

**ADANI PORTS AND SPECIAL ECONOMIC ZONE LTD**

Sector

April 25, 2022

**Buy at CMP: Rs 885 | Target: Rs 1048 (18%) | SL: Rs 785**

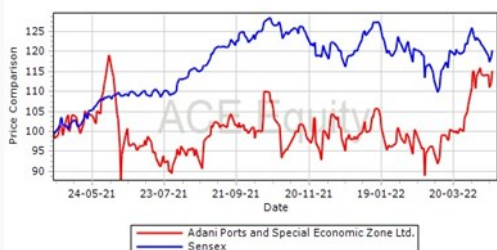
Logistics

**Script Details**

BSE Group	A
BSE Code	532921
NSE Code	ADANIPTS
Bloomberg Code	ADSEZ IN
Market Cap (INR Cr.)	1,86,776
Free Float (%)	35%
52wk Hi/Lo	901 / 638
Avg. 20 Day Volume (Mn)	70,60,503
Face Value (INR)/ D. Yield (%)	1 / 0.59
Total Paid Up Eq. Shares (Mn.)	2112.37

**Share Holding Pattern (%)**

Promoters	Public	Others
65.55	34.45	—

**Share Price Relative Performance**

Adani Ports and Special Economic Zones Ltd (APSE) is the largest commercial port operator having 28.1% market share of India's port cargo movement. Over the years, it has acquired multiple Ports to grow network. It operates at both East and West Coast line of India. Port facilities are equipped with latest cargo-handling infrastructure and able to handle diverse cargos from dry cargo, liquid cargo and crude to containers etc.

**Investment Rationale**

- ◆ **Exports growth trend to Benefit APSE:** Exports are directly linked to the APSE's revenue, as it earns revenue on handled cargo volume, Utilities services and allied operations. India's exports rose from \$264 Bn during 2019-20 (Apr -Jan) , \$228.9 Bn during 2020-21 (Apr -Jan) to \$335 Bn during 2021-22 (Apr -Jan). March-22 merchandise exports grew by 20% YoY basis. Further, Govt is taking steps to make India as an export based economy, this translate into a mega opportunity for APSE.
- ◆ **Dominant Position in Ports Segment:** APSE has dominant position in east and west coast of India. Its West Coast capacity is 335 MMT and East Coast Capacity is 227 MMT (31st Dec-21). It has grown from a single port operator to twelve ports with total capacity of 560 MMT. Container market share remains at 41.4%. Its market share in cargo volume improve from 24.6% in Q3FY21 to 28.1 % in Q3FY22.
- ◆ **Healthy Investment in Logistics Space:** APSE has developed an integrated logistics network. Adani Agri Logistics five projects of 2,50,000 metric tons capacity are under construction, with each having 50,000 MT storage capacity which to increase the capacity by 30%. Furthermore it is planning to increase its train capacity by more than 3x from 60 trains in FY21 to 200 trains in FY25. Company also investing in building multi modal logistics parks (MMLP) by increasing the number of MMLPs from five currently to 15 by FY26. APSE also increasing its warehousing capacity from 0.4 million square feet (msf) in FY21 to 30 msf by FY26.
- ◆ **Valuations:** We believe Adani Ports to leverage the India's economic growth. APSE's vision of reaching 500 MT volumes and 40% of India's trade market share is ahead of prescribed timeline of FY25. Its stock is trading at forward earning multiple of 30(x). We recommend a buy on ADANIPTS at LTP Rs. 885 with a Target price of Rs 1048 which implies 18% upside.

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
TTM	15,494	9,167	5,018	35	24
FY23E	16,057	9,500	5,727	33	23
FY24E	16,640	9,845	5,936	31	22
FY25E	17,245	10,202	6,151	30	22

Source: Company Data, Ace Equity, GEPL Research

## TECHNICAL VIEW

### Observation

- On long term charts Adani Ports is moving with higher highs and higher lows formation and maintaining a strong uptrend since March 2020.
- Recently the stock is breaking out of a 1 year long consolidation backed with strong volumes indicating strong bullish sentiment in the counter.
- The stock is showing relative outperformance and has not corrected despite the weakness in the benchmark index.
- On the daily timeframe the stock is giving a bullish flag and pole formation breakout.
- RSI indicator on all timeframes i.e. Daily, Weekly and monthly is sustaining above the 60 mark suggesting bullish momentum in the undertone.



### Inference & Expectations

- Adani Ports is breaking out of a rectangle formation (Consolidation).
- Going ahead the stock has the potential to continue its outperformance and move higher towards 1048-1068 levels
- We recommend to follow a strict stop loss of 785 on Daily closing basis.



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