Adani Ports & Special Economic Zone Ltd — May 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** APSEZ has cemented its transition from a port operator to a high-margin "Integrated Transport Utility," delivering on deleveraging targets early while initiating a massive □11,500 Cr growth capex cycle funded entirely by internal accruals.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	FY24 volume hit 420 MMT vs original guidance of 370-390 MMT and revised >400 MMT.	□
Earnings Quality	High (Core driven)	OCF (□15,018 Cr) is 1.85x PAT; Port EBITDA margins expanded to 71%.	□
Guidance Confidence	Strong	FY25 volume guidance (460-480 MMT) supported by 12% growth already seen in April 2024.	□
Management Credibility	Strong	Achieved Net Debt/EBITDA of 2.3x, beating the long-standing 2.5x milestone early.	□
Business Quality Signal	Improving	Transition to "Gate-to-Gate" utility validated by 19% growth in rail and 40% in bulk logistics (GPWIS).	□
Key Q&A Exchange	Q# 12 — Int. M&A	Mgmt pivot: International expansion is now about "profitable cargo traffic" in Mediterranean/SE Asia, not just flags on a map.	□
The Street's Primary Anxiety	Red Sea Disruption	Mgmt confirmed 10% exposure but neutralized it with 12% growth in April; risk is being managed via volume diversification.	□
Capital Cycle Stage	Growth Re-acceleration	Shifting from deleveraging (FY24) to aggressive asset buildup (FY25 Capex □10.5k–11.5k Cr).	□
Margin Trajectory	Improving	Mundra margins hit 65% (+300 bps YoY); Domestic Ports overall at 71%.	□
Pricing Power	Expanding	Revenue growth (28%) outpaced volume growth (24%), implying realization gains and better cargo mix.	□
FCF Conversion & Quality	Strong	□15,018 Cr OCF vs □7,400 Cr Capex; FCF is being used to pay down July bonds and fund Gopalpur acquisition.	□
Competitive Moat Signals	Widening	Market share hit 27%; Mundra turnaround time (0.7 days) is ~3x faster than Indian government ports (2 days).	□
Balance Sheet Strength	Strong	Net Debt/EBITDA at 2.3x; Average debt maturity at 4.6 years with cash-on-hand for bond maturities.	□
Working Capital Efficiency	Stable	OCF/EBITDA conversion remains healthy at ~94% (□15,018 Cr / □15,864 Cr).	□
Mgmt Guidance Track Record	Reliable	Consistent history of "beat and raise" over the last 4 quarters.	□
Key Vulnerability	Auditor Qualification	Qualification remains due to ongoing SEBI investigation; Supreme Court dismissed other pleas but SEBI closure is the bottleneck.	□
Management Tone	Confident & Strategic	CEO Ashwani Gupta focused on "connecting the dots" and "balanced commodity mix."	□

Key Takeaways * **Positives:** APSEZ is outperforming the industry 3x (21% domestic growth vs 7.5% All-India). The "Parity" strategy is complete, with East and West coasts now contributing equally. Logistics is scaling as a high-margin engine, with rail rakes reaching 127 and trucking launched as an asset-light last-mile solution. * **Negatives:** Logistics EBITDA margins (26%) saw a slight dip in Q4 due to expiring agri-silo contracts (billing reduction), and the auditor qualification remains a persistent, albeit narrowing, governance overhang. * **Street Concern:** Investors questioned the □1,500 Cr renewable energy spend. Management justified this as a strategic move for captive use to lower port operating costs and achieve Net Zero by 2040, utilizing Adani Green's scale at Khavda. * **Forward Watchpoint:** The commissioning of Vizhinjam (India's first transshipment hub) and Colombo terminal by FY25-end, which will shift India's reliance away from international hubs like Dubai or Singapore.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures primary. Concall used for commentary and FY25 guidance run-rates.

Metric	Current Qtr (Q4)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Cargo Volume (MMT)	108.7	+26%	→	↑	FY24 hit 420 MMT. Growth driven by dry bulk (+29%) and containers (+20%).
Revenue (□Cr)	6,897	+19%	→	↑	Volume growth + realization gains (12% YoY realization improvement at Mundra).
EBITDA (□Cr)	4,044	+24%	↓	↑	Excl. FX; Q4 EBITDA margin at 59% (diluted by one-offs/mix). FY24 EBITDA □15,864 Cr.
EBITDA Margin %	58.6%	+210 bps	↓	↑	Domestic Port margin hit 71% for FY24. Q4 impacted by agri-silo contract re-pricing.
PAT (□Cr)	2,015	+77%	↓	↑	Driven by operational jump; FY24 PAT at □8,104 Cr.
ROCE (%)	13%	+100 bps	→	↑	Improving at matured ports; targeting 20% for newer acquisitions.
Cash Flow (OCF)	15,018	+149%	N/A	↑	Massive jump (FY24 figure). OCF/EBITDA conversion is a robust 94.6%.
Net Debt (□Cr)	34,401	-14%	↓	↑	Deleveraging prioritized; Net Debt/EBITDA at 2.3x vs 3.1x (Mar-23).
Interest Coverage (x)	3.0	-46%	↓	↓	FFO interest coverage is 3.0x; impacted by higher interest paid during year.
Working Capital	Stable	→	→	→	OCF vs PAT ratio (1.85x) indicates zero aggressive revenue recognition.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Domestic Ports	5,475	+24%	70%	→	Higher	Mundra hit record 180 MMT; Krishnapatnam margins at 61%.
Logistics	540	+12%	19%	↓	Lower	Added 34 rakes in FY24; Q4 margin hit by silo contract renewals.
International	572	N/A	12%	↓	Lower	Includes Haifa; margin drag due to integration/ manpower costs.
SEZ & Port Dev	310	+13%	75%	↑	Higher	Timely monetization of land at Mundra; land bank increasing.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	460 - 480 MMT (FY25)	Needs ~115-120 MMT/qtr. April handled 39.5 MMT (+12%), putting them exactly on track.	Over-delivered	Low
Guidance	EBITDA	□17,000 - 18,000 Cr	Needs ~10% growth on FY24 base. High feasibility given new capacity (Gopalpur/ Vizhinjam).	Consistent	Low
Guidance	Capex	□10,500 - 11,500 Cr	Step up from □7,400 Cr; primarily for Vizhinjam, Colombo, and Rakes.	Consistent	Medium
Strategy	Net Zero	Net Zero by 2040	Targetting 100% RE for electricity by FY25; 1000MW capacity in progress.	Accelerating	Low
Strategy	Logistics Scale	300 Rakes by FY28	Currently at 127; needs ~43 rake additions per year to hit target.	On Track	Execution
Balance	Leverage	2.2x - 2.5x (Net D/ E)	Current at 2.3x; guidance implies maintaining this despite heavy capex.	Met early	Low

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	Mohit Kumar / ICICI	Tariffs	Financials	"Have we taken tariff hike across all your ports... and if yes, can you please quantify?"	Management confirmed the trend of increasing realizations will continue, though exact percentages vary by port. Sustained realization growth supports the thesis of pricing power despite competition from major ports.	Specific average hike %	3.0	Vague bu consister
2	4.5	Alok Deora / Motilal	Red Sea Risk	Outlook	"Are we facing any issues related to Red Sea... any slippage of volumes?"	Management stated they are not facing challenges that impact growth and April showed 12% growth YoY. This confirms that APSEZ's domestic and east-coast volumes are insulating it from Suez-dependent trade routes.	None	5.0	Specific evidence given
3	4.0	Alok Deora / Motilal	Logistics Margins	Financials	"In the logistics business... margins have come off quite materially [in Q4]. What's happening?"	The margin dip was attributed to certain 10-year agri-silo contracts completing, which lowered billing rates per contract terms. This is a structural reset for old contracts but is offset by the growth of new, higher-margin rakes	None	4.0	Direction with evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						and warehousing.			
4	3.5	Atul Tiwari / Citi	Trucking Model	Strategy	"These 900 trucks, you have bought on your balance sheet or you are just hiring them?"	Management confirmed these 900 are owned due to long-term contracts, but the future strategy is asset-light/ aggregator-based. This highlights a shift to become a platform player (ITUP) rather than just an asset owner in the trucking space.	None	4.0	Clear and quantified
5	4.5	Atul Tiwari / Citi	Renewables	Capex	"What kind of exact investment is [the 1,500 Cr in RE]?"	APSEZ is setting up 1000MW of solar/wind in the Khavda park for captive use, with 250MW coming online in Q1 FY25. Owning the asset improves ESG scores and reduces long-term power costs, directly boosting port EBITDA margins.	None	5.0	Specific timeline given
6	4.0	Yunyun Bai / Barings	Debt Maturity	Financials	"What's your plan for the July '24 bond... any plan to come to the dollar bond market?"	Management confirmed they will pay the July bond using existing cash balances and have no plans for new dollar bond issuances. This signals a self-sustaining	None	5.0	Clear and quantified

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						capital model and reduces dependency on volatile international debt markets.			
7	4.5	Asmeeta Sidhu / MetLife	Audit Qual.	Governance	"I noticed it [audit opinion] is still qualified. Could you share what auditors are waiting for?"	The qualification persists solely because SEBI's investigation (mandated by the Supreme Court) has no fixed outer time limit for closure. This remains the final technical hurdle to achieving a "Clean" audit report, which would likely trigger a further rating/valuation re-rating.	None	3.0	Vague bu consister
8	4.0	B. Vijayakumar / Spark	Volume Guidance	Outlook	"Is there some moderation in assumptions... which think is going to grow at the least?"	Management expects "balanced growth" of 10-15% across both containers and coal. This alleviates fears of a "coal cliff," suggesting domestic "coastal coal" is filling the gap left by declining imports.	None	4.0	Direction with evidence
9	3.5	B. Vijayakumar / Spark	Gopalpur Acq.	Financials	"Have we stated for Gopalpur... is it in the cash flow statement?"	Not yet paid; awaiting Odisha government approval with closure expected in Q1 FY25. Cash is already earmarked, so there is zero	None	4.0	Specific timeline given

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						risk to the balance sheet from this □3,080 Cr acquisition.			
10	4.0	Pulkit Patni / Goldman	Future Strategy	Strategy	"There is not a place where you can put one more dot [in India]... what is the growth strategy?"	Growth will now come from Vizhinjam transshipment (untouched potential), doubling rail lines (Dhamra), and strategic international hubs. The thesis is shifting from "Acquiring Ports" to "Deepening Connectivity" and "Global Transshipment."	None	4.0	Direction with evidence
11	4.0	Aditya Mongia / Kotak	Mundra Margins	Financials	"Can margins [at Mundra] further expand to 68-69%?"	Management confirmed that higher volumes at CT-2 (fully owned by APSEZ) and economies of scale will drive Mundra margins higher. This suggests the 65% margin seen this year is not the ceiling.	Specific target margin	3.0	Vague bu consisten

PATTERN FLAGS & SENTIMENT * **The Pivot to Asset-Light Last-Mile:** Multiple questions focused on the new trucking vertical. Management's push on the "Integrated Transport Utility Platform" (ITUP) shows they are trying to digitize the supply chain to own the customer relationship, not just the berth. * **Energy as a Margin Lever:** Analysts were initially skeptical of the □1,500 Cr RE capex. Management effectively pivoted the narrative from "Group support" to "Cost competitiveness," arguing that owning captive power is a direct EBITDA-enhancer for the ports. * **Deleveraging vs. Growth:** With Net Debt/EBITDA at 2.3x, the anxiety about debt has vanished. The new concern is "Capital Allocation Efficiency" for the upcoming □11.5k Cr capex. Management's confidence in 15% ROE for new projects seemed to satisfy the floor.

Analyst Sentiment Verdict: Very Bullish. The tone was markedly different from a year ago; questions on "survival" and "contagion" have been replaced by "utilization" and "transshipment." The primary unresolved risk is the technical SEBI investigation closure, which is the only thing standing between APSEZ and a "Clean" governance label.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY24)	This Quarter (Q4 FY24)	Direction
Volume Target	>400 MMT (Revised Guidance)	420 MMT (Actual)	↑
FY25 Guidance	Not Provided	460 - 480 MMT	↑
Leverage	2.5x Net Debt/EBITDA	2.3x Net Debt/EBITDA	↑
Logistics Fleet	116 Rakes	127 Rakes	↑
Trucking Strategy	Conceptual	900 trucks operational; Vertical launched	↑
Capex Intensity	□7,400 Cr (FY24 Actual)	□10,500 - 11,500 Cr (FY25 Guidance)	↑
Domestic Rating	AA+ (Various)	CARE AAA (Highest possible)	↑
Mundra Volumes	16 MMT / month run-rate	17 MMT (highest ever month in Mar-24)	↑
Logistics Margins	28% (9M FY24)	26% (Full Year)	↓

STOP HERE.