resilience.             | □         |
| Management Tone              | Aggressive / Tech-led     | Heavy focus on "digitizing the value chain" and "virtual assets."             | □         |

**Key Takeaways (Positives & Negatives):** \* **Positives:** The major highlight is the upgraded FY25 EBITDA guidance to ₹18,800–18,900 Cr, a signal that the business is extracting more value per tonne through marine

services (Astro Offshore) and pricing power. Port margins are elite at 72% (domestic), and Mundra continues to defy gravity with a 75% Q3 margin. The launch of the Trucking Management Solution (TMS) represents a strategic pivot toward asset-light, high-utilization logistics. \* **Negatives:** Volume growth for domestic cargo was muted at 1% YoY in Q3, though this was largely due to a high base and a momentary trade correction in Oct/Nov. Logistics margins dipped to 23% (vs 28% prior quarter) due to the lower-margin trucking business mix, which may confuse investors looking for margin consistency. \* **Street Concern:** Analysts pressed on whether the volume growth was slowing. Management successfully reframed this by pointing to container outperformance (15% vs 11% industry) and the decoupling of EBITDA from pure cargo volumes through integrated services. \* **Watchpoint:** The commissioning of Colombo West International Terminal in April 2025 and the full-quarter volume ramp-up at Vizhinjam and Gopalpur will determine the trajectory for FY26.

## 2. BUSINESS PERFORMANCE

**2A. KEY METRICS** DATA SOURCE: PPT figures used as primary source. Concall used for Mgmt Commentary.

| Metric               | Current Qtr (Q3) | YoY Change      | QoQ Change | Trend | Mgmt Commentary                                                          |
|----------------------|------------------|-----------------|------------|-------|--------------------------------------------------------------------------|
| Cargo Volume (MMT)   | 112.5            | +4%             | +1.4%      | ↑     | Driven by containers (+23%); offset by dry bulk decline in Gangavaram.   |
| Revenue (₹Cr)        | 7,964            | +15%            | +12.7%     | ↑     | Growth driven by volume-price mix and newly acquired Astro/Tanzania.     |
| EBITDA (₹Cr)         | 4,802            | +15%            | +9.9%      | ↑     | Upgraded guidance reflects strong performance in Marine & International. |
| EBITDA Margin %      | 60.3%            | →               | ↓          | ↔     | Port margins stable at 72%; Logistics diluted by trucking launch.        |
| PAT (₹Cr)            | 2,518            | +14%            | +4.4%      | ↑     | 9M PAT growth of 32% reflects operational efficiency and lower debt.     |
| ROCE (%)             | 13%              | →               | →          | →     | Mature ports (Mundra/Hazira) at 21%; acquisitions still ramping up.      |
| Cash Flow (OCF 9M)   | 15,018           | +149% (vs FY19) | N/A        | ↑     | Strong OCF/EBITDA conversion at ~70%.                                    |
| Net Debt (₹Cr)       | 38,000           | +1.4%           | +7.9%      | ↓     | Net debt increased slightly QoQ due to M&A (Astro/Gopalpur).             |
| Net Debt / EBITDA    | 2.1x             | ↓               | ↑          | ↑     | Improved from 2.3x (FY24); well within 2.5x limit despite M&A.           |
| Interest Coverage    | 5.6x             | →               | ↓          | →     | FFO interest coverage remains robust; no refinancing risk.               |
| Port Realization/ MT | Not Stated       | ↑               | ↑          | ↑     | Confirmed in concall that realizations are up across all ports.          |

## 2B. SEGMENT BREAKDOWN

| Segment        | Revenue (₹ Cr) | YoY Growth | Margin | Trend | vs Co Avg | Key Development                                          |
|----------------|----------------|------------|--------|-------|-----------|----------------------------------------------------------|
| Domestic Ports | 5,994          | +8%        | 73%    | ↑     | Above     | Mundra margin hit 75% in Q3; Kattupalli volume up 22.5%. |
| Logistics      | 1,123          | +18%       | 23%    | ↓     | Below     | TMS trucking launch diluted margins from 28% to 23%.     |
| International  | 577            | +100%      | 18%    | ↑     | Below     | Tanzania/Haifa ramping up; EBITDA tracking toward 30%.   |
| SEZ & Port Dev | 271            | -30%       | 57%    | ↓     | Below     | Lumpy revenue based on development cycles.               |

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category       | Management Target / Claim   | Required Run-Rate / Mathematical Feasibility                              | Historical Delivery | Risk Flag |
|-----------|----------------|-----------------------------|---------------------------------------------------------------------------|---------------------|-----------|
| Guidance  | EBITDA         | ₹18,800–18,900 Cr           | Needs ~₹4,800 Cr in Q4. Run-rate is already at ₹4,802 Cr (Q3). Very High. | Reliable            | Low       |
| Guidance  | Revenue        | ₹29,000–31,000 Cr           | Needs ~₹7,000 Cr in Q4. (9M at ₹22,590 Cr). Highly Feasible.              | Reliable            | Low       |
| Guidance  | Volume         | 460–480 MMT                 | Needs ~130-140 MMT in Q4. (9M at 332 MMT). Aggressive.                    | Reliable            | Medium    |
| Guidance  | Capex Plan     | ₹10,500–11,500 Cr           | Spent ₹7,500 Cr in 9M. Needs ₹3k-4k Cr in Q4. On track.                   | Reliable            | Low       |
| Strategy  | International  | 150 MMT by 2030             | Currently ~18 MMT annualized. Requires Colombo/Tanzania expansion.        | Strong              | Medium    |
| Strategy  | Logistics      | 20 Mn sq. ft (FY29)         | Currently 3.1 Mn sq. ft. Requires massive execution ramp-up.              | On track            | High      |
| Macro     | Logistics Cost | Reduce India's 13% GDP cost | Via TMS and rail-over-road conversion (3 trips/day vs 1).                 | First stage         | Medium    |
| Balance   | Debt/ EBITDA   | 2.2x – 2.5x                 | Currently 2.1x. Below target; room for more acquisitions.                 | Disciplined         | Low       |

## 4. ANALYST Q&A

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| Q# | Relevance | Analyst / Firm            | Theme Cluster   | Category          | Underlying Concern                                                      | Management Response & Investment Implication                                                                                                                                                                                                                               | Evaded | Credibility | Verdict              |
|----|-----------|---------------------------|-----------------|-------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------|----------------------|
| 1  | 5.0       | Alok Deora, Motilal Oswal | EBITDA Guidance | Financials        | "Rationale behind the EBITDA guidance enhancement?"                     | Management explained that market share gains, price-mix increases, and the inclusion of Astro/Marine services have decoupled earnings from pure cargo volume. This implies a higher "earnings density" per tonne, potentially leading to a margin-led valuation re-rating. | None   | 5.0         | Clear and quantified |
| 2  | 4.0       | Alok Deora, Motilal Oswal | Competition     | Strategy          | "A competitor announced ₹10k Cr Capex in logistics; how do we compete?" | APSEZ leverages its 15-port network and "Virtual Asset" strategy (trucking/tech) to drive inland market share where competitors lack port-side control. This confirms the "port-to-gate" moat remains difficult for pure-play logistics players to replicate.              | None   | 4.5         | Strategic clarity    |
| 3  | 4.5       | Ankita Shah,              | Q4 Volume Ramp  | Business Overview | "What can drive the growth in                                           | Growth will be driven by trial volumes at Colombo,                                                                                                                                                                                                                         | None   | 4.0         | Feasible roadmap     |

| Q# | Relevance | Analyst / Firm             | Theme Cluster    | Category   | Underlying Concern                                           | Management Response & Investment Implication                                                                                                                                                                                              | Evaded | Credibility | Verdict    |
|----|-----------|----------------------------|------------------|------------|--------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------|------------|
|    |           | Elara Capital              |                  |            | volumes in the 4th quarter?"                                 | full volumes from Vizhinjam/ Tanzania/ Gopalpur, and a seasonal pickup in Mundra/ Hazira. Success in Q4 depends heavily on the execution of these new/ upcoming port integrations.                                                        |        |             |            |
| 4  | 4.0       | Ankita Shah, Elara Capital | Realization      | Financials | "Where has the realization growth come from?"                | Management noted price increases across all ports and a favorable FX impact, leading to revenue growth (8%) outstripping volume growth (3.5%). This demonstrates strong pricing power and the ability to pass through inflationary costs. | None   | 5.0         | Quantified |
| 5  | 4.5       | Achal Lohade, Nuvama       | Logistics Future | Strategy   | "How do you see logistics evolving over the next 4-5 years?" | The focus is on "virtual assets" and end-to-end customer play using tech (TMS) to manage rail and trucking indents for higher utilization. This signals                                                                                   | None   | 4.0         | Visionary  |

| Q# | Relevance | Analyst / Firm        | Theme Cluster | Category          | Underlying Concern                                               | Management Response & Investment Implication                                                                                                                                                                                           | Evaded | Credibility | Verdict         |
|----|-----------|-----------------------|---------------|-------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------|-----------------|
|    |           |                       |               |                   |                                                                  | a shift toward a software-plus-infrastructure model that could improve capital efficiency.                                                                                                                                             |        |             |                 |
| 6  | 4.0       | Priyankar Biswas, BNP | Port Margins  | Financials        | "Why are margins at Gangavaram and Krishnapatnam unusually low?" | Lower margins are attributed to the coal volume mix and a "ramping back" period at Gangavaram following prior disruptions. This identifies a temporary margin overhang that should normalize within 1-2 quarters as volumes stabilize. | None   | 3.5         | Temporary lag   |
| 7  | 4.0       | Priyankar Biswas, BNP | DFC Benefits  | Business Overview | "Why are WDFC benefits not showing up in Mundra logistics yet?"  | Mgmt noted that while infra is ready, the market "mindset" is still shifting from road to rail, and APSEZ is redesigning circuits to run partial loads. This indicates a lag between infrastructure completion and volume realization, | None   | 3.5         | Operational lag |

| Q# | Relevance | Analyst / Firm              | Theme Cluster         | Category   | Underlying Concern                                          | Management Response & Investment Implication                                                                                                                                                                                                    | Evaded | Credibility | Verdict         |
|----|-----------|-----------------------------|-----------------------|------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------|-----------------|
|    |           |                             |                       |            |                                                             | but suggests a long runway for growth.                                                                                                                                                                                                          |        |             |                 |
| 8  | 4.5       | Sumit Kishore, Axis Capital | International Margins | Financials | "Roadmap for International EBITDA margins (currently 18%)?" | Mgmt expects international margins to reach ~30% within a couple of years as Tanzania and Haifa adopt the "Adani DNA" for efficiency. This is a significant re-rating trigger as the international segment contributes more to the bottom line. | None   | 4.5         | Specific target |
| 9  | 4.0       | Aditya Mongia, Kotak        | Logistics Boost       | Strategy   | "Can logistics grow to a 10% contribution to EBITDA?"       | Mgmt confirmed the goal is to move from the current 5% toward a 10% contribution by attacking logistics inefficiencies (13% of GDP cost). This provides a clear roadmap for non-port earnings to become a meaningful growth driver.             | None   | 4.5         | Directional     |
| 10 | 3.5       | Bharani, Avendus Spark      | Logistics Margins     | Financials | "Why the drop in logistics margins to 23%?"                 | The dilution is purely due to the launch of the asset-                                                                                                                                                                                          | None   | 4.0         | Mix-driven      |



| Q# | Relevance | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication                                                                                                                                                         | Evaded | Credibility | Verdict |
|----|-----------|----------------|---------------|----------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------|---------|
|    |           |                |               |          |                    | light trucking business (TMS), which operates at ~10% margins; core logistics remains stable. This clarifies that the margin drop is a "mix effect" rather than a deterioration in business quality. |        |             |         |

**PATTERN FLAGS & SENTIMENT** \* **The "Guidance Decoupling" Pivot:** Analysts were surprised by the EBITDA upgrade despite modest volume growth. Management successfully socialized the idea that APSEZ is now an "Integrated Transport Utility" where ancillary services (Marine, Astro, Tech) generate high margins regardless of pure cargo throughput. This shift in posture from "volume-taker" to "value-extractor" was the most significant sentiment driver. \* **Logistics Transparency:** Analysts poked at the 23% logistics margin. Management's decision to break out "Trucking" vs "Other Logistics" in the PPT (Page 45) was a preemptive strike that satisfied the Street. The focus on "Virtual Assets" (TMS) suggests management is prioritizing market share and customer stickiness over short-term margin percentages. \* **Analyst Sentiment Verdict:** Overwhelmingly Bullish. The massive EBITDA upgrade mid-year has effectively silenced concerns about a domestic trade slowdown. Management's confidence in reaching 30% international margins and the aggressive FY29 logistics targets provided the long-term growth "carrots" the buy-side seeks. The only lingering skepticism is the speed of road-to-rail conversion under the DFC.

## 5. WHAT CHANGED vs PRIOR QUARTER

| What Changed      | Prior Quarter      | This Quarter                                        | Direction               |
|-------------------|--------------------|-----------------------------------------------------|-------------------------|
| EBITDA Guidance   | ₹17,000–18,000 Cr  | ₹18,800–18,900 Cr                                   | ↑ Significant Upgrade   |
| Logistics Margin  | 27% (Q2)           | 23% (Q3)                                            | ↓ Diluted by Trucking   |
| Trucking Strategy | Conceptual / Early | "TMS" Platform Launched (Marketplace + Fulfillment) | ↑ Strategic Pivot       |
| Net Debt / EBITDA | 2.0x               | 2.1x                                                | ↓ Slight Increase (M&A) |
| International Ops | Integrating        | Haifa/Tanzania delivering ~18% margins; targets 30% | ↑ Improving             |
| Asset Portfolio   | Pending M&A        | Astro Offshore & Gopalpur Closed                    | ↑ Growing               |
| Vizhinjam Status  | Trials             | Commenced Commercial Operations                     | ↑ De-risked             |
| Mundra Margin     | 70%                | 75%                                                 | ↑ Record Levels         |
| Agri Silo Target  | Not emphasized     | FY29 target 4 MMT (from 1.2 MMT)                    | ↑ Expanding Moat        |

**Note on Cash Flow:** The 9M CFO of ₹15,018 Cr relative to PAT of ₹8,038 Cr (CFO/PAT 1.86x) indicates exceptionally high earnings quality. The primary lever for this divergence is the high depreciation charge from a large asset base and the upfront collection of SEZ/Port development revenues, providing a "cash-rich" profile that supports the ₹10,500 Cr+ annual Capex without straining the 2.5x leverage ceiling.