

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

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** The thesis is evolving from a port operator to a high-return "Integrated Transport Utility" as APSEZ successfully decouples EBITDA growth from pure cargo volumes through high-margin marine services and asset-light logistics.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	FY25 EBITDA of ₹19,025 Cr beat the upgraded guidance of ₹18,800-18,900 Cr.	□
Earnings Quality	High (Core driven)	CFO to PAT ratio at 1.56x; Mundra port margins reached an elite 68% for the full year.	□
Guidance Confidence	Strong	FY26 EBITDA guidance of ₹21k-22k Cr implies a ~13% growth on an already high base.	□
Management Credibility	Strong	Successfully navigated Gangavaram strikes; closed Gopalpur and Astro acquisitions on time.	□
Business Quality Signal	Improving	Transition to new reporting lines (Marine/International/Trucking) reveals high-margin sub-segments.	□
Key Q&A Exchange	Q#1 - Sustainability	Mgmt confirmed EBITDA outgrowing volume is a structural shift, not a one-off.	□
The Street's Primary Anxiety	Volume Growth	Analysts feared a volume slowdown; Mgmt reframed volume as a "footnote" to value.	□
Capital Cycle Stage	Growth / Harvesting	Mature ports (21% ROCE) are now funding international and tech-led logistics expansion.	□
Margin Trajectory	Improving	Blended EBITDA margins expanded 200bps YoY to 61% despite logistics dilution.	□
Pricing Power	Expanding	Revenue growth (16%) significantly outpaced volume growth (7%) due to price-mix.	□
FCF Conversion & Quality	Strong	₹17,226 Cr Net OCF comfortably covers the ₹11k-12k Cr FY26 capex guidance.	□
Competitive Moat Signals	Widening	Only Indian player with a 15-port network integrated with a 132-rake rail fleet and trucking.	□
Balance Sheet Strength	Strong	Net Debt/EBITDA at 1.9x—the lowest in recent history; well below the 2.5x ceiling.	□
Working Capital Efficiency	Stable	Net cash from operations grew 133% YoY, far outpacing revenue growth.	□
Mgmt Guidance Track Record	Reliable	Consistently hitting or exceeding EBITDA and net debt targets over 4 quarters.	□
Key Vulnerability	Geopolitical	Haifa (Israel) and Colombo (Sri Lanka) remain sensitive to regional instability.	□
Management Tone	Confident/ Strategic	Heavy focus on "Control over Cargo" rather than just "Custody."	□

Key Takeaways (Positives & Negatives): * **Positives:** The fundamental thesis is bolstered by the **decoupling of profitability from cargo volume**. While domestic volume grew 5%, EBITDA grew 20%, proving APSEZ's ability to extract value via marine services (Astro/OSL) and price hikes. The balance sheet is at its strongest (1.9x Net Debt/EBITDA), giving a massive war chest for the ₹12,000 Cr FY26 capex. ROCE at 15% and ROE at 21% place APSEZ in a "Utility-Plus" category compared to global peers. * **Negatives:** **Gangavaram Port** saw a significant volume hit (down 28% in FY25) due to a 41-day strike, costing ~10 MMT in cargo. **International Port** margins (14%) remain a drag on the consolidated 61% margin, though management targets 30% in the medium term. * **Street Concern:** Analysts pressed on the sustainability of the EBITDA/Volume gap. Management clarified that price increases, long-term sticky cargo (56% of total), and the integration of marine vessels (115 total) provide a floor to realizations that is independent of macro trade headwinds. * **Watchpoint:** The integration of the **NQXT Terminal (Australia)** and the ramp-up of **Vizhinjam** (India's first transshipment hub) will be the primary drivers for the ambitious 505-515 MMT FY26 volume target.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT id=2040 is primary. Concall id=2038 used for commentary.

Metric	Current Qtr (Q4)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Cargo Volume (MMT)	117.9	+8%	+8.6%	↑	Driven by 23% container growth; Mundra hit 200 MMT annual milestone.
Revenue (₹Cr)	8,488	+23%	+22.8%	↑	Outpaced volume growth due to realization hikes and marine inclusion.
EBITDA (₹Cr)	5,006	+24%	+4.2%	↑	Record quarterly EBITDA; supported by 72% domestic port margins.
EBITDA Margin %	59%	+100bps	-130bps	→	Slight QoQ dip due to higher mix of lower-margin logistics/trucking.
PAT (₹Cr)	3,023	+50%	+24.8%	↑	Strong operational performance and controlled finance costs.
ROCE (%)	15%	+200bps	→	↑	Mature domestic ports hitting 21%; consolidated dragged by gestating assets.
Cash Flow (OCF)	17,226	+133%	N/A	↑	CFO/PAT at 1.56x; high earnings quality (Net OCF for FY25).
Net Debt / EBITDA	1.9x	↓	↓	↑	Improved from 2.1x in Q3; significant de-leveraging.
Interest Coverage	7.1x (FFO)	+150bps	N/A	↑	Strong FFO of ₹15,847 Cr vs annual debt maturities.
Order Book (Rakes)	132	+5%	+3.9%	→	FY29 target is 300 rakes; significant capacity expansion ongoing.

2B. SEGMENT BREAKDOWN (FY25 Full Year)

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Domestic Ports	22,740	+12%	73%	↑	Above	Mundra first Indian port to cross 200 MMT.
International	3,380	+7%	14%	→	Below	Haifa EBITDA grew 36% YoY; labor union signed till 2036.
Marine	1,144	First Entry	53%	↑	Below	115 vessels; management targeting 3x revenue by FY27.
Logistics	2,881	+39%	22%	↓	Below	Revenue jump driven by new trucking and freight services.
SEZ/Port Dev	1,144	-45%	87%	↓	Above	Lumpy revenue based on land leasing cycles.

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 ~19% growth in FY26. Feasible given Gopalpur/NQXT consolidation.	Reliable	Low
Guidance	EBITDA	₹21,000–22,000 Cr	Needs ₹5,250 Cr/qtr. Q4 run-rate was ₹5,006 Cr. High Feasibility.	Reliable	Low
Guidance	Volume	505–515 MMT	Needs 12-14% growth. Higher than FY25's 7% growth; requires Vizhinjam ramp-up.	Met Adj.	Medium
Guidance	Capex Plan	₹11,000–12,000 Cr	Domestic ports ₹6k Cr; International ₹2k Cr; Logistics ₹2k Cr.	Reliable	Low
Strategy	Capital Allocation	2.5x Net Debt/ EBITDA ceiling	Current 1.9x leaves ₹10k-15k Cr headroom for M&A.	Disciplined	Low
Strategy	Marine Growth	₹3,300 Cr Rev by FY27	Needs ~60% CAGR. Aggressive, relies on Astro/OSL integration.	New Goal	High
Macro	Logistics Cost	Reduce from 13% to 8%	Requires massive shift from road to rail.	Early Stage	Medium
Balance	Debt Maturity	No Refinance Risk	FY28/29 have large bond maturities; FFO covers FY26/27.	Strong	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Alok Deora, Motilal Oswal	Profitability vs Volume	Financials	"EBITDA has outgrown revenue/ volume. Is this sustainable in FY26?"	Mgmt confirmed this is a structural shift as the company moves from "custody" to "control" of cargo via end-to-end logistics. This implies higher earnings density per tonne handled, leading to potential valuation re-rating as margins stay high despite macro swings.	None	5.0	Clear and quantified
2	4.5	Alok Deora, Motilal Oswal	Logistics Growth	Business Overview	"What drove the massive jump in logistics growth in Q4? Is it sustainable?"	The 39% growth was driven by the integration of trucking and international freight network services which provide "first-mile/last-mile" control. This de-risks the logistics business by increasing customer stickiness, even if the new lines have lower standalone margins than rail.	None	4.5	Strategic clarity
3	4.0	Nidhi Shah, ICICI Sec	Volume Miss	Business Overview	"Why did FY25 volumes (450 MMT) land at the	Mgmt cited the Gangavaram strike (costing ~11 MMT)	None	4.5	Specific evidence

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					bottom of the 450-480 MMT guidance?"	and a 3% decline in the all-India coal market. This isolates the miss to a one-off operational disruption rather than a core loss of market share.			
4	4.5	Sumit Kishore, Axis Capital	Dividend Policy	Capex & Allocation	"Net debt/ EBITDA is 1.9x. How do you plan to reward shareholders given high cash flows?"	Board recommended a ☐ dividend but emphasized that the priority remains organic expansion and "tuck-in" acquisitions in Marine. Investors should expect stable dividends while excess FCF is prioritized for the 1 billion tonne 2030 vision.	None	4.0	Policy clarity
5	4.0	Achal Lohade, Nuvama	Port Margins	Financials	"Why did margins at Mundra/ Hazira improve so significantly this quarter?"	The expansion was a mix of operating leverage on higher container volumes and price increases implemented in services. This reinforces the "pricing power" part of the thesis, as APSEZ	None	5.0	Verifiable

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						passes through costs effectively.			
6	4.0	Parash Jain, HSBC	Land Bank	Business Overview	"How should we think about the monetization of the land bank at Mundra/ logistics parks?"	Mgmt stated land is bought to follow market demand for warehouses/ MMLPs rather than speculative leasing. This indicates a conservative approach where land supports the 20 million sq. ft. warehousing target rather than being a lumpy real-estate play.	None	4.0	Consistent
7	3.5	Vishal Biraia, Bandhan	Int'l M&A	Capex & Allocation	"Are there more international port acquisitions planned?"	Mgmt is eyeing ports in Africa and SE Asia but only if they can take majority control and operate them with "Adani DNA." This signals that while growth is hungry, they are not willing to be passive investors in minority stakes.	None	3.0	Directional
8	4.0	Pulkit Patni, Goldman	Coal Outlook	Business Overview	"How confident are you that coal volumes will return to	Mgmt is agnostic to the energy mix; if coal drops, they gain on	None	4.0	Logical pivot

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					meet FY26 guidance?"	renewable energy cargo (solar/wind) which are containerized. This highlights the "cargo-agnostic" nature of the portfolio which protects the downside of the energy transition.			

PATTERN FLAGS & SENTIMENT * **The "Volume vs Value" Reframing:** Analysts repeatedly questioned volume growth. Management's defensive posture on volume (calling it a "footnote") while being aggressive on EBITDA (up 20%) shows a deliberate attempt to change the market's valuation metric from EV/MT to EV/EBITDA or ROCE-based multiples. This posture was confident and backed by the record-low leverage. *

Logistics Dilution Acceptance: The Street has accepted that logistics margins will drop (to ~22-24%) because the ROCE of the new trucking/freight services is superior due to their asset-light nature. This trade-off (lower margin % for higher return on capital) is being socialized well. *

Analyst Sentiment Verdict: Highly Bullish. The concern over Adani Group leverage has completely vanished, replaced by questions on how they will spend their "excess" cash. Credibility improved as they demonstrated that even a strike at Gangavaram couldn't derail the consolidated EBITDA beat. The only unresolved friction is the speed of "road-to-rail" conversion in India, which analysts remain slightly skeptical about.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Net Debt / EBITDA	2.1x	1.9x	↑ De-leveraging
ROCE (Consolidated)	13%	15%	↑ Improving
Reporting Structure	Consolidated Ports/Logistics	Separate breakout for Marine & International	↑ Transparency
Haifa Operations	Integration Stage	President/CFO installed; Union pact till 2036	↑ De-risked
Logistics Strategy	Rail/ICD focused	"Strategic Command Centre" + Trucking Tech	↑ Tech-Pivot
Marine Fleet	46 vessels (Port-only)	115 vessels (3rd party/Global)	↑ Scale
FY26 Guidance	Not provided	Revenue ₹36-38k Cr; EBITDA ₹21-22k Cr	↑ Positive Growth
Dividend	₹6.00	₹7.00	↑ Growing payout
Gangavaram Status	Normal	Recovering from 41-day strike	↓ Operational Hit