Adani Ports and SEZ | BUY

Integrated logistics play; Group dynamics improving

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Cash/EBITDA generation will outpace volume-led growth as ADSEZ increasingly transitions into an integrated logistics play. The extent of EBITDA growth appears underestimated. Further, a combination of moderating group leverage and near-absence of promoter pledges can drive further re-rating. We maintain BUY with a TP of INR 1,783. Our TP implies ~14x FY28E EV/EBITDA for FY25-28E EBITDA CAGR of 16%.

- **Market share gains to continue in ports supported by turnaround at acquisitions:** ADSEZ has consistently gained market share driven by organic growth at its Gujarat-based ports (Mundra, Dahej and Hazira) coupled with turnaround of acquisitions at reasonably low valuations (e.g., Krishnapatnam). The turnaround of acquisitions, especially on the East Coast (e.g., Dhamra) has driven market share gains. We are hopeful that the trend will continue at Krishnapatnam, Gopalpur and Karaikal as well. **Expanding into key global trade lanes** (Colombo, Vizhinjam, Tanzania) may continue as ADSEZ transitions into a global play from a domestic play.

- **Logistics and marine services growth potential is generally underestimated by the Street:** ADSEZ is focusing on transitioning towards an integrated and ESG compliant logistics player rather than being a ports-only play. This leads to it being integrated with global supply chains and offering one-stop solutions to customers. Towards this end, we expect strong capex deployment in rail containers, trucking (supporting end mile logistics) and warehousing. An increased focus on marine services via Adani Harbour and acquisition of Astro/TAHID in MEA (Middle East and Africa) region drives growth in a high margin and low tax revenue stream. Thus, **EBITDA and OCF growth will likely outpace volume growth over FY25-30E (potential for earnings surprises)**.

- **Group financials are improving with reducing potential overhang on the stock**: ADSEZ share prices have often been impacted by adverse news flow on financial health of group companies. The concerns are principally on the ability of other Group entities to refinance debt or raise equity, leading to the possibility that ADSEZ may need to support such entities with related-party loans or loans raised against pledge of its shares. However, financial metrics of Group companies have improved substantially over FY20-25 and debt maturity profile does not show much stress considering cash balances at each entity. Further, Group entities have been able to raise equity as well. ADSEZ has long ceased providing related party loans to group entities and promoter share pledges have been minimised across the Group.

- **Trading at 12x FY27 EV/EBITDA risk reward is skewed favourably**: We value the port assets on DCF (due to finite concession lives) and estimate growth capex of INR 60bn-80bn p.a. (at 16% pre-tax RoCE) to derive our TP of INR 1,783, leading to a BUY rating. **Key risks to our call**: Volume weakness, and weakening of Group leverage metrics, leading to increased promoter share pledges or related-party loans.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,783
Upside/(Downside)	23.5%
Previous Price Target	1,765
Change	1.0%

Key Data – ADSEZ IN	
Current Market Price	INR1,444
Market cap (bn)	INR3,119.7/US$35.3
Free Float	35%
Shares in issue (mn)	2,160.1
Diluted share (mn)	2,160.1
3-mon avg daily val (mn)	INR3,031.5/US$34.3
52-week range	1,494/994
Sensex/Nifty	82,160/25,202
INR/US$	88.3

Price Performance

%	1M	6M	12M
Absolute	7.7	21.5	0.4
Relative*	6.6	13.7	3.8

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,67,106	3,10,786	3,81,557	4,21,397	4,61,691
Sales Growth (%)	28.1	16.4	22.8	10.4	9.6
EBITDA	1,57,511	1,87,438	2,26,456	2,67,937	2,93,368
EBITDA Margin (%)	59.0	60.3	59.4	63.6	63.5
Adjusted Net Profit	81,106	1,10,923	1,35,926	1,67,324	1,88,657
Diluted EPS (INR)	37.5	51.3	62.9	77.5	87.3
Diluted EPS Growth (%)	52.8	36.8	22.5	23.1	12.7
ROIC (%)	11.0	12.9	14.7	16.9	17.7
ROE (%)	16.5	19.2	20.0	20.8	20.0
P/E (x)	38.5	28.1	22.9	18.6	16.5
P/B (x)	5.9	5.0	4.2	3.6	3.1
EV/EBITDA (x)	22.3	18.8	15.2	12.6	11.1
Dividend Yield (%)	0.4	0.4	0.4	0.4	0.4

Source: Company data, JM Financial. Note: Valuations as of 22/Sep/2025

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

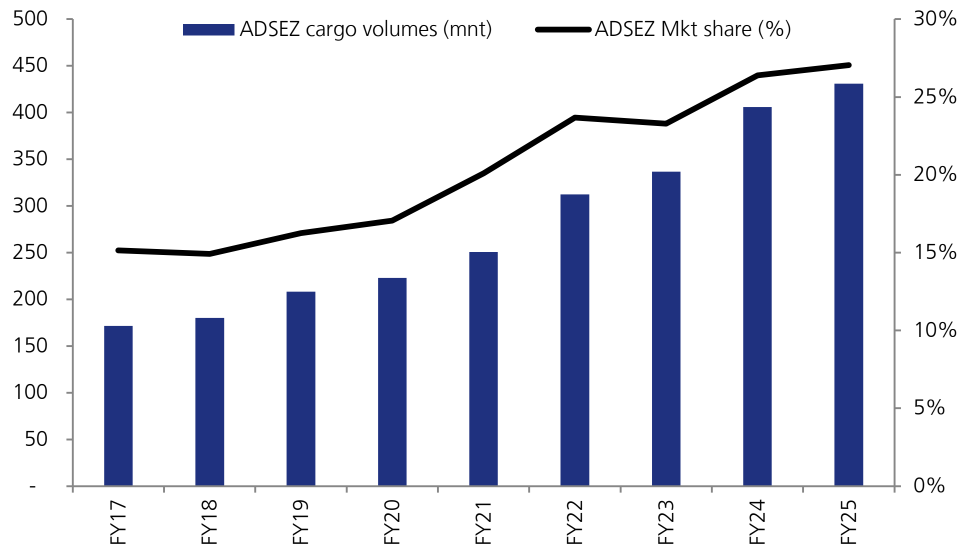
Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Volume growth and logistics expansion are key drivers

Strong track record of market share gains by both organic and inorganic means

ADSEZ typically established greenfield ports or acquired ports located in key demand hinterlands, where the government has already invested in evacuation infrastructure (rail or road). Due to existing evacuation infrastructure and port operations that are comparatively more efficient than peers, especially major ports, i.e., ports owned by the central government, the company has been able to take market share from incumbents in the region. This is demonstrated by a consistent rise in market share.

Exhibit 1. ADSEZ's ports account for ~27% of overall Indian port cargo volume

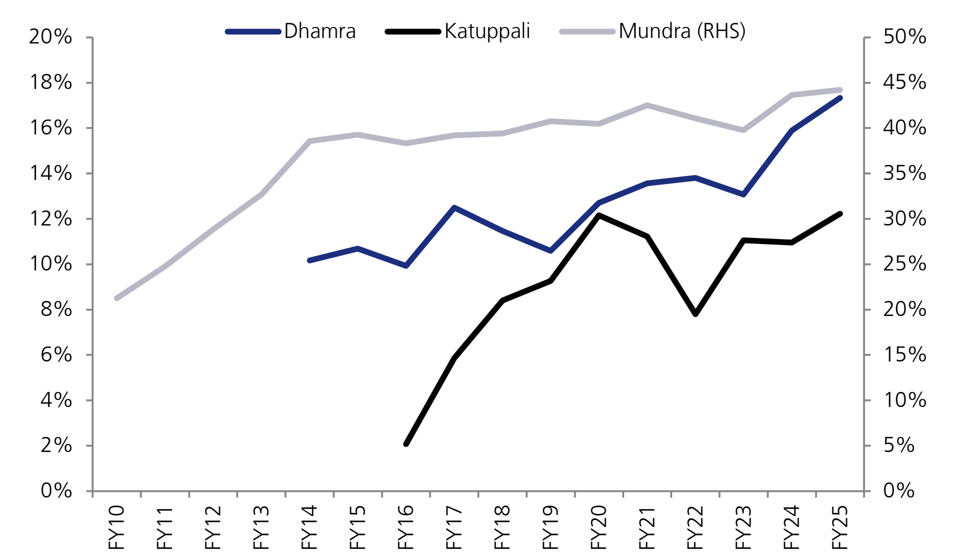


Source: Company, JM Financial

Individual clusters show a pattern of ADSEZ ports, increasing hinterland share

ADSEZ's port assets compete with Kandla and Pipavav (minor port) in Gujarat, JNPT in Maharashtra as well as with major ports on the East Coast (Vizag, Paradip and Chennai). We have witnessed market share gains for ADSEZ in all of these individual clusters.

Exhibit 2. Key ADSEZ ports have gained market share in their respective hinterlands



Source: Company, Industry, JM Financial

FY17-25 volume growth evenly split between organic and inorganic

Our analysis shows that ADSEZ volume has grown from 180mnt in FY17 to 251mnt in FY21, rising further to 452mnt in FY25. The growth in volumes is evenly split between a) organic, accounting for 143mnt of the 270mnt volume growth; b) 99mnt from acquisitions focused on the East Coast and Israel; and b) 18mnt volumes from turnaround of acquired assets. We estimate the share of inorganic growth has risen during FY21-25 as the bulk of growth (51mnt of 71mnt) during FY17-21 was organic.

Exhibit 3. ADSEZ volume growth (FY17-25) relatively even between existing mature assets and ramp-up of acquired assets

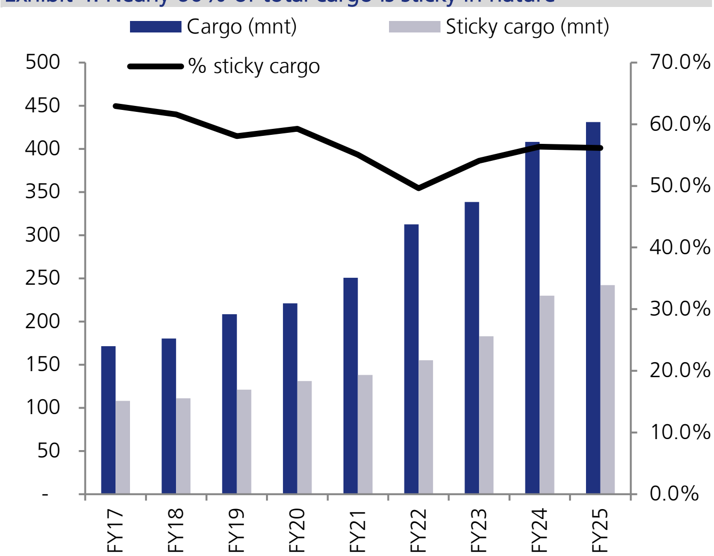
mnt	FY17	FY21	FY25	Growth
Existing (West)	146	172	238	93
Existing (East)	29	45	67	38
Major port terminals	5	14	28	22
Acquisitions		20	99	99
Acquired asset ramp-up			18	18

Source: Company, JM Financial

ADSEZ sticky cargo is rising over time; cargo diversity adds to volume resilience

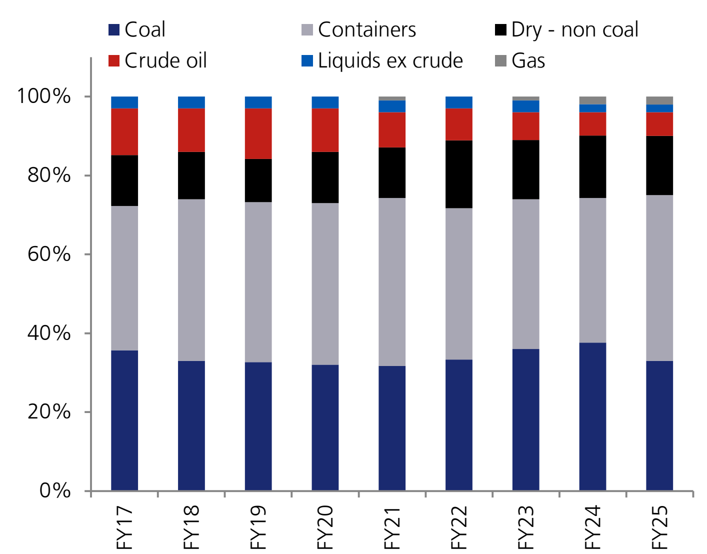
ADSEZ has focused on diversity of cargo, which adds an element of resilience to port cargo volume. Moreover, a higher share of sticky cargo, especially in containers and liquids, further enhances resilience. Generally, 80-85% of container volume and over 60% of liquid volume are long term and sticky in nature. Further, the flagship port of Mundra had 70%+ sticky long-term volume as of end-FY25. Importantly, containers and liquids are high margin cargoes relative to the overall cargo mix.

Exhibit 4. Nearly 60% of total cargo is sticky in nature



Source: Company, JM Financial

Exhibit 5. FY25 mix improved with higher container



Source: Company, JM Financial

Some challenges have emerged in East Coast coal cargo but Mundra/Vizhinjam is witnessing sharp uptick in high value container and liquids cargo

The softness in thermal coal imports has impacted volume growth at its new East Coast acquisitions like Gangavaram and, to a lesser extent, at Karaikal and Krishnapatnam. Further, chronic working capital issues at Rashtriya Ispat Nigam (RINL) are impacting coking coal imports at Gangavaram as well. Thus, in the near term (i.e., FY26), we expect weakness in coal volume to persist, potentially leading to a miss on FY26 volume guidance of 505mnt-515mnt (our estimate is 500mnt for FY26).

However, we are witnessing a surge in container trade at Mundra (except in 1QFY26 impacted by restrictions imposed during India Pakistan conflict) and also new transhipment volume at Vizhinjam port, further improving the container share in the mix. Further, we anticipate growth in liquids driven by crude oil imports and LNG at Mundra, Dhamra, and Kattupalli. These factors lead to improved cargo mix, resulting in EBITDA margin expansion at the ports business.

Expect volume ramp-up in eastern ports driven by coastal coal and coking coal; Mundra container and LNG volume to also rise

We expect the ramp-up at Tata Steel's Kalinganagar expansion, JSW Steel's Bhushan Power & Steel Limited (BPSL) plant, and SAIL's Rourkela and Bhilai plants to drive coking coal imports at Dhamra and Paradip (non-ADSEZ). We expect integrated logistics solutions provided by ADSEZ through its rail network to garner steel export volumes as well. However, we note that global steel prices are unfavourable currently, compared to those in India, which can lead to softness in iron ore exports in 1HFY26.

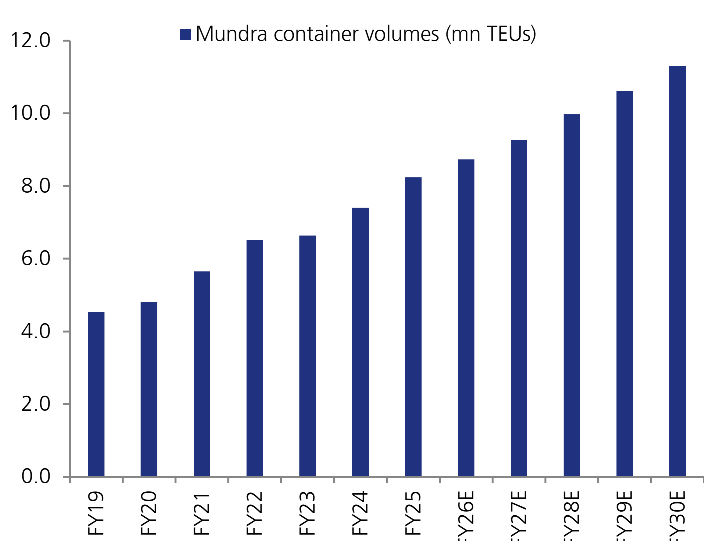
We also expect substantial coastal coal movement to benefit ports at Dhamra (as origin), KPCL (Krishnapatnam), Gangavaram and Karaikal (as destinations). Coal India's thrust to increase the use of coastal shipping for transporting coal from its Odisha (Mahanadi) coal fields to supply coast-based thermal power plants will drive growth in coastal coal volume.

Mundra volume driven by containers as well as liquids and SEZ-linked cargos

We expect ADSEZ's flagship port at Mundra to benefit from increased economic activities in the western parts of the country, resulting in higher container trade. We estimate container volume to rise from 8.2mnTEU at Mundra in FY25 to rise to 9.3mnTEU by FY27. In our view, the lower lead distances (Exhibit 7) from Mundra relative to JNPT and GPPV ports place it favourably. We further note that JNPT's port capacity has been expanded up to 10.0mnTEU recently and a bulk of this capacity is likely to be absorbed by the Maharashtra, Karnataka and Hyderabad regions. This ensures that incremental container traffic has to travel via either Mundra or GPPV to access the northern hinterland.

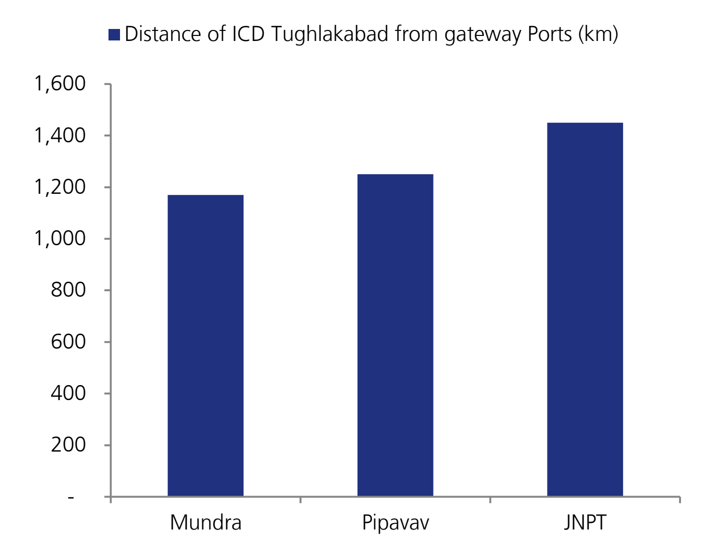
We believe this situation is unlikely to change until DP World's 2.19mnTEU capacity comes up at Kandla, and, even then, growth is large enough to even saturate Kandla expansions. The planned Vadhavan port is at least a decade away from commissioning in our view and does not pose any near- to mid-term challenges.

Exhibit 6. Mundra's volume growth is container led as coal volume is likely to remain static



Source: Company, JM Financial

Exhibit 7. Mundra benefits from being closest to NCR (TKD ICD) vs. peers, the key hinterland region (in km)



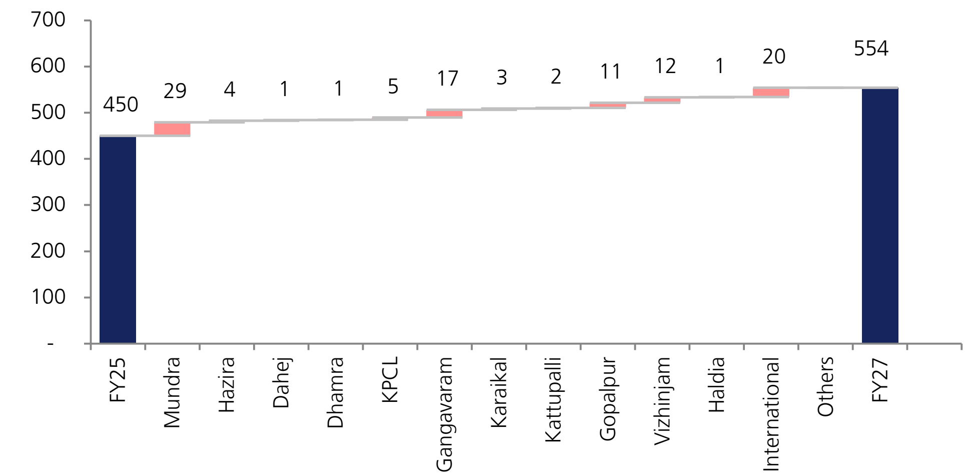
Source: Company, JM Financial

Our estimates include existing or under-construction assets only

We estimate 100mnt of additional volume over FY25-28, driven by a ramp-up of newly acquired assets and organic growth. Our estimates include recent acquisitions like Dar es Salaam (Tanzania) and the recently commissioned Colombo port as well. Given the group's target of maintaining the net debt-to- EBITDA ratio at ~3.0x in the long term (vs around 2.0x currently), we think there is adequate scope for acquisitions.

We have not included additional volume from Australia NQXT as the deal is yet to be closed. We will factor these in post deal closure.

Exhibit 8. Volume growth over FY25-27 driven by expansion and Mundra, recovery in Gangavaram coal as well as acquired international volumes



Source: Company, JM Financial

RoCE improving on turnaround of acquired assets; we expect eventual convergence to 16%+ levels at the Group level

ADSEZ has come a long way from being just a Gujarat-based single asset (Mundra) company to having a significant presence along India's East Coast. In the past, ADSEZ has demonstrated a strong track record of acquiring assets at reasonable valuations and then turning them around.

Amongst the bigger ports, ADSEZ acquired Dhamra from the Tata Group (May'14) and Kattupalli from Larsen & Toubro (Jul'18). These assets were loss-making or underutilised at the time of acquisition. However, since the acquisition, we have seen significant capacity expansion, volume market share gains and RoCE expansion, particularly at Dhamra.

We expect a similar trend for newly acquired ports at Krishnapatnam (Dec'20), Gangavaram (Mar'21), Karaikal (Apr'23) and Gopalpur (FY25).

Exhibit 9. RoCEs have risen to 20%+ for mature assets; we expect similar trends to follow at other domestic ports in the long term; logistics RoCE may, however, range at 8-10% at a mature stage

	FY21	FY22	FY23	FY24	FY25
Mundra	15%	16%	20%	27%	36%
Hazira	19%	19%	19%	20%	31%
Dahej	11%	23%	33%	33%	38%
Dharmra	11%	12%	13%	21%	22%
Katupalli	3%	2%	6%	7%	9%
Krishnapatnam	8%	9%	12%	16%	15%
Gangavaram			11%	11%	4%
Karaikal				20%	22%
Marine			14%	12%	13%
International Ports			14%	6%	6%
Logistics	2%	3%	6%	5%	6%

Source: Company

Estimate strong sales and EBITDA growth of 14% and 16% over FY25-28

We have already witnessed strong EBITDA margin expansion at the newly acquired Gangavaram and Krishnapatnam ports since their acquisition. We view the margins at these ports and newly acquired ports (Gopalpur and Karaikal) as sustainable with potential for further improvement.

Rising investments in logistics in rail rakes, trucks, warehousing and marine fleet will further lead to rise in sales and EBITDA, which is independent of port-led EBITDA growth.

Exhibit 10. We expect 16% EBITDA CAGR over FY25-28E; FY26E EBITDA to exceed top-end of guidance (INR 220bn)

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR bn)	84	113	109	119	125	171	209	267	311	382	421	462
% y-y growth		34.2%	-3.5%	8.7%	5.7%	36.4%	21.8%	28.1%	16.4%	22.8%	10.4%	9.6%
EBITDA (INR bn,ex forex)	54	71	71	76	80	104	128	159	190	229	271	296
EBITDA margin (%)		63.1%	64.7%	63.7%	63.6%	60.7%	61.6%	59.4%	61.2%	60.1%	64.3%	64.2%

Source: Company, JM Financial

ADSEZ to continue to invest in growth; estimate lifecycle RoCE at 16%

We have modelled for continued growth capex of INR140bn-160bn to account for greenfield/brownfield expansions. This includes the potential for international expansion, not only along IMEC (potentially Eastern Europe or North Africa), but also along the ASEAN trade routes (potentially in Vietnam, Indonesia, and East Africa).

We expect initial RoCE of these assets to be in single digits due to sub-scale operations and the high share of CWIP, as ADSEZ incurs brownfield capex to enhance capacity and scale. But post the capex phase, we think RoCE could be over 20% for port assets and, thus, we estimate across the lifecycle RoCE of 14% (which is modestly lower than the 18%+ level witnessed at western ports offset by drag at eastern ports) for these acquisitions or expansions. The growth capex (both organic/inorganic) and value addition are also key drivers of stock price performance. The management thinks RoCE levels of 20%+ (pre-tax) for ports are achievable. We treat the management's RoCE estimate as a bull case in our analysis, noting that logistics investments have an inherently lower RoCE (currently 6% vs. the management's long-term plan of 10%).

Our estimated RoCE (lifecycle) is a weighted average of prevailing RoCEs by each segment (domestic ports at 20%, marine at 13%, logistics and international at 6%).

Exhibit 11. TP sensitivity to RoCE (on X-axis) and capex (INR mn) on Y-axis

	10%	12%	14%	16%	18%	20%
80,000	1,386	1,409	1,434	1,463	1,494	1,531
1,00,000	1,448	1,479	1,514	1,553	1,598	1,648
1,20,000	1,509	1,549	1,594	1,644	1,700	1,764
1,40,000	1,570	1,618	**1,672**	**1,733**	**1,801**	1,879
1,60,000	1,629	1,686	1,750	1,821	1,902	1,994
1,80,000	1,688	1,754	1,827	1,909	2,002	2,107

Source: JM Financial

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International ports on key trade routes can further add to volume gains

ADSEZ has already established its presence at Haifa in Israel, which lies along the proposed IMEC (India Middle East Corridor). The proposed IMEC has Mundra port (also owned by ADSEZ) at one end and Haifa at the point where the route touches the Mediterranean Sea before proceeding to Greece. In the event ADSEZ were to make further acquisitions in Eastern Europe, it can have significant potential to divert Red Sea (passing via the Suez Canal) cargo. We acknowledge that the ongoing Israel-Hamas conflict could have delayed the project but, for the longer term, we think this can be a credible alternative to the Red Sea.

Our view is that the current Red Sea crisis is a short-term disruption and, thus, we do not incorporate a long-term effect of this factor in our estimates.

ADSEZ has recently commissioned a container terminal at Colombo West Port (3.2mnTEU), which, in combination with its Vizhinjam port (Kerala, India) will allow for greater access to trans-shipment cargos along the route. We also understand that, given its tie-up with Abu Dhabi Ports, ADSEZ could be exploring opportunities along the East African coast. It may explore brownfield opportunities in Vietnam and Indonesia, which are also on trade routes passing via the Strait of Malacca (a key sea trade route between the West and the Far East).

Foray into Middle East marine services is another growth opportunity

ADSEZ is focusing on the marine business internationally (separate from the Adani Harbour business in India). The marine vertical was earlier subsumed in international ports but separate segmentation from FY25 highlights the management focusing on its expansion. In FY24, this business consisted of Ocean Sparkle (OSL) and since then with the acquisition of Astro (offshore oil rigs market) and TAHID in the Middle East the marine flotilla at FY25 is at 115 (vs. 74 at FY24). ADSEZ intends to expand the fleet size to 140-150 levels by FY27E, leading to revenue almost tripling to INR 33bn (FY27E) vs. INR 11.42bn (FY25E). **Based on 1QFY26 performance, marine services revenue can exceed INR 21bn in FY26 itself.**

The marine services business has **decent RoCE at 12-14% coupled with EBITDA margin at 50-55%**. The Adani Harbour entity with 46 vessels in FY25 should also continue its growth driven by domestic marine services. **Adani Harbour EBITDA margin should continue in the 85-90% range with minimal tax impacts driving EPS accretion**.

Transforming into an integrated logistics play

Logistics-related expansion is an under-appreciated driver for the stock

ADSEZ aspires to be the largest integrated logistics solutions provider in India. Towards this end, its subsidiary, Adani Logistics (ALL) has ambitious plans to increase rail rake capacity (both for container and bulk transport), commercial warehousing and agricultural storage silos. We tabulate the plans below:

ADSEZ has made significant rail rake additions, especially in container trains, along with investment in ICDs along the WDFC. This is already reflected in sharp market share gains for ADSEZ at the expense of leaders like CCRI. We expect the market share gain trend to sustain or even accelerate since Adani Logistics has plans to induct 300 rail rakes by FY26 (we estimate 250 rakes) from 132 rakes in FY25.

Adani Logistics has also invested in its own truck fleet (900+ trucks) to provide reliable first mile last mile (FMLM) services and has its own containers (6,000+). The truck fleet is planned to be expanded to at least 5,000 by FY29 to support logistics expansion.

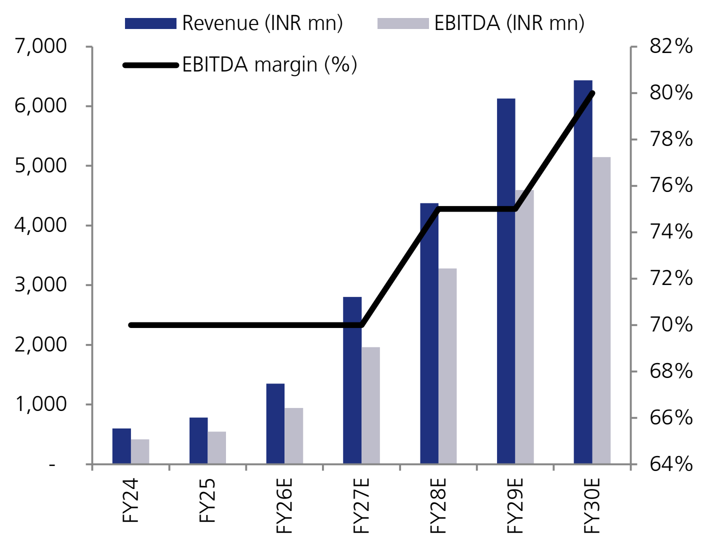
Additionally, ADSEZ has plans to develop significant commercial warehousing space. These warehouses are RoE accretive (potentially 40%+) given our view that such assets could be eligible for priority sector lending (resulting in low debt cost) besides generating a steady rental income (INR 250-300 per sqft p.a.) at a healthy EBITDA margin (70-80%).

Exhibit 12. Adani Logistics likely to witness multi-fold investments and growth as per strategic plan for FY29

	Trains	MMLPs	Grain Silos	Warehousing	Rail tracks	Marine Flotila	Trucks
Unit	No.s	No.s	mnt	mn sq ft	km	No.s	No.s
FY20	58	5	0.88	0.4	540	26	
FY24	127	12	1.2	2.4	620	111	900
FY25	132	12	1.2	3.1	690	115	937
FY29 target	300	20	10	20	2,000	140	5,000

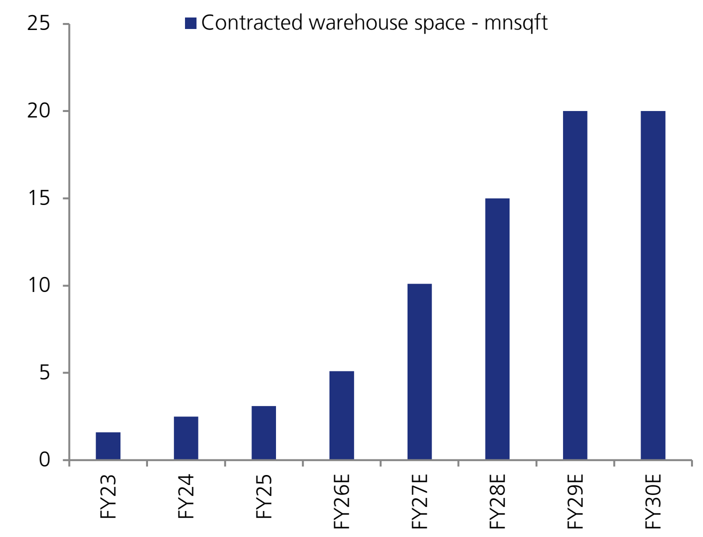
Source: Company, JM Financial

Exhibit 13. Strong growth in high margin and contracted warehouse revenue streams can improve margins



Source: Company, JM Financial

Exhibit 14. Estimate warehousing space to expand from 3.5mn sqft in FY25 to 20mn sqft in FY30E



Source: Company, JM Financial

Significantly deleveraged; debt maturities are long term in nature

We expect strong OCF generation, which, in turn, supports deleveraging

We estimate an OCF to EBITDA conversion rate of ~90% (in line with long-term trends). The strong EBITDA growth we expect over FY25-28 also supports strong OCF generation. We estimate growth capex to be INR140bn-160bn in FY26 and FY27, but there could be further acquisition capex of at least INR 40bn based on the company's guided leverage metrics (net debt to EBITDA below 2.5x in the long term), which we do not factor in. Even under these circumstances, we estimate adequate deleveraging to continue.

Exhibit 15. OCF generation adequately covers interest cost; in absence of large acquisitions debt levels may further reduce

INR bn	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OCF (INR bn)	41	56	60	74	76	104	119	150	172	225	249	272
Interest cost (INR bn)	14	15	14	18	23	25	23	22	21	23	23	18
Net Debt (INR bn)	184	174	204	218	292	328	406	371	376	307	225	121
EBITDA	54	71	71	76	80	104	128	159	190	229	271	296

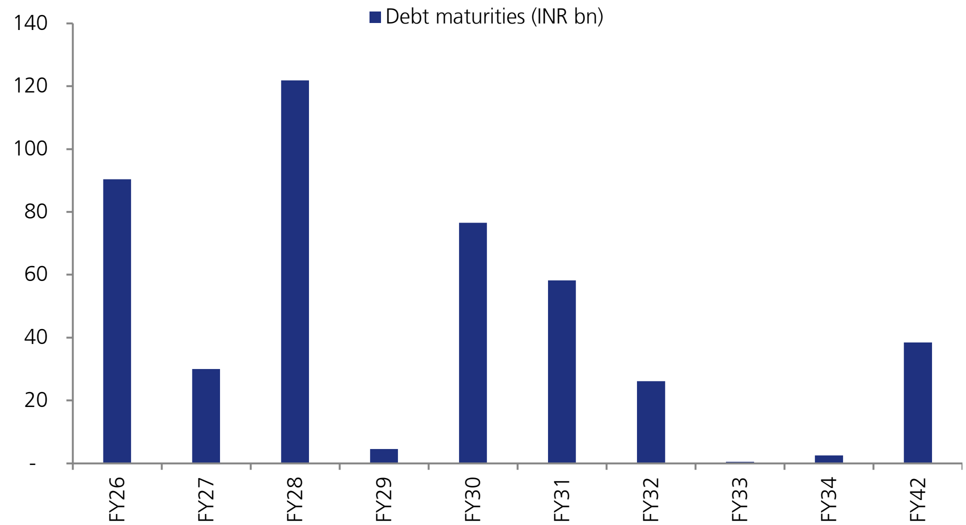
Source: Company, JM Financial

Debt maturities are largely long term; cash balance adequate to service near-term maturities

The OCF coverage (FY25-28E) of interest and maintenance capex (which we estimate at INR10bn-15bn) is more than adequate, in our view. Thus, as long as debt maturities can be serviced or there is sufficient cash or current investments on the balance sheet, we do not view liquidity or debt repayment to be a constraining factor for ADSEZ. As at the end of FY25, the average debt maturity is around 4.3 years. With refinancing of certain USD-denominated debt by INR debt, the debt maturity as of 1QFY26 exceeds 5 years.

The debt maturities are largely long-term in nature. Further, near-term maturity (FY26) of INR 90bn is covered by ~INR 90bn of cash and equivalents on the books as of FY25. The current rate of OCF generation net of cash interest and maintenance capex more than covers any of the maturities. Thus, there are no particular solvency risks from failure to refinance debt.

Exhibit 16. ADSEZ debt maturities are adequately covered by current cash balance and current rate of OCF generated (net of interest expenses)



Source: Company

Improved Group finances reduce overhang

Management has addressed investors' concerns on related-party loans and transactions with other Adani Group entities

ADSEZ used to provide related-party loans and advances to financially weaker entities in the group. It also had significant receivables (overdue) from Adani Power as well. However, ADSEZ has taken constructive steps to allay such concerns. These steps were first announced at end-FY16, when ADSEZ committed to not providing further related-party loans to group entities and aimed to recover the entire INR 25bn in related-party loans by end-FY17. Since then, related party loans have been eliminated for all practical purposes. We have not witnessed material related party loans being provided during the years FY24 and FY25.

Additionally, group transactions have been limited and receivables from Group entities have shrunk considerably. Thus, it appears that issue of stuck balances with Group entities like Adani Power (from coal imports at Mundra power station) is a thing of the past and unlikely to recur in the near to medium term.

Further, regarding past allegations involving ADSEZ and Adani Power in a short seller report SEBI has cleared the Adani Group. The said transactions did not classify as related party as per regulations then in force, according to probe findings.

Exhibit 17. Group-related loans and advances are negligible; no perceptible increase in other balances due since FY16

INR mn	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Balances with Group entities											
Loans	24,359	39,735	4	-	33	19	-	-	-	-	-
Capital advances	3	223	1,627	1,520	298	220	270	132	90	90	-
Trade receivables	8,478	12,333	9,683	9,555	8,758	9,186	6,763	4,969	10,461	7,259	11,368
(no of days)	251	342	291	385	358	304	214	152	216	110	134
Other current assets	2,799	5,030	8,401	9,048	16,115	8,741	7,211	4,867	5,347	4,079	5,226
(no of days)	83	140	253	365	658	290	228	149	111	62	62
Trade payables	142	377	453	311	236	525	550	734	1,103	636	4,718
Customer advances	336	71	260	149	140	115	128	131	58	162	331
Other current liabilities	55	364	156	1,400	735	534	831	159	177	1,469	843
Borrowing	-	-	-	-	-	-	609	-	-	-	-
Total balances due from Group	35,106	56,509	18,847	18,264	24,092	16,991	12,125	8,945	14,561	9,162	10,703
Cash movement with Group											
Loans/advances given	18,841	22,252	13,646	218	1,272	517	430	7,924	63	15	64
Loans/advances received back	16,979	7,730	45,479	142	1,100	15	1,476	12,012	47	211	504
Loans taken	-	-	-	-	-	-	609	1,884	-	79	77
Loans repaid	-	-	-	-	-	-	-	8,401	-	-	1

Source: Company, JM Financial

Arm's length transaction guidelines set up for intergroup acquisitions

ADSEZ acquired certain entities like Adani Agri logistics (AALL) from Adani Enterprises (ADE IN), which was not viewed positively by the market (reflected in negative stock reaction). Since then, ADSEZ has established interparty acquisition guidelines and, so far, we have witnessed the acquisition of Sarguja Rail. These transactions, in our view, reflect the promoter's intent to scale up Adani Logistics rapidly.

The guidelines explicitly set up processes which, amongst others, require approval of the Board and independent valuation opinion by auditors/leading investment banks. We also note that the acquisition of rail asset Sarguja Rail was done via share-based considerations and, as such, there were no cash outflows.

ADSEZ has also acquired NQXT from promoter entity Adani Enterprises where valuation appears modestly pricey. However, all diligence measures and guidelines have been strictly adhered too (acquisition multiple same as that at which it acquired the asset a decade before but the asset has not witnessed much growth).

Requirement for related-party loans support to Group entities appear low

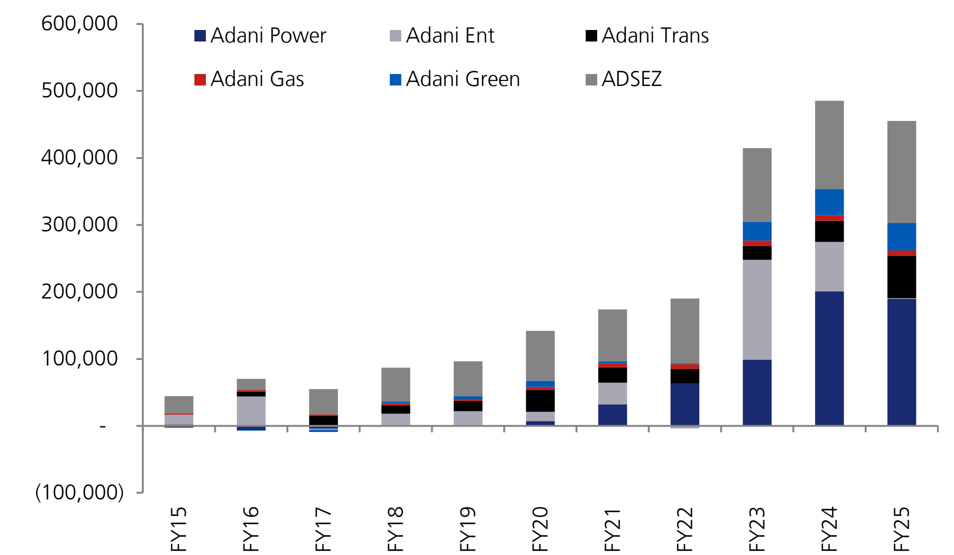
Our analysis of group-level financials shows us that while absolute debt levels (ex-ADSEZ) have gone up over FY16-25, the net debt to EBITDA ratio has been declining. Further, OCF levels have been rising as well and OCF levels adequately cover interest expenses. Thus, as long as there are no issues related to debt refinancing, we do not expect solvency-related issues at Group companies.

Exhibit 18. Group-linked transactions including related-party acquisitions have been limited and in some cases have been non-cash in nature

INR mn	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Transactions with Group											
Income from Group (Port/Other operating)	12,331	13,972	10,278	7,823	10,044	11,997	11,100	12,811	22,478	25,689	36,323
Sale of non-financial assets	-	7	-	1,173	1,846	5,842	1,626	-	65	-	-
Lease income	48	4,263	1,312	175	2,346	949	967	1,021	2,213	4,035	2,239
Interest income	3,933	3,678	3,953	838	1,061	779	643	935	203	436	70
Others	7	143	23	90	155	482	521	574	527	563	583
Total income from Group	16,319	22,063	15,566	10,099	15,452	20,048	14,857	15,340	25,486	30,723	39,215
Sale of investments	-	-	-	-	-	-	-	1,163	2	9	52
Total inflows from Group	16,319	22,063	15,566	10,099	15,452	20,048	14,857	16,503	25,488	30,732	39,267
Purchase of spares, fuels etc	1,226	1,096	1,759	1,245	948	1,304	426	1,399	2,504	6,986	6,573
Services availed	363	442	639	718	1,011	1,206	1,494	974	3,161	4,370	12,280
Rent charges	15	26	50	89	82	83	120	143	142	122	23
Interest expenses	-	-	-	-	-	-	-	1,058	0	-	-
Expenses for Group	1,604	1,564	2,448	2,051	2,041	2,593	2,040	3,574	5,807	11,478	18,875
Purchase of subsidiary	-	-	613	-	9,657	-	22,350	19	-	-	-
Issue of shares (acquisition of Sarguja Rail - non-cash)	-	-	-	-	-	-	-	47,682	-	-	-
Purchase of property/assets	1,142	0	3,342	-	-	400	170	260	72	-	3,029
Capital transactions Group	1,142	0	3,955	-	9,657	400	22,520	47,961	72	-	3,029
Total cash outflows to Group	2,746	1,565	6,403	2,051	11,698	2,992	24,560	51,535	5,879	11,478	21,904
Net transactions with Group	13,573	20,499	9,163	8,048	3,753	17,056	-9,703	-35,031	19,609	19,254	17,363
Cash inflows from Group	13,573	20,499	9,163	8,048	3,753	17,056	-9,703	12,651	19,609	19,254	17,363

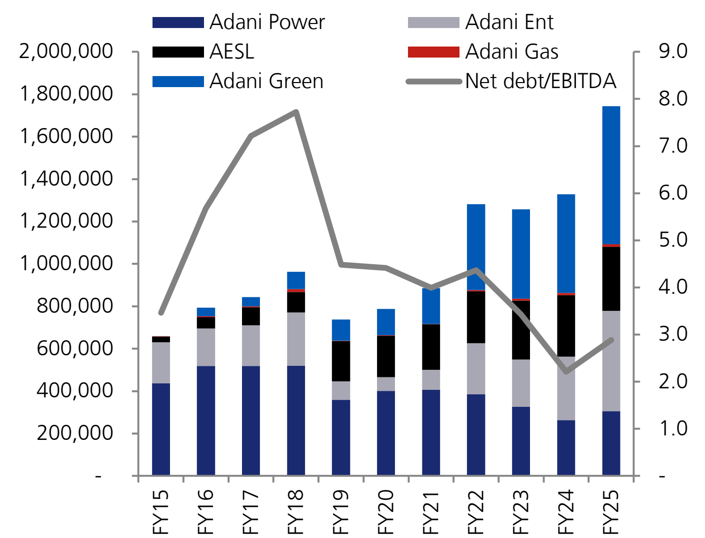
Source: Company, JM Financial

Exhibit 19. OCF coverage against net interest levels have been more than adequate



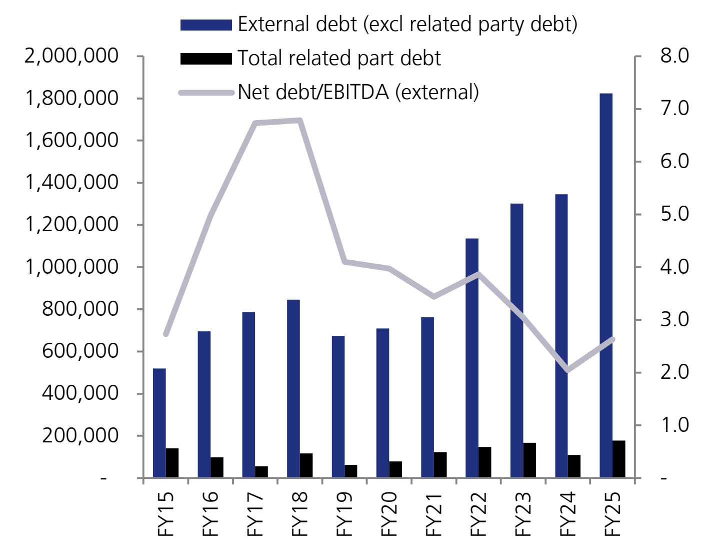
Source: Company, JM Financial. Note: Data in INR mn

Exhibit 20. Net debt to EBITDA declining since FY22; only in FY25 was there a growth in debt



Source: Company, JM Financial. Note: Data in INR mn

Exhibit 21. Excluding promoter loans, the external debt levels and metrics are even lower



Source: Company, JM Financial. Note: Data in INR mn

Existing cash balances adequate for servicing maturities till FY27

Our debt-maturity analysis indicates that the cash balances across the group entities are adequate for servicing maturities over FY26-27. Only for Adani Cement, we see relatively high near-term maturity (bullet payments). But, given its cash flows from the cement business and existing cash balances, we do not anticipate liquidity challenges on this front.

In terms of debt refinancing, we note that the bulk of the maturities for the group are long-term maturities. We estimate that cash present on the balance sheet of group entities adequately covers 1-3 years of debt maturities, based on FY25 trends. Various group entities had also resorted to bond buybacks, especially on near-term maturities in FY24 and FY25. This had reduced yields on Adani bonds, which had spiked in Feb'23 following short seller reports. Given SEBI's clean chit on past allegations about related party loans in Sep'25, we believe potential overhang on debt yields is largely addressed.

Exhibit 22. Group company debt maturities are back dated; current cash balances covers near-term maturities, reducing potential impacts from debt-refinancing risks

INR mn	Adani Power	Adani Ent	AESL	Adani Total Gas	Adani Green	ADSEZ	Adani Cement	Total (ex ADSEZ)	Total	% of gross debt (ex ADSEZ)
FY25 debt maturities										
Less than 1 year	16,050	58,780	21,630	1,660	39,850	90,280	21,770	1,59,740	2,50,020	7%
1-5 years	72,180	2,08,240	2,22,510	15,500	2,50,750	2,28,510	3,37,930	11,07,110	13,35,620	45%
5+ years	2,90,490	3,02,290	1,40,940	410	4,48,990	1,35,340	-	11,83,120	13,18,460	48%
Total ex ADSEZ	**3,78,720**	**5,69,310**	**3,85,080**	**17,570**	**7,39,590**	**4,54,130**	**3,59,680**	**24,49,970**	**29,04,080**	**100%**
Cash & Eqv	73,110	95,860	84,310	5,210	88,770	89,910	1,01,250	4,48,510	5,38,420	18%

Source: Company, JM Financial

Promoter share-pledge levels have reduced

Promoter share pledges have been reduced across the group after a spike following a significant share price crash across the Group entities in Feb'23. However, with equity raise from overseas investors and bond buybacks, individual share prices of group entities have recovered materially, resulting in reduced share pledges. More recently, the promoter has paid off USD 4.6bn in loans against shares that were incurred for cement acquisitions. (See: Adani raises USD 15bn in equity , debt in comeback strategy).

In the event Adani Group entities are successful in further raising equity capital (potentially for Adani Airports or for green hydrogen), leverage levels can improve further, adding investor confidence to solvency levels of individual group entities.

SOTP-based TP of INR1,783; maintain BUY

We value ADSEZ's various assets on a DCF basis since each of the ports has a finite life asset, i.e., equal to the remaining life of each concession, along with a terminal value (depreciated replacement value) payable by authorities at the end of the concession period, unless the concession is further extended. The sole exception is the planned expansion in Colombo, where we have valued the asset based on the planned capex to develop the port (Colombo).

We are using an equity beta of 0.75x, similar to GPPV. We note that ADSEZ's adjusted beta has been declining post constructive governance measures taken by the management. We think that the higher beta earlier reflected investors' concerns on governance and as these issues are progressively addressed, the equity beta has been reduced, which implies lower risk perception for investors. The allocation of funds by the US government for ADSEZ's Colombo port is also a reflection of lower risk perception, in our view.

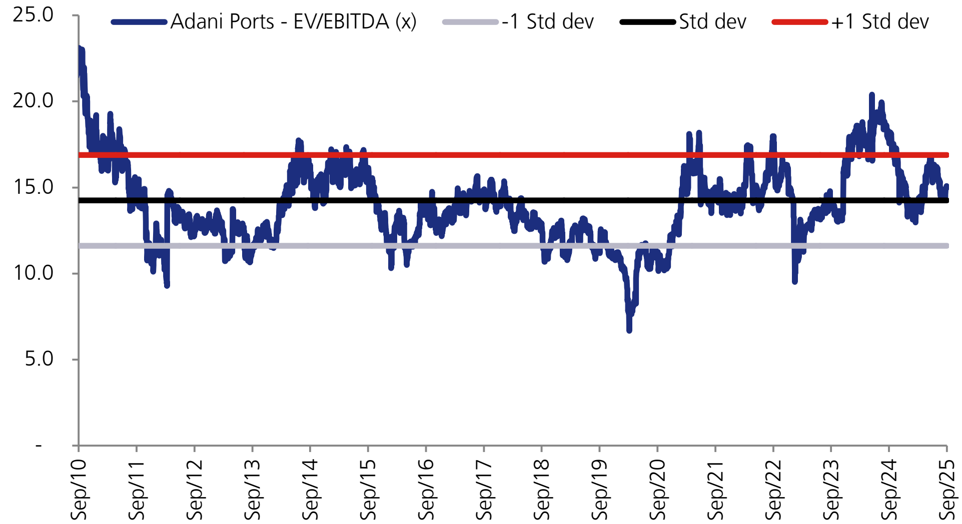
Our TP of INR 1,783 effectively implies ~15.5x FY27E EV/EBITDA for FY25-28E EBITDA CAGR of 16%. We find ADSEZ modestly valued, compared with our implied FY27E EV/EBITDA of 22x for JSW Infrastructure and 10x for Gujarat Pipavav.

Exhibit 23. ADSEZ sum of the parts (SOTP valuation) of INR1,783

	Implied	EBITDA		Asset value	
Assets	EV/EBITDA	FY26E	FY27E	INR mn	INR/share
Mundra	14.6	59,869	70,101	10,22,089	473
Hazira	8.4	14,768	16,168	1,35,922	63
Dahej (74% stake)	6.7	4,308	4,659	31,337	15
Dhamra	18.5	14,084	15,231	2,82,075	131
Kattupalli (97% stake)	8.0	2,961	3,215	25,723	12
Vizhinjam	16.9	7,120	3,796	64,211	30
KPCL (100% stake)	12.9	20,617	24,526	3,17,300	147
Gangavaram	18.2	8,478	13,743	2,50,701	116
International	15.4	8,204	12,150	1,86,859	87
Karaikal	11.6	5,728	6,307	73,308	34
Haldia		-	164	11,649	5
Others	7.6	23,705	24,892	1,87,989	87
Harbour	22.6	37,657	43,824	9,89,607	458
Marine	12.0	11,445	15,867	1,90,722	88
Logistics	26.1	9,963	13,234	3,45,097	160
Gopalpur	16.4	1,292	3,900	64,074	30
	15.4	**2,30,199**	**2,71,778**	**41,78,664**	**1,934**
Elimination	15.4	(934)	(1,032)	(19,646)	(9)
Total EV valuation	**15.4**	**2,29,265**	**2,70,746**	**41,59,018**	**1,925**
Net debt (FY26)				3,07,472	142
Equity value				38,51,546	1,783

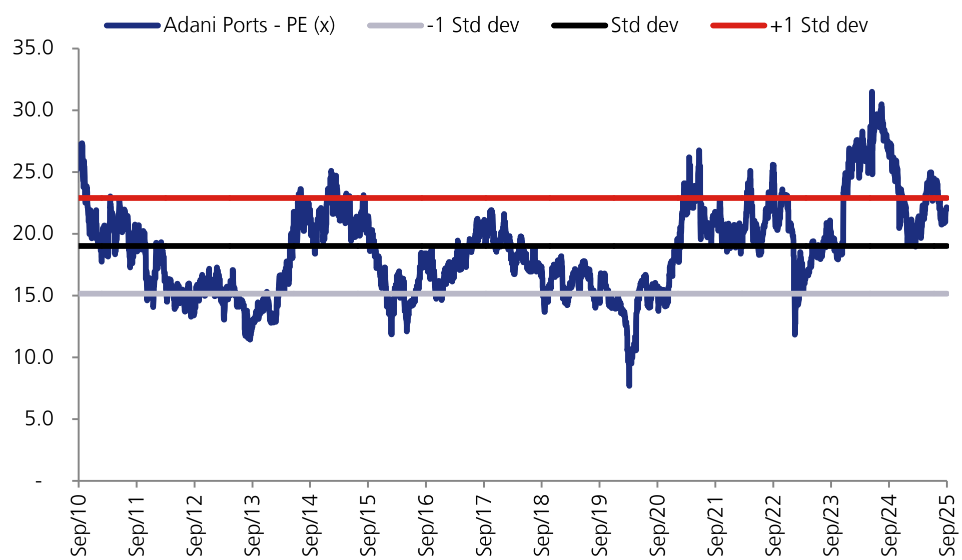
Source: JM Financial

Exhibit 24. ADSEZ: 1 year forward EV/EBITDA close to average



Source: Bloomberg

Exhibit 25. ADSEZ: 12 month forward P/E slightly above average



Source: Bloomberg

Exhibit 26. Change in estimates

INR mn	FY26E			FY27E			FY28E		
	Old	New	Diff	Old	New	Diff	Old	New	Diff
Revenue	3,49,582	3,81,557	9%	3,91,019	4,21,397	8%	4,63,928	4,61,691	0%
EBITDA	2,14,931	2,29,265	7%	2,39,349	2,70,746	13%	2,86,820	2,96,176	3%
EBITDA margin	61.5%	60.1%	(140)	61.2%	64.2%	304	61.8%	64.2%	233
Recurring PAT	1,23,604	1,35,926	10%	1,45,252	1,67,324	15%	1,83,585	1,88,657	3%

Source: Company

Exhibit 27. JMFe vs Consensus – we expect surprises to Street estimates over FY26/27

Particulars (INR mn)	FY26E			FY27E			FY28E		
	JMFe	Consensus	Diff	JMFe	Consensus	Diff	JMFe	Consensus	Diff
Revenue	3,81,557	3,68,850	3%	4,21,397	4,26,149	-1%	4,61,691	4,91,857	-4%
EBITDA	2,29,265	2,18,356	5%	2,70,746	2,49,252	9%	2,96,176	2,84,303	6%
EBITDA margin	60.1%	59.2%	89	64.2%	58.5%	576	64.2%	57.8%	627
Recurring PAT	1,35,926	1,28,348	7%	1,67,324	1,49,078	14%	1,88,657	1,62,271	11%
EPS (INR)	62.92	58.74	7%	77.46	68.00	14%	87.34	78.82	11%

Source: JM Financial, Bloomberg

Investment risks:

- Deteriorating group financials and a resulting need for related-party loans or rising shares pledged could lead to a de-rating. This, in our view, is the principal risk. Negative news flow related to Group companies had, in the near past, impacted share prices.
- Any weakening of the domestic macroeconomic environment could lead to weaker port volume delivery and result in lower-than-estimated RoCE levels. The recent slowdown in thermal coal imports and iron ore exports are examples in this direction.
- A sharp spike in capex levels could result in net debt to EBITDA exceeding 3.5x, which can lead to overleveraging concerns for the stock. In certain cases, bonds have restrictive covenants regarding leverage that can lead to a rise in interest rates if leverage metrics are breached. This scenario appears less likely in near term.
- Prolonged aggressive pricing in the logistics segment (Adani Logistics) could drag down margins and lead to an overhang on Group RoCE.
- International expansion could be a risky proposition, given the geopolitical risks. As an example, if the current Israel-Hamas conflict continues, accompanied by hostile actions in the Red Sea (from Houthi rebels in Yemen), then volume growth of Israeli assets could be impacted. The proposed IMEC project might get delayed, indefinitely, as a result and impact long-term prospects. We had earlier witnessed issues at the Myanmar (Yangon) project following a military coup in the country with potential risks of US/UN sanctions.

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	2,67,106	3,10,786	3,81,557	4,21,397	4,61,691
Sales Growth	28.1%	16.4%	22.8%	10.4%	9.6%
Other Operating Income	0	0	0	0	0
Total Revenue	**2,67,106**	**3,10,786**	**3,81,557**	**4,21,397**	**4,61,691**
Cost of Goods Sold/Op. Exp	71,163	80,698	1,02,689	95,869	1,05,495
Personnel Cost	18,964	20,087	24,801	27,391	30,010
Other Expenses	19,467	22,564	27,610	30,199	32,818
EBITDA	**1,57,511**	**1,87,438**	**2,26,456**	**2,67,937**	**2,93,368**
EBITDA Margin	59.0%	60.3%	59.4%	63.6%	63.5%
EBITDA Growth	43.9%	19.0%	20.8%	18.3%	9.5%
Depn. & Amort.	38,885	43,789	48,080	53,565	59,050
EBIT	1,18,626	1,43,649	1,78,376	2,14,372	2,34,318
Other Income	14,994	13,045	10,626	11,904	11,263
Finance Cost	27,844	27,780	27,638	27,638	21,618
PBT before Excep. & Forex	1,06,806	1,33,837	1,61,363	1,98,638	2,23,963
Excep. & Forex Inc./Loss(-)	-4,252	-4,956	0	0	0
PBT	1,02,554	1,28,881	1,61,363	1,98,638	2,23,963
Taxes	19,897	19,684	25,818	31,782	35,834
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-1,550	1,726	380	468	528
Reported Net Profit	81,106	1,10,923	1,35,926	1,67,324	1,88,657
Adjusted Net Profit	**81,106**	**1,10,923**	**1,35,926**	**1,67,324**	**1,88,657**
Net Margin	30.4%	35.7%	35.6%	39.7%	40.9%
Diluted Share Cap. (mn)	2,160.1	2,160.1	2,160.1	2,160.1	2,160.1
Diluted EPS (INR)	**37.5**	**51.3**	**62.9**	**77.5**	**87.3**
Diluted EPS Growth	52.8%	36.8%	22.5%	23.1%	12.7%
Total Dividend + Tax	12,961	12,961	12,961	12,961	12,961
Dividend Per Share (INR)	6.0	6.0	6.0	6.0	6.0

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	5,29,448	6,24,354	7,37,194	8,69,022	10,17,748
Share Capital	4,320	4,320	4,320	4,320	4,320
Reserves & Surplus	5,25,127	6,20,034	7,32,874	8,64,702	10,13,428
Preference Share Capital	0	0	0	0	0
Minority Interest	15,982	25,380	24,999	24,531	24,003
Total Loans	4,62,043	4,58,100	4,58,100	3,58,307	3,58,307
Def. Tax Liab. / Assets (-)	22,512	27,637	27,637	27,637	27,637
Total - Equity & Liab.	**10,29,985**	**11,35,471**	**12,47,931**	**12,79,496**	**14,27,694**
Net Fixed Assets	8,60,839	10,13,224	10,85,144	11,51,579	12,12,529
Gross Fixed Assets	8,64,134	10,51,881	11,71,881	12,91,881	14,11,881
Intangible Assets	69,069	70,936	70,936	70,936	70,936
Less: Depn. & Amort.	1,81,725	2,25,514	2,73,594	3,27,160	3,86,210
Capital WIP	1,09,361	1,15,922	1,15,922	1,15,922	1,15,922
Investments	42,887	46,595	46,595	46,595	46,595
Current Assets	2,66,266	2,74,608	3,57,506	3,46,483	4,57,848
Inventories	4,375	5,218	6,406	7,075	7,752
Sundry Debtors	36,669	44,324	57,233	63,210	69,254
Cash & Bank Balances	76,319	66,060	1,34,860	1,17,191	2,21,836
Loans & Advances	3,285	9,013	9,013	9,013	9,013
Other Current Assets	1,45,618	1,49,993	1,49,993	1,49,993	1,49,993
Current Liab. & Prov.	1,40,007	1,98,956	2,41,314	2,65,160	2,89,277
Current Liabilities	71,933	1,05,077	1,29,004	1,42,474	1,56,097
Provisions & Others	68,074	93,880	1,12,310	1,22,686	1,33,179
Net Current Assets	1,26,259	75,652	1,16,192	81,323	1,68,571
Total – Assets	**10,29,985**	**11,35,471**	**12,47,931**	**12,79,496**	**14,27,694**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	81,106	1,10,923	1,35,926	1,67,324	1,88,657
Depn. & Amort.	38,885	43,789	48,080	53,565	59,050
Net Interest Exp. / Inc. (-)	22,027	21,451	23,216	23,216	18,159
Inc (-) / Dec in WCap.	-95	-3,705	28,260	17,201	17,396
Others	8,253	-196	-10,626	-11,904	-11,263
Taxes Paid	0	0	0	0	0
Operating Cash Flow	**1,50,176**	**1,72,263**	**2,24,857**	**2,49,402**	**2,72,000**
Capex	-1,09,104	-1,33,981	-1,20,000	-1,20,000	-1,20,000
Free Cash Flow	41,072	38,282	1,04,857	1,29,402	1,52,000
Inc (-) / Dec in Investments	33,519	46	0	0	0
Others	7,910	49,134	10,626	11,904	11,263
Investing Cash Flow	**-67,676**	**-84,802**	**-1,09,374**	**-1,08,096**	**-1,08,737**
Inc / Dec (-) in Capital	0	0	0	0	0
Dividend + Tax thereon	-10,797	-13,363	-23,466	-35,965	-40,459
Inc / Dec (-) in Loans	-35,401	-4,692	0	-99,794	0
Others	-31,804	-51,100	-23,216	-23,216	-18,159
Financing Cash Flow	**-78,001**	**-69,155**	**-46,682**	**-1,58,975**	**-58,618**
Inc / Dec (-) in Cash	**4,499**	**18,306**	**68,800**	**-17,668**	**1,04,644**
Opening Cash Balance	11,258	15,757	34,063	1,02,863	85,195
Closing Cash Balance	15,757	34,063	1,02,863	85,195	1,89,839

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	30.4%	35.7%	35.6%	39.7%	40.9%
Asset Turnover (x)	0.2	0.3	0.3	0.3	0.3
Leverage Factor (x)	2.2	2.0	1.9	1.7	1.6
RoE	16.5%	19.2%	20.0%	20.8%	20.0%

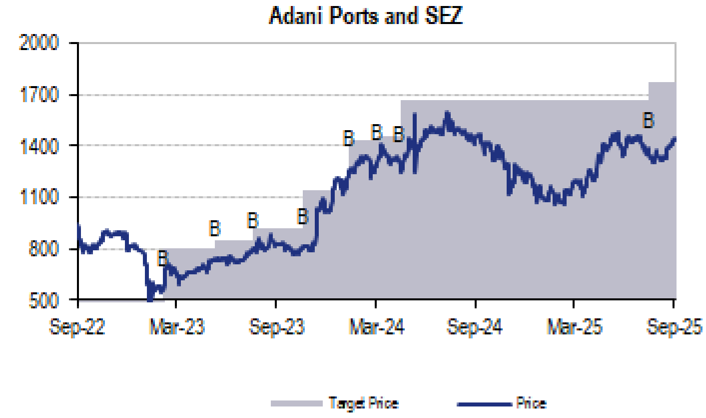
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	245.1	289.0	341.3	402.3	471.1
ROIC	11.0%	12.9%	14.7%	16.9%	17.7%
ROE	16.5%	19.2%	20.0%	20.8%	20.0%
Net Debt/Equity (x)	0.7	0.6	0.4	0.3	0.1
P/E (x)	38.5	28.1	22.9	18.6	16.5
P/B (x)	5.9	5.0	4.2	3.6	3.1
EV/EBITDA (x)	22.3	18.8	15.2	12.6	11.1
EV/Sales (x)	13.1	11.3	9.0	8.0	7.1
Debtor days	50	52	55	55	55
Inventory days	6	6	6	6	6
Creditor days	72	81	79	88	88

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
27-Feb-23	Buy	800	
31-May-23	Buy	850	6.3
9-Aug-23	Buy	920	8.2
10-Nov-23	Buy	1,140	23.9
2-Feb-24	Buy	1,430	25.4
26-Mar-24	Buy	1,460	2.1
6-May-24	Buy	1,660	13.7
6-Aug-25	Buy	1,765	6.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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