ADANI PORTS & SPECIAL ECONOMIC ZONE

Two-page investment committee thesis

PARAM PAREKH | PGP2027_27220

Valuation date: 10 July 2026 | 24-month horizon

RECOMMENDATION	NSE CLOSE	24M FAIR VALUE	24M TOTAL RETURN	DIRECT-PEER RETURN	WACC	FY27E EV / EBITDA
DO NOT INVEST	**Rs. 1,828.10**	**Rs. 2,065**	**13.8%**	**19.3%**	**12.3%**	**18.6x**

INVESTMENT VIEW

DO NOT INVEST. At Rs. 1,828.10, APSEZ offers a 24-month base total return of 13.8% to Rs. 2,065, below the 15% hurdle and the 19.3% direct-peer basket. The domestic port franchise merits a premium, but current enterprise value of Rs. 4.75tn (18.6x FY27E EBITDA) already assumes smooth execution across a Rs. 90,000cr FY27-FY31 capital programme. Three-year incremental ROIC is ~10.8%, below 12.3% WACC; forward FCF yield is only 2.3%; and the reverse DCF requires 18.5%-22.2% ten-year FCFF CAGR. Earnings can grow while shareholders underperform if ramping assets earn less than mature ports or the multiple normalises. [S1-S7]

BUSINESS OVERVIEW | *Company-specific facts; consolidated unless stated*

FRANCHISE	FY26A ENGINE	GROWTH PIPELINE	CAPITAL STRUCTURE
15 domestic ports/terminals; Haifa, NQXT, CWIT and Dar es Salaam; logistics/rail; 136 third-party marine vessels. FY26 cargo: 500.8 MMT. [S2]	Revenue Rs. 38,736cr; EBITDA Rs. 22,851cr; 59.0% margin. Domestic ports generated Rs. 18,849cr EBITDA at 73.2% margin. [S1-S2]	Domestic capacity: 653 to 1,000 MMT; management domestic cargo ambition: 850 MMT. Base FY31 total cargo: 830 MMT; EBITDA CAGR: 11.5%. [S2-S3,S7]	Gross debt Rs. 55,103cr; broad cash-like assets Rs. 12,193cr; adjusted net debt Rs. 42,910cr; leases Rs. 8,296cr; NCI Rs. 2,856cr. [S1,S7]

FIVE ANALYTICAL QUESTIONS | *The answer to each question must change the valuation decision*

Analytical question	One-line conclusion	Key evidence	Investment implication
1 How durable is growth?	**Durable core; FY26 acceleration was not purely organic.**	Revenue +25% and cargo +11%, but domestic cargo ~+5%. NQXT consolidated only from Q4; CWIT, Vizhinjam, Kattupalli and Gopalpur must ramp. Base FY26-FY31 EBITDA CAGR is 11.5%, below management's ~18%. [S2-S3,S7]	A real runway exists, but acquisition and utilisation assumptions are material. Early-stage assets do not merit mature-port multiples.
2 Does growth create value?	**Mature ports do; the latest capital cycle has not yet proven a positive spread.**	Domestic-port ROCE was 23%, but FY23-FY26 incremental ROIC is ~10.8% versus 12.3% WACC. FY25-FY26 is ~5.0% because NQXT consideration preceded a full earnings year. FY26 FCF/EBITDA was 22%. [S1-S3,S7]	Do not extrapolate mature-port returns to international, logistics or ramping assets. Evidence of value creation remains insufficient.
3 What is already priced in?	**Demanding cash growth and a sustained premium multiple.**	EV is Rs. 4.75tn: 20.8x FY26A and 18.6x FY27E EBITDA; FY27E P/E is 28.4x; forward FCF yield is 2.3%. Reverse DCF needs 18.5%-22.2% ten-year FCFF CAGR at 12.3% WACC / 4.5% terminal growth. [S1,S4-S5,S7]	Yes - EBITDA can grow and the stock can still underperform if the multiple compresses or cash conversion disappoints.
4 Can growth be financed?	**Financeable in base case; not automatically equity-accretive.**	FY26 adjusted net debt/EBITDA is 1.9x and FFO interest cover 7.1x. Base cumulative FY27-FY31 capex is Rs. 90,000cr; FY31 leverage falls to 1.3x, while bear leverage reaches 2.4x versus a 2.5x policy ceiling. [S1-S3,S7]	Solvency is not the negative call. Funding absorbs cash while overlapping acquisitions, leases and project capex reduce equity-value cushion.
5 What premium is deserved?	**A quality premium is justified, but the current premium is too large for the return offered.**	Scale, network and domestic margins justify 17.3x FY30E EBITDA for mature ports; ramping ports receive 15.0x and international 11.0x. APSEZ is 18.6x FY27E versus GPPL ~8.0x; the direct-peer basket offers 19.3% 24-month return. [S6-S7]	Even generous differentiated multiples produce only Rs. 2,065 fair value and 13.8% total return - below both absolute and relative hurdles.

SOURCE REGISTER [S1] APSEZ Audited Consolidated FY26 Results, 30 Apr 2026 - actuals; balance sheet, cash flow, shares and EPS; broad cash-like adjustment by analyst. [S2] APSEZ Q4 & FY26 Operational Highlights, 30 Apr 2026 - actual / management disclosure; cargo, segments, guidance and credit metrics. [S3] APSEZ Ambition 2031 and AGM presentation, 24 Jun 2026 or earlier - management targets; independently haircut in base case. [S4] NSE / Investing.com, 10 Jul 2026 - market close Rs. 1,828.10. [S5] CCIL yield 6.72%, Grant Thornton ERP 6.75%, public beta cross-check - market inputs; valuation beta 0.95 is an analyst assumption. [S6] JSW Infrastructure and GPPL FY26 company filings - actuals plus independent forward estimates. [S7] APSEZ Valuation Model, 10 Jul 2026 - formulas, forecasts, SOTP, reverse DCF and scenario calculations. Public URLs are recorded in the workbook source register.

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Valuation, peers & final decision

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PRIMARY VALUATION: 24-MONTH SOTP | *July 2028 target using FY30E earnings; Rs. crore*

Segment	Forecast metric	Method / multiple	Implied value	Why justified / key downside risk
Mature Indian ports	FY30E EBITDA 17,200	17.3x EV/EBITDA	297,560	Network, utilisation and concession quality merit a premium; risk: Mundra renewal, regulation and cargo concentration.
Ramping Indian ports	FY30E EBITDA 7,800	15.0x EV/EBITDA	117,000	Discount to mature ports for remaining capex and utilisation risk; includes Vizhinjam, Kattupalli and Gopalpur ramp.
International ports	FY30E EBITDA 3,500	11.0x EV/EBITDA	38,500	Lower multiple for Haifa/NQXT/CWIT country, currency, concession and minority risk.
Logistics and rail	FY30E EBITDA 1,900	14.5x EV/EBITDA	27,550	Network value and Indian logistics comps; risk: 19.3% FY26 margin and 10% ROCE remain below ports.
Marine / dredging / offshore	FY30E EBITDA 2,600	11.5x EV/EBITDA	29,900	Contracted services and 136-vessel platform; risk: utilisation, maintenance capex and asset cycles.
Industrial land and SEZ	Monetisable land / earnings	Conservative NAV	25,000	No uplift for undeveloped land; risk: monetisation timing and land-title / concession constraints.
Associates and JVs	Attributable earnings / NAV	Conservative NAV	15,000	No control premium; risk: ownership, double-counting and limited standalone cash-flow disclosure.
Corporate / other	Unallocated cost base	Capitalised deduction	(10,000)	Deduction for central costs and unallocated claims; risk: structural overhead is higher than modelled.
GROSS ASSET VALUE	**FY30E / NAV blend**	**SOTP**	**540,510**	**Multiple-valued segment EBITDA is Rs. 33,000cr of Rs. 35,700cr consolidated FY30E; residual earnings sit in NAV / corporate lines. [S7]**

GROSS ASSET VALUE	NET DEBT	LEASES	MINORITIES	EQUITY VALUE	SHARES (CR)	FAIR VALUE / SHARE
540,510	**(52,000)**	**(9,000)**	**(3,500)**	**476,010**	**230.395**	**Rs. 2,066 -> 2,065**

SCENARIO ANALYSIS | *Operationally different cases; probabilities omitted because they are judgemental*

Scenario	Fair value	24m total return	Core assumptions
Bull	Rs. 2,650	45.8%	FY26-FY31 revenue / EBITDA CAGR 17.0% / 16.0%; FY31 margin 59.0%; FY31 FCF Rs. 17,000cr; leverage 1.2x; near-clean ramp and disciplined capital.
Base	Rs. 2,065	13.8%	Revenue / EBITDA CAGR 12.0% / 11.5%; FY31 margin 57.8%; cumulative capex Rs. 90,000cr; FY31 FCF Rs. 15,100cr; leverage 1.3x.
Bear	Rs. 1,280	(29.1%)	Revenue / EBITDA CAGR 7.0% / 5.5%; FY31 margin 54.5%; capex Rs. 105,000cr; FY31 FCF Rs. 4,500cr; leverage 2.4x; delayed ramp and mix pressure.

DIRECT-PEER COMPARISON | *FY26A operating metrics; valuation and returns are independent estimates*

Metric	APSEZ	JSW Infra	GPPL	APSEZ interpretation
Revenue growth	25%	20%	17%	Fastest, but acquisition and new-asset consolidation aided growth.
EBITDA growth	20%	15%	~15%	Strong; future mix shifts toward lower-return assets.
EBITDA margin	59.0%	48.6%	~67%	High quality, but below the focused direct peer.
ROCE	16.0%	13.5%	~22%	Above JSW; below GPPL and mature APSEZ domestic ports (23%).
FCF / EBITDA	22%	<0%	~55%	Weak for the multiple; capex absorbs operating cash.
Net debt / EBITDA	1.9x	1.2x	Net cash	Manageable, but the highest financial risk in the basket.
FY27E EV / EBITDA	18.6x	24.1x	~8.0x	Cheaper than JSW, far more expensive than mature GPPL.
FY27E P / E	28.4x	~35x	~14x	Premium requires sustained earnings execution.
Forward FCF yield	2.3%	<0%	~6%	Low cash yield; limited valuation cushion.
Estimated 24m return	**13.8%**	17.8%	20.8%	Direct-peer basket 19.3%; APSEZ trails by 5.5ppt. [S6-S7]

OVERALL INVESTMENT VIEW

Three strongest reasons	Three principal risks	Three catalysts
Return	**Execution**	**Ramp**
13.8% base return misses the 15% hurdle and trails direct peers by 5.5ppt.	Rs. 90,000-105,000cr capex plus acquisitions can depress cash conversion and raise leverage.	Faster Vizhinjam, NQXT and CWIT utilisation can lift margins and cash flow.
Capital efficiency	**Valuation**	**Capital allocation**
Incremental ROIC of ~10.8% does not yet clear the 12.3% WACC.	A high entry multiple can compress even if EBITDA grows; bear downside is 29.1%.	Capex moderation, asset recycling and faster deleveraging can raise equity returns.
Cash economics	**Franchise / external**	**Concession and mix**
2.3% forward FCF yield is inadequate for the risk and capital intensity.	Mundra concession, country / FX, group complexity and governance headlines can widen the discount.	Concession clarity and stronger domestic organic cargo would reduce the risk premium.

WHAT CHANGES THE RECOMMENDATION	WHAT INVALIDATES THE THESIS
Upgrade only if price falls to ~Rs. 1,550 without deterioration, or FY27-FY29 organic investments earn >15% post-tax incremental ROIC while FCF rises and leverage falls.	Further invalidate if domestic cargo growth falls below 5%-7%, EBITDA margin drops below 55%, net debt/EBITDA exceeds 2.5x, or capex repeatedly overshoots without cash earnings.

Based on valuation, expected growth, capital efficiency, balance-sheet resilience and prospective return relative to Indian peers, APSEZ is a DO NOT INVEST at Rs. 1,828.10 as of 10 July 2026.

RECONCILIATION NOTE The Rs. 2,065 24-month FY30E SOTP is selected over the separate Rs. 1,760 spot SOTP because it matches the mandate horizon. Adjusted net debt of Rs. 42,910cr uses audited broad cash-like assets of Rs. 12,193cr; company-reported net debt is Rs. 45,810cr under a narrower definition. Official FY26 logistics and marine revenue/EBITDA (Rs. 4,478/863cr and Rs. 2,681/1,357cr) replace conflicting narrative figures. WACC is 12.3% throughout; scenario probabilities and probability-weighted return are omitted because they are judgemental. Peer-return estimates use 15% EBITDA growth, 24-month exit multiples of 21.0x (JSW) and 7.2x (GPPL), constant net debt and two-year dividends; the incomplete public peer bridge remains a limitation.