Adani Ports & Special Economic Zone Ltd — Jul 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** APSEZ has successfully de-risked its dependency on Mundra by proving its international portfolio (Colombo/Australia) can deliver group-leading EBITDA growth, while demonstrating superior pricing power to offset muted domestic volumes.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Q1 EBITDA (□6,541 Cr) puts the company on track for □26,164 Cr annualized, exceeding the upper end of the □25k-26k Cr guidance.	□
Earnings Quality	High (Core driven)	Growth is operational; transshipment and liquid mix improvements offset a □518 Cr JV dividend accounting shift in Other Income.	□
Guidance Confidence	Strong	Reaffirmed Ambition 2031 (1 Billion MT capacity); EBITDA guidance review slated for H1, implying potential for another upgrade.	□
Management Credibility	Strong	Defined clear "Playground Rules" for international M&A (ABP UK rumors) and successfully ramped Colombo margins to 41.8%.	□
Business Quality Signal	Improving	The transition to an "Integrated Transport Utility" is yielding higher realizations (12% domestic revenue growth on 2% volume).	□
Key Q&A Exchange	Q5 + EBITDA Guidance	Management refused to raise FY27 guidance yet but admitted they are maximizing opportunities from Red Sea disruptions to drive premiums.	□
The Street's Primary Anxiety	M&A Over-extension	Anxiety over large-scale UK acquisitions (□60k-70k Cr); Mgmt countered with strict RoCE/Local Currency financing rules.	□
Capital Cycle Stage	Re-investing	Heavy organic expansion (Mundra, Dhamra, Vizhinjam) + aggressive international inorganic scanning.	□
Margin Trajectory	Improving	International port margins surged to 41.8% (vs 21.1% YoY); domestic port margins sustained at a massive 74%.	□
Pricing Power	Expanding	Despite domestic cargo volume growing only 2%, port revenue grew 12% due to mix and emergency transshipment fees.	□
FCF Conversion & Quality	Strong	Net Debt/EBITDA at 1.9x; FFO remains sufficient to fund organic growth and mandatory debt repayments.	□
Competitive Moat Signals	Widening	Vizhinjam-MSC partnership locks in transshipment volumes without exclusivity, positioning the port as a rival to Colombo.	□
Balance Sheet Strength	Strong	BBB (S&P) / AAA (Domestic); credit rating now at par with India's sovereign rating.	□
Working Capital Efficiency	Stable	Extended free storage (45 days) for customers to support trade, yet maintained margin leadership.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on the transition from "Mundra-only" to a diversified global port network.	□
Key Vulnerability	Geopolitics	Continued Red Sea/Middle East crisis impacts specific trade lanes (Morbi tiles/EXIM bulk).	□
Management Tone	Strategic & Disciplined	Focused on "Rules of Engagement" for overseas expansion and RoCE maximization.	□

Key Takeaways (Positives & Negatives): * **Positives:** The Q1 result is a masterclass in mix management. While domestic volumes were soft (+2%) due to temporary plant shutdowns at Krishnapatnam, EBITDA grew 19% as the company extracted higher realizations from liquid cargo and transshipment premiums. International ports have reached a critical mass, with revenue up 80% and margins doubling, proving the Adani DNA is portable across borders. The MSC partnership at Vizhinjam de-risks the newest major asset. * **Negatives:** Domestic volumes were hampered by external factors (Red Sea crisis affecting Morbi tile exports and specific customer plant outages). Logistics top-line growth remains muted as the company recalibrates for a "single window" integrated service, shifting some revenue optics to the Ports segment. * **Street Concern:** Analysts are wary of the rumored ABP UK acquisition's ticket size. Management's response provided a rigid framework: assets must be earnings-accretive from Day 1, funded in local currency to hedge FX, and deliver RoCE $\ge$ APSEZ average. This significantly reduces the risk of value-destructive "ego-buys." * **Forward Watchpoint:** The H1 FY27 results will likely see a guidance upgrade if the current run-rate (□6,541 Cr EBITDA) persists. Watch for the official announcement on the Mundra concession extension following the Pipavav precedent.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available — all numbers sourced from concall transcript.*

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Total Cargo (MMT)	109.0 (Est)	+7.2%	-11.5%	↓	Driven by Int'l (22.8 MMT); domestic volumes muted at 2% growth.
Revenue (□Cr)	10,821	+19%	+11.5%	↑	Outpaced volume due to mix (Liquid/ Transshipment) and Marine growth.
EBITDA (□Cr)	6,541	+19%	+13.0%	↑	International EBITDA surged 256% YoY.
EBITDA Margin %	60.4%	→	↑ 80bps	↑	Consolidation of high-margin Australian assets and Colombo ramp-up.
PAT (□Cr)	Not in doc	-	-	-	9M FY26 PAT was □3,043 Cr (Prior Context); Q1 not explicit.
ROCE (%)	10% (Logistics)	↑ (vs 9% H1)	-	↑	Consol. ROCE target is 20% by FY31.
Net Debt / EBITDA	1.9x	→	→	→	Stable despite high growth trajectory.
International Revenue (□Cr)	1,747	+80%	↑	↑	Record quarter for overseas operations.
Marine Revenue (□ Cr)	901	+67%	↑	↑	Driven by global fleet of 135 vessels and new LNG contracts.
Domestic Port Margin (%)	74%	→	→	→	Industry-leading operational efficiency sustained.
Int'l Port Margin (%)	41.8%	↑ 2070bps	↑	↑	Sharp jump from 21.1% YoY; Colombo/Australia leverage.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Domestic Ports	Not explicit	+12%	74%	↑	Above	Mundra grew 7%; Krishnapatnam degrowth due to plant shut.
International Ports	1,747	+80%	41.8%	↑	Below	Colombo Terminal ramp-up and Australia contribution.
Logistics	Not explicit	Not explicit	10% (RoCE)	↑	Below	Trucking +26%; Int'l Freight Network +28%.
Marine	901	+67%	55% (SS)	↑	Below	10-year Argentina LNG contract; Oceaneering partnership.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	EBITDA (FY27)	□25,000 - 26,000 Cr	Needs □6,153 Cr/qtr. Q1 achieved □6,541 Cr. High feasibility.	Reliable	Low
Guidance	Volume (FY27)	Not explicit for FY27	Ambition 2031: 1 Billion MT capacity.	Reliable	Medium
Guidance	Capex Plan	Ahead of Guidance	Stated as "slightly ahead" of schedule for Mundra/Vizhinjam expansion.	Reliable	Low
Strategy	M&A Rules	Contribution to Top/ Bottom line	Mgmt won't do greenfield overseas; existing assets only.	New Framework	Low
Strategy	Vizhinjam	Partnering with MSC	MSC is equity partner; Adani retains CEO/CFO and ops control.	Consistent	Low
Macro	Red Sea Impact	Transshipment hubbing	23% to 27% transshipment ratio in Mundra; maximizing fees.	Ramping	Low
Balance	Debt Leverage	Net Debt/EBITDA < 2.5x	Currently 1.9x. Cash flow covers all growth plans.	Consistent	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verd
1	4.0	Alok Deora / Motilal Oswal	Volume Growth	Business Overview	"Domestic volumes still kind of continue to be muted... Krishnapatnam has seen a big degrowth."	Management explained the 2% domestic volume growth was due to a specific customer plant shutdown in Krishnapatnam (2.5 MMT shortfall) which has now restarted. Investment implication: The domestic slowdown is a "spot issue" rather than a structural loss of market share.	None	4.0	Clear quan
2	5.0	Alok Deora / Motilal Oswal	ABP UK M&A	Capex and Allocation	"News articles floating today on the acquisition of ABP U.K. port... any comment there?"	Management refused to comment on rumors but outlined 3 strict "Playground Rules" for international M&A: accretive top/bottom line contribution, local currency financing, and RoCE $\ge$ APSEZ average. Investment implication: Mgmt is signaling they will not overpay for vanity assets and will hedge FX risk at the source.	Rumor confirmation	3.5	Strat frame
3	4.5	Priyankar Biswas /	Other Income	Financials	"Other income for Q1 of FY27... seems to be quite higher than	Management clarified □518 Cr of the □853 Cr Other	None	5.0	Spec verifi

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verd
		JM Financial			what it was... last year."	Income was a dividend from JVs (CT-3/ CT-4), which is a contra-entry to a loss below EBITDA in the JV line. Investment implication: Normalized Other Income is 335 Cr; headline profit is not inflated by non-operating gains.			
4	4.0	Priyankar Biswas / JM Financial	Transshipment	Business Overview	"Is there some storage income or... storage EBITDA that would have come into this Q1 numbers?"	Management stated they extended free storage for 45 days to support the trade but charged for "emergency services" like refrigerated electricity and extra lift-on/lift-off. Investment implication: Revenue yield per container increased due to service mix, not just volume.	None	4.0	Direc evide
5	5.0	Priyankar Biswas / JM Financial	EBITDA Guidance	Management Commentary	"Is there any chance like would you want to revisit your EBITDA guidance, like which already is like INR25,000 to INR26,000?"	Management refused to raise guidance yet, citing geopolitical and monsoon uncertainties, and will revisit after H1. Investment implication: APSEZ is sandbagging a	Guidance revision	3.0	Cons stanc

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						likely guidance upgrade for the second half of the year.			
6	4.0	Priyankar Biswas / JM Financial	M&A Funding	Financials	"What would be your thresholds for net debt-to-EBITDA... for a large M&A?"	Management noted that if they do nothing, Net Debt/EBITDA hits zero in 5 years, giving them massive balance sheet room for "meaningful M&A." Investment implication: High liquidity/ low leverage allows for a □50k Cr+ acquisition without breaching investment-grade covenants.	Exact limit	3.0	Balar shee
7	4.0	Atul Tiwari / JPMorgan	Domestic Pricing	Financials	"What were the levers which you use to drive this kind of revenue [12%] and EBITDA growth [11%] on 2% volume?"	Management attributed the delta to fuel surcharges, mix shift from bulk coal to high-margin liquid, and introducing "associated business services." Investment implication: Realization per ton is decoupling from volume, a major structural positive for margins.	None	4.0	Spec lever

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8	3.5	Atul Tiwari / JPMorgan	Logistics	Business Overview	"Top line growth has been pretty muted... do we expect acceleration?"	Management admitted ICD utilization (Patli, Tumb) is not yet at the 80% target due to Red Sea-related cargo shifts from container to bulk. Investment implication: Logistics recovery is contingent on global supply chain normalization.	None	3.5	Utiliz led
9	4.0	Aditya Mongia / Kotak	Global Multiples	Capex and Allocation	"Where do you see these opportunities globally... from a marketing perspective?"	Management emphasized that global ports are often run poorly as simple "terminal operators"; Adani adds value by implementing its "integrated ecosystem" (marine + rail + warehouse). Investment implication: Adani expects to drive 200-300bps margin expansion in acquired global assets via operational DNA.	None	4.0	Value strate
10	4.0	Achal Lohade / Nuvama	Mundra Utilization	Business Overview	"What's the capacity utilization for container in Mundra in 1Q? When is next	Management indicated they are "getting very close" to full utilization and will add capacity within	Exact utilization %	3.0	Time base

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verd
					capacity addition?"	this calendar year. Investment implication: Mundra's growth is no longer limited by demand, but by berth availability, which is being addressed immediately.			
11	4.0	Parash Jain / HSBC	FTAs	Management Commentary	"Do you finally see India's EXIM growth over a medium-term change gear?"	Management noted visible spikes in Ro-Ro (auto exports) to Europe/UK following FTA signings, despite Red Sea volatility. Investment implication: Structural trade tailwinds from FTAs are providing a floor for volumes during geopolitical crises.	Growth quantum	3.0	Anec evide
12	4.5	Manish Somaiya / Cantor	Vizhinjam-MSC	Business Overview	"Could [Vizhinjam/MSC] serve as a template for you as you look to internationalize?"	Management confirmed partnerships are win-win but emphasized Adani retains full operational control (CEO/ CFO) and the port remains non-exclusive. Investment implication: The MSC deal provides a volume floor while allowing Adani to	None	4.5	Clear quan

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verd
						capture high-margin EXIM from the Kerala hinterland.			
13	4.0	Manish Somaiya / Cantor	Marine Margins	Financials	"How should we think about margins in [Marine and International] segments?"	Management noted Marine margins (currently 36%) should normalize to 55% as Middle East disruptions subside; International is a "swing factor" based on Israel. Investment implication: Consolidated margins have significant upside from current levels as global operations stabilize.	None	4.0	Segn speci
14	4.0	Bharani / Avendus Spark	Transshipment Hubs	Business Overview	"What is the positive impact of this crisis on Vizhinjam and Colombo?"	Management explained that Colombo and Vizhinjam are filling capacity due to "natural demand" and performance, while Mundra's transshipment jump was crisis-driven. Investment implication: Vizhinjam's growth is structural, whereas Mundra's recent transshipment spike may be transitory.	None	4.0	Dema

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verd
15	4.0	Pulkit / Goldman Sachs	Int'l Revenue Mix	Management Commentary	"Is there an upper limit that you have in mind that this is the kind of proportion... from international?"	Management stated they have no cap on international revenue; the mix is a "consequence" of following RoCE and trade routes (East-West corridor). Investment implication: APSEZ is transitioning from an Indian port operator to a Global Maritime Utility.	None	4.0	Strat
16	4.0	Pulkit / Goldman Sachs	Mundra Concession	Governance	"Any update there [Mundra concession]?"	Management advised watching for the Pipavav concession results (expiring 2028) as the benchmark for Mundra. Investment implication: A successful Pipavav extension will likely act as the catalyst for re-rating Mundra's terminal value.	Specific date	2.0	Polic
17	4.5	Koundinya / Jefferies	M&A RoCE	Capex and Allocation	"If there was an asset... that would dilute this 20% RoCE target... would that still be okay?"	Management indicated RoCE is not the only metric; financing structure and long-term ecosystem value (10-year	None	4.0	Balar view

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verd
						view) are equally critical. Investment implication: Management is willing to accept near-term RoCE dilution for strategic "gateway" assets that provide 20-year growth.			

PATTERN FLAGS & SENTIMENT

- **The "M&A Rulebook" Defense:** Analysts were hyper-fixated on rumors of a massive UK acquisition. Management responded with a high degree of discipline, repeatedly citing their four rules for international expansion (Contribution, Local Financing, RoCE Floor, Local Partner). This appeared to successfully calm fears of a "debt-fueled land grab," shifting the focus to the quality of earnings in current international assets (Australia/Colombo).
- **Pricing Power vs. Volume Mismatch:** There was a clear pattern of questioning why domestic revenue grew 6x faster than volume. Management's posture was confident, highlighting their ability to pass through surcharges and capture value from "emergency services" during congestion. This signifies a maturing business model where APSEZ is no longer a volume play, but a yield-optimization play.
- **Transshipment: Structural vs. Transitory:** Analysts pressed on the Mundra transshipment spike. Management was transparent in stating that Mundra's boost was crisis-linked (Red Sea), while Vizhinjam and Colombo are growing due to fundamental Indian demand. This provides a clear roadmap: watch Mundra for stabilization and Vizhinjam for long-term growth.

Analyst Sentiment Verdict: Analysts were **highly impressed by the EBITDA beat** and the surge in international margins, but remained **cautious about the scale of future M&A**. Management's credibility has reached a peak following the successful turnaround of international assets. The single unresolved issue is the Mundra concession extension, which remains a low-level overhang until the Pipavav case provides a legal template.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
FY27 EBITDA	₹25k-26k Cr	Q1 at ₹6,541 Cr	**Positive Gap:** Current run-rate exceeds guidance; mgmt "waiting and watching" to upgrade.	None (Positive)
Mundra Utilization	Strong comeback (7%)	"Getting very close" to full capacity	**Gap:** Volume growth is now a function of capex execution, not demand.	Low (Execution risk)
Marine Margins	High growth	Current 36% vs SS 55%	**Gap:** Segment underperformed its steady-state potential due to ME crisis.	Medium (Recovery play)

5. WHAT CHANGED vs PRIOR QUARTER

Comparison vs Q3 FY26 Prior Context.

What Changed	Prior Quarter	This Quarter	Direction
EBITDA Run-rate	₹5,786 Cr (Q3)	₹6,541 Cr (Q1)	↑ Significant Beat
Int'l Port Margin	22.1%	41.8%	↑ Massive Expansion
Net Debt/EBITDA	1.8x	1.9x	→ Stable
M&A Focus	NQXT Integration	UK / Global Scanning	↑ Aggressive Scanning
Other Income Quality	Operations-linked	JV Dividend Driven (₹518 Cr)	↓ Accounting distortion
Marine Outlook	Astro Integration	Global LNG focus (Argentina)	↑ Strategy expansion
Mundra Cargo Mix	Bulk Drag	Transshipment Hubbing (27%)	↑ Yield optimization
Logistics RoCE	9% (H1)	10% (FY26)	↑ Improving
Credit Rating	A- (JCR)	BBB Stable (S&P Upgrade)	↑ Improved Credibility

Investor Notes: * **The Thesis remains intact but is evolving:** APSEZ is no longer just an Indian infrastructure play; it is a global yield play. The 41.8% international margin is the most significant data point this quarter, proving that the company can extract Adani-level efficiencies from overseas assets. * **CFO-to-PAT Divergence:** While PAT wasn't explicit, the ₹518 Cr JV dividend in Other Income is a "cash-rich" income line, likely improving the CFO/PAT ratio this quarter. * **M&A Safety:** The new "Playground Rules" for international acquisitions serve as a crucial governance filter for long-term investors. If an ABP UK-style deal happens, the company has pre-committed to local currency funding, which neutralizes the primary thesis risk (currency mismatch). * **Vizhinjam is the new Mundra:** The MSC partnership confirms Vizhinjam will not face a "ramp-up" struggle. It is being birthed as a mature transshipment hub.

STOP HERE.