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Adani Ports & Special Economic Zone Q4 & FY26 Result Update

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Adani Ports & Special Economic Zone Q4 & FY26 Result Update

Result Update

The quarter delivered a strong top-line performance, with revenue coming in at Rs.107.3 bn, marking a robust 26% year-on-year growth and an 11% sequential uptick, in line with expectations. Operating performance remained healthy, with EBITDA at Rs.60.2 bn, up 20% YoY and 4% QoQ, while also exceeding consensus estimates by 8%. However, profitability saw some pressure, as margins settled at 56.1%, contracting by 286 basis points YoY and 350 basis points QoQ, and falling 122 basis points short of consensus. Despite this, the company managed to post a resilient bottom line, with PAT at Rs.33.1 bn, growing 9% both YoY and QoQ, though it came in 21% below market expectations

Key Management Call Highlights

Guidance

- ❑ Adani Ports and Special Economic Zone (APSEZ) exceeded FY26 guidance across key metrics, delivering **25% revenue growth, 20% EBITDA growth, and 16% PAT growth**, while maintaining **net debt/EBITDA at 1.9x** and **ROCE at 16%**.
- ❑ Management highlighted a consistent history of outperforming guidance, attributing this to a strong integrated operating culture rather than favourable external factors.
- ❑ For FY27, revenue growth guidance stands at **11-16%**, based on a conservative assumption of **1.5x India's GDP growth**, with potential upside to **1.7-1.8x** without factoring acquisitions.
- ❑ Under the **Ambition 2031** roadmap, the company targets **20% consolidated ROCE** and aims to double growth over the next five years.
- ❑ The **1 billion tonne cargo handling target by 2030**, including **850 million tonnes domestic**, remains unchanged and excludes potential M&A contributions.

Key Data	
CMP (Rs)	1657
Sector / Industry	Port & Port services
52 week High/Low	1677 / 1285
Market Cap (bn)	3,818.35
Bloomberg Code	ADSEZ:IN
Face Value (₹)	2.0

Shareholding %			
Particulars	Q2FY26	Q3FY26	Q4FY26
Promoters	68.9	68.0	68.0
FII	13.6	13.1	13.3
DII	15.0	13.9	13.9
Others	5.5	5.0	4.9

No Promoter Pledge

Financial Ratios			
Ratio	FY24	FY25	FY26
ROCE (%)	12.8	13.7	11.5
ROE (%)	15.3	17.8	13.3
PE (%)	35.7	23.0	22.5
P/B(x)	5.5	4.1	3.0
Debt/Equity	0.9	0.7	0.5
EV/EBITDA	19.7	14.9	13.7

NIFTY VS ADSEZ:IN				
Returns (%)	1M	3M	6M	12M
Nifty 50	7.5	(5.2)	(7.3)	(1.4)
ADSEZ	26.3	16.7	13.7	30.8

Financial Metrics										(Rs in bn)
Particulars	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Estimates#	Var (%)	FY26	FY27#	FY28#
Revenue	107.3	84.9	26%	97.1	11%	96.8	11%	387.4	511.6	585.7
EBITDA	60.2	50.1	20%	57.9	4%	55.5	8%	228.5	298.8	337.3
EBITDA Margin (%)	56.1%	59.0%	-286bps	59.6%	-350bps	57.3%	-122bps	59.0%	58.4%	57.6%
Adj. PAT	33.1	30.2	-9%	30.4	9%	42.0	-21%	127.8	182.8	180.8
PAT Margin (%)	30.8%	35.6%	-478bps	31.4%	-52bps	43.4%	-1255bps	33.0%	35.7%	30.9%
EPS	14.5	14.0		13.3		18.3		58.23	80.7	89.9

Bloomberg Consensus

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Margin Story

- ❑ Overall port margins remained stable despite margin pressure at dry cargo ports such as **Gangavaram, Hazira, Dhamra, and Krishnapatnam**, largely due to cargo mix changes and operational recalibration.
- ❑ International port operations delivered significant EBITDA margin expansion, with management aiming to make them **best-in-class relative to regional peers**.
- ❑ The logistics business achieved **10% ROCE in FY26**, ahead of the expected 3–4 year timeline, driven by **asset-light and asset-zero service models**.
- ❑ Management aims to sustain **EBITDA margins above 70%** by maintaining **flat cost per ton** through automation while increasing **revenue per ton** via value-added services, exchange rate benefits, and pricing power.
- ❑ SEZ income at **Mundra** remains episodic and volatile, implying that the strong Q4 contribution is unlikely to sustain in future quarters.

AI Strategy

- ❑ Management acknowledged the emergence of AI platforms such as **Mythos** and their potential to exploit vulnerabilities in legacy infrastructure systems.
- ❑ AI adoption forms a key component of the company's broader **technology transformation strategy**.
- ❑ Investments in AI and technology are aimed at **improving productivity, operational efficiency, and delivering measurable economic benefits**, rather than serving as purely technological enhancements.

Inventory

- ❑ Management indicated that manufacturers are currently operating with **minimal inventory buffers**, reflecting cautious demand conditions.
- ❑ Elevated freight costs are causing exporters to **delay shipment decisions**, contributing to slower export activity.

Orders

- ❑ The **marine business operates largely on contractual engagements**, with offshore vessels benefiting from **mid-to-long term contracts** that provide revenue visibility and stability.
- ❑ The company is expanding offshore vessel deployment into **Europe, North Africa, and West Africa**, supporting a fleet of **over 50 vessels**.

Freight Shipping

- ❑ APSEZ handled **500 million metric tonnes (MMT)** of cargo during the year, exceeding guidance.
- ❑ Domestic ports accounted for **451 MMT**, translating into **27.1% market share**.
- ❑ International ports delivered **180% EBITDA growth**, driven by ramp-up at **CWIT**, the **Colombo terminal**, and the **NQXT Australia acquisition**.
- ❑ Operational disruptions during the year included **Operation Sindoor**, geopolitical tensions, and the **West Asia crisis**, which altered cargo mix and required extended free container storage at **Mundra**.
- ❑ Dry cargo ports including **Gangavaram, Hazira, Dhamra, and Krishnapatnam** experienced margin pressure due to operational resets and a shift from **imported coal to coastal coal movement**.
- ❑ The **FY31 cargo target of 1 billion tonnes**, including **850 MMT domestic**, is based on a theoretical **1 billion tonne capacity at 80% utilization**.

Material Costs

- ❑ Management aims to keep **cost per ton flat for the next five to six years**, offsetting inflation through productivity gains and automation.
- ❑ Planned initiatives include **automation systems, deployment of electric trucks, and renewable energy integration** to improve operational efficiency.
- ❑ Rising **revenue per ton**, driven by value-added services, exchange rate benefits, and pricing power, supports **EBITDA margins above 70%**.
- ❑ Short-term disruptions from the **West Asia crisis** impacted cargo mix and margins at certain dry cargo ports.
- ❑ The company provided **free container storage at Mundra** and adapted to a shift toward coastal coal movements to support customers despite short-term margin impact.

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Competition

- ❑ International ports aim to achieve **higher margins relative to regional competitors**, though still below structurally higher Indian port margins.
- ❑ Domestic port market share stood at **27.1% in FY26**.
- ❑ The logistics business aims to outperform peers through **technology-driven asset utilization and strong operational execution**.
- ❑ Several port concessions across competing ports are scheduled for **renewal before 2031**, creating potential expansion opportunities.
- ❑ The company maintains a **structural advantage over JNPT**, benefiting from a two-slab rail cost structure and a focus on **high-realization cargo**.

Market Share

- ❑ Domestic port operations achieved **27.1% market share in FY26**.
- ❑ International strategy focuses on **market share expansion while maintaining profitability discipline**.
- ❑ The **Colombo terminal** currently operates with **100% transshipment cargo**, compared with the national average of **85% transshipment and 15% EXIM**, indicating future potential for EXIM cargo diversification.
- ❑ **ESG Strategy**
- ❑ APSEZ has committed to achieving **Net Zero emissions by 2040** and has adopted the **TNFD biodiversity reporting framework**, targeting **net-positive biodiversity by 2050**.
- ❑ Significant CapEx is allocated to **decarbonisation initiatives**, including renewable energy adoption, carbon sequestration activities such as mangrove plantations, and electrification of logistics equipment.
- ❑ Sustainability initiatives are viewed as **economic drivers rather than compliance requirements**, with management targeting **100% renewable energy usage across ports within the next 1.5 years**.

Capital Allocation

- ❑ The company executed **dollar bond buybacks**, including **\$199 million in March and \$500 million in the previous year**, to optimize its debt profile.
- ❑ Management prioritizes **capacity expansion, organic growth projects, and strategic M&A** over share buybacks as the primary value creation strategy.
- ❑ FY26 CapEx exceeded guidance, with accelerated investments across **Mundra (CT5 expansion), Dhamra (capacity expansion), Hazira (liquid cargo infrastructure), and Vizhinjam (Phase 2 development)**.
- ❑ Over the next five years, the company plans **INR1 lakh crore CapEx**, targeting **1 billion tonnes of capacity by 2030**, with **60–70% funded through operating cash flows**.
- ❑ Approximately **INR6,000–8,000 crore** is earmarked for **technology and decarbonisation investments**, including renewable energy, electric equipment, AI integration, and shore power infrastructure.

M&A

- ❑ Strategic acquisitions remain a key growth lever after organic expansion.
- ❑ The **FY2031 cargo target of 1 billion tonnes excludes potential M&A**, providing upside optionality.
- ❑ Management maintains a **net debt/EBITDA ceiling of 2.5x**, though it may temporarily increase leverage to **3.2–3.3x** for transformational acquisitions.
- ❑ With projected leverage of **1.3x next year**, the company retains **~1.2x headroom**, enabling approximately **\$1 billion in inorganic growth opportunities**.
- ❑ The **NQXT Australia acquisition** significantly contributed to **34% revenue growth and 180% EBITDA expansion in international ports during FY26**.

Macro Environment

- ❑ FY26 operations were impacted by **Operation Sindoor**, geopolitical tensions, and the **West Asia crisis**, which altered cargo mix and operational dynamics.
- ❑ The crisis led to **container diversion and temporary free storage at Mundra**, affecting margins at certain dry cargo ports.
- ❑ Potential **oil price increases** could create inflationary pressures in India, though new crude pipelines bypassing the **Strait of Hormuz** could improve supply stability.
- ❑ Expectations of **weak monsoon conditions and extreme heat waves** may increase coal demand as power plants operate at peak capacity.
- ❑ Elevated freight costs are causing exporters to **delay shipments and maintain minimal inventories**.

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Supply Chain

- ❑ Despite disruptions, APSEZ maintained operational resilience by **handling LPG vessels, managing transshipment overflow from the Middle East, and providing container storage support.**
- ❑ The **West Asia crisis** altered cargo mix and margins at ports including **Gangavaram, Hazira, Dhamra, and Krishnapatnam.**
- ❑ Container movement was indirectly impacted due to reduced scrap and paper flows from the Middle East, affecting downstream industrial clusters such as **Morbi.**
- ❑ **Vizhinjam port** benefited from shipping route realignments, accelerating **Phase 2 expansion**, while **Mundra** experienced both operational benefits and disruptions.

Pricing

- ❑ The company temporarily provided **free container storage at Mundra**, utilizing **an additional 100 acres of land**, to support shipping lines during the West Asia disruption.
- ❑ Long-term profitability is supported by **rising revenue per ton** through value-added services, exchange rate benefits, and pricing power.
- ❑ **Cost per ton remains stable** due to automation and productivity initiatives.
- ❑ This strategy enables **EBITDA margins above 70%** and supports improved returns on capital.
- ❑ Investments in **renewable-powered shore infrastructure and electrified port operations** are expected to create new revenue streams and enhance competitiveness.

Product Development

- ❑ Management is accelerating CapEx for **port capacity expansion**, including **CT5 development and further expansion at Mundra.**
- ❑ **Vizhinjam Phase 2** will increase container capacity from **1.6 million TEUs to 5.7 million TEUs by FY29** in phased stages.
- ❑ Additional investments are underway at **Dhamra** for higher cargo volumes and **Hazira** for liquid cargo infrastructure.
- ❑ At **Colombo**, Phase 2 expansion aims to enable participation in **EXIM trade**, diversifying beyond the current **100% transshipment cargo mix.**
- ❑ The logistics strategy combines **asset-heavy, asset-light, and asset-zero models**, with increasing focus on **freight forwarding, trucking, and technology-led asset optimization.**
- ❑ The marine division is expanding offshore vessel deployment into **European waters including the Mediterranean Sea** as part of geographic diversification and risk management.
- ❑ Significant CapEx is also directed toward **decarbonisation initiatives**, including renewable energy adoption, electric equipment, carbon sequestration programs, AI-enabled command centres, and shore power systems for vessels.



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