

November 14, 2014

## Adani Ports and Special Economic Zone Ltd.

BSE Code: 532921 NSE Code: ADANIPTS Reuters Code: APSE.NS Bloomberg Code: ADSEZ:IN

Adani Ports and SEZ Ltd, (APSL) is part of Adani Group, one of the India's leading business houses with revenue of over \$9.4 bn. Founded in 1988, a global integrated infrastructure player with businesses in key industry verticals - resources, logistics and energy. APSL is the only private sector port operator with presence across six ports in India.

### Investor's Rationale

**Topline grew impressively by 38% on strong cargo growth** – APSL registered a 38.1% YoY growth in consolidated topline to ₹14,447.6 mn in Q2FY15 against ₹10,458.7 mn in Q2FY14, helped by strong cargo growth volume. The revenue from port and SEZ activity, which represents 85% of its revenue stood at ₹14,333.7 mn, up 42.4%, while revenue from other activity were at ₹2,435.5 mn, up by 53.2%. Consolidated cargo handled by the APSL was 35.18 MMT in Q2FY15, an increase of 25%, over corresponding quarter last year. Also, in case of containers, the Mundra port handled 0.67 mn TEUs in Q2FY15 as against 0.56 mn TEU's in corresponding quarter last year resulting in 18% growth. Apart from this Mundra port, the company handled 26.57 mt of cargo in the September quarter, continuing its leadership as the largest commercial port in India.

**Net profit grew impressively by 67.8% on strong topline** – APSL's profit grew strongly by around 67.8% YoY to ₹5,735.2 mn in Q2FY15 as against ₹3,418.3 mn in Q2FY14 led by strong revenue growth and lower interest cost. Interest cost declined by 6.9% at ₹3,830.6 mn in Q2FY15 against ₹4,116.6 mn. Meanwhile, other income also declined by 18.4% YoY to ₹2,100.9 mn, restricting the growth in bottom line. Consequently, NPM expanded 646 bps YoY to 30.7% from 24.3%.

**EBITDA grew by 39% on higher sales** – EBITDA grew impressively by 39.0% YoY to ₹10,504.4 mn against ₹7,559.6 bn, mainly due to higher revenue. However, the OPM contracted 228 bps YoY to 63.5% from 65.7% impacted by higher in operational costs. The operating expenses which constitute 52% of total expenses grew by 16.8% YoY at ₹2,560.6 mn and employee cost grew by 56.95% YoY at ₹401.5 mn. Apart from this, other expenses also grew by 22.4% at ₹499.4 mn, thus pressurising the operating margins.

**Other developments** – APSL is eyeing opportunities to acquire or set up a port on the south-east coast of India. Apart from this, the company has stated that it has entered into a preliminary agreement with one of the parties for the development and maintenance of Liquefied Natural Gas (LNG) infrastructure facilities at Mundra (Mundra LNG Project). They are in the process of concluding definitive agreement to development and lease of infrastructure facilities (including lease of land).

### Market Data

52-week High-Low (₹)		306.3/141
Rise from 52WL (%)		109.0
Correction from 52WH (%)		3.26
Beta		2.07
1 year Average Volume (mn)		3.71
	3M-	8.50
Stock Return (%)	6M-	32.92
	1Y-	103.9
Market Cap (₹bn)		613.25
Book Value (₹)		42.34

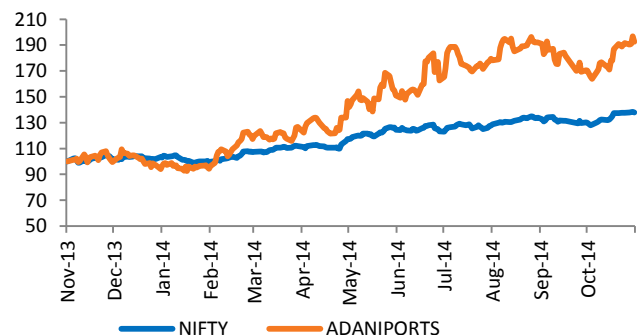
### Shareholding Pattern

	Sep'14	Jun'14	Chg
Promoters (%)	75	75	0.00
FII (%)	17.92	18.12	(0.20)
DII (%)	2.86	2.46	0.40
Public & Others (%)	4.22	4.42	(0.20)

### Quarterly Performance (Consolidated)

(₹mn)	Q2 FY'15	Q2 FY'14	Q1 FY'15	YoY Change(%)	QoQ Change (%)
Sales	14,447.6	10,458.7	12,457.8	38.1	16.0
Op. exp	6,046.8	3,939.2	4,399.8	53.5	37.4
EBITDA	10,504.4	7,559.6	8,216.6	39.0	27.8
OPM (%)	63.5	65.7	65.1	(228bps)	(166bps)
Net profit	5,735.2	3,418.3	5,680.0	67.8	1.0
NPM (%)	30.7	24.3	39.7	646bps	(896bps)
EPS (₹)	2.8	1.7	2.7	67.9	1.1

### One Year Price Chart





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