

adani

Ports and
Logistics

Investor Presentation

May, 2020

Adani Ports and SEZ Limited

Updated - May, 2020



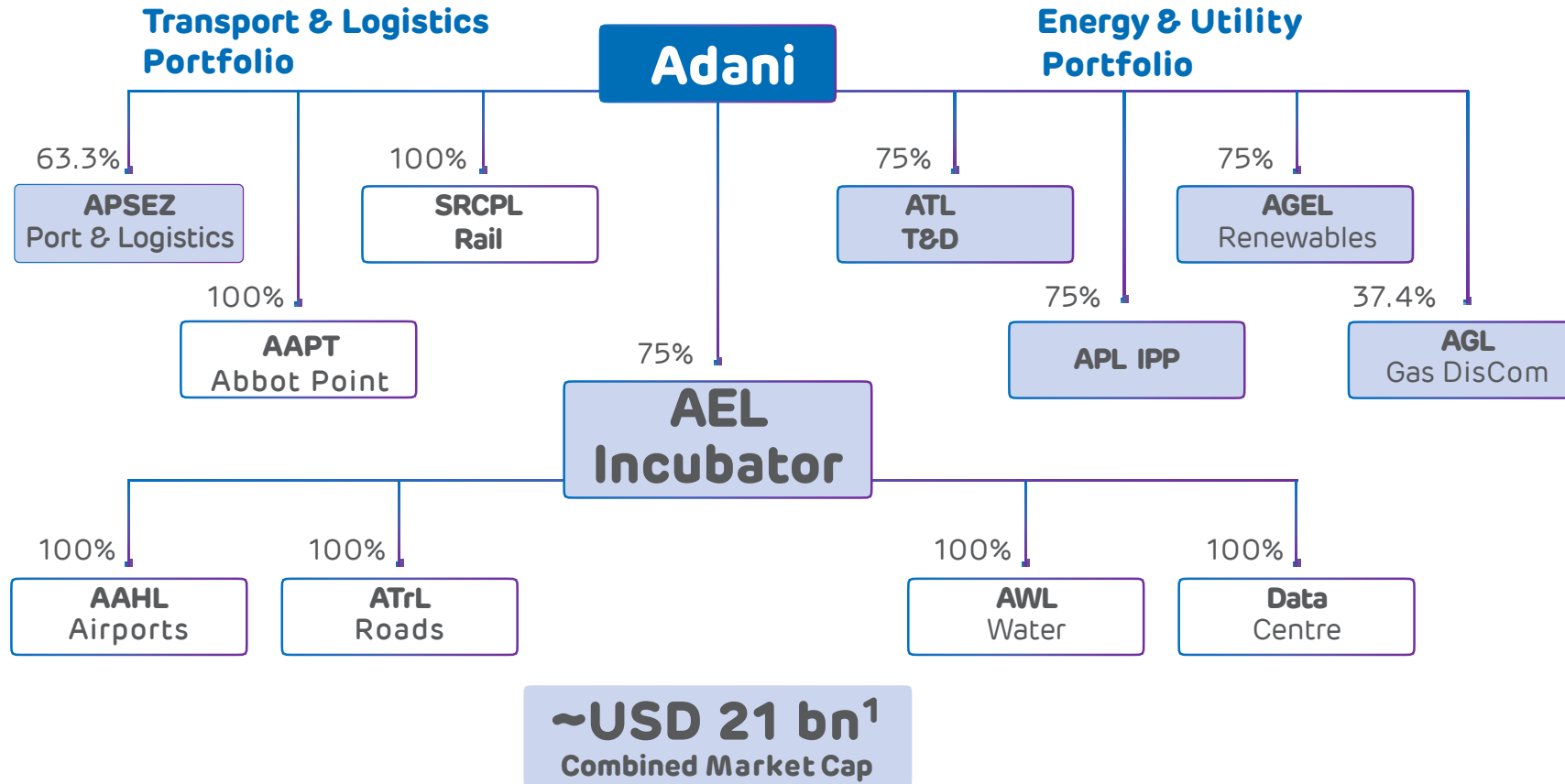
Contents

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Group Profile

Adani Group: A world class infrastructure & utility portfolio



Adani

- **Philosophical shift from B2B to B2C businesses –**
 - **AGL** – Gas distribution network to serve key geographies across India
 - **AEML** – Electricity distribution network that powers the financial capital of India
 - **Adani Airports** – To operate, manage and develop six airports in the country
- **Locked in Growth 2020 –**
 - Transport & Logistics - Airports and Roads
 - Energy & Utility – Water and Data Centre

APSEZ, ATL, AGEL & AEML- only Private sector Infrastructure IG issuers in India

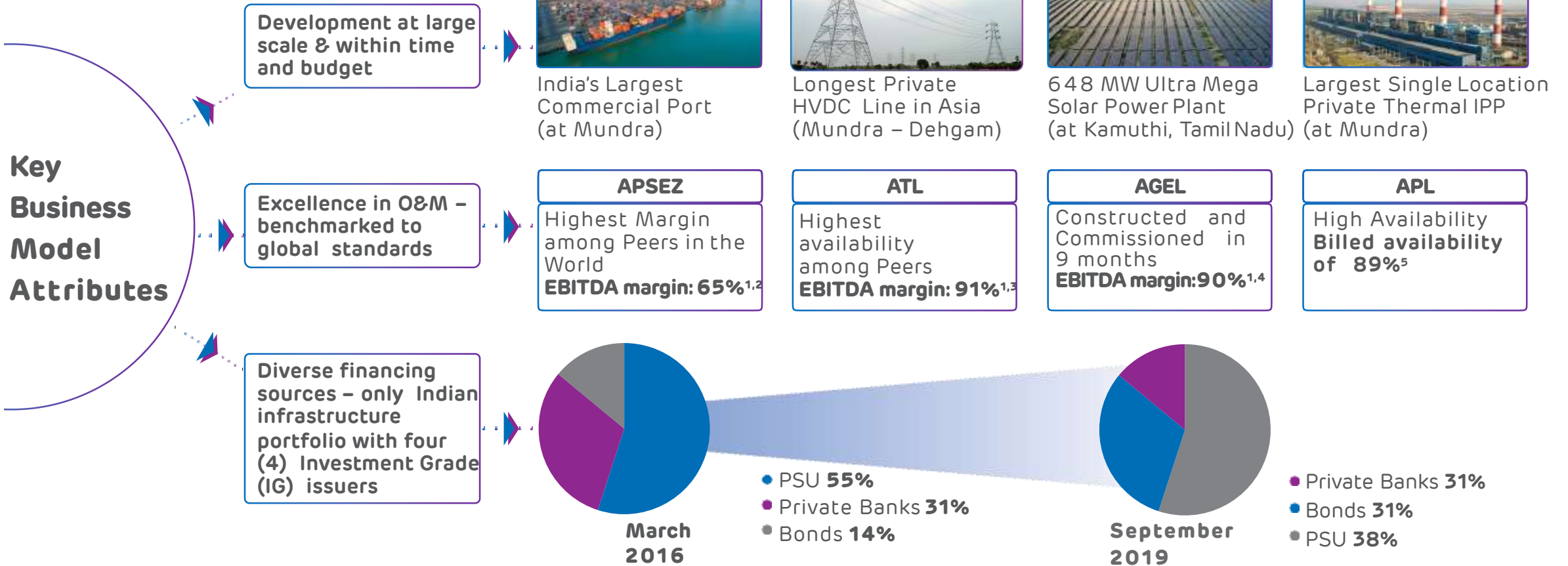
Adani Group: Repeatable, robust & proven model to deliver RoE

Phase	Development			Operations	Post Operations
	Origination	Site Development	Construction	Operation	Capital Mgmt
Activity	<ul style="list-style-type: none"> Analysis & market intelligence Viability analysis Strategic value	<ul style="list-style-type: none"> Site acquisition Concessions and regulatory agreements Investment case development 	<ul style="list-style-type: none"> Engineering & design Sourcing & quality levels Equity & debt funding at project 	<ul style="list-style-type: none"> Life cycle O&M planning Asset Management plan 	<ul style="list-style-type: none"> Redesigning the capital structure of the asset Operational phase funding consistent with asset life
Performance	<ul style="list-style-type: none"> Redefining the space e.g. Mundra Port 	<ul style="list-style-type: none"> Envisaging evolution of sector e.g. Adani Transmission 	<ul style="list-style-type: none"> Complex developments on time & budget e.g. APL 	<ul style="list-style-type: none"> O&M optimisations e.g. Solar plants 	<p>Successfully placed 7 issuances totalling ~USD4Bn in FY20</p> <p>All listed entities maintain liquidity cover of 1.2x- 1.8x for FY21.</p> <p>Focus on liquidity planning ensures remaining stress free.</p>

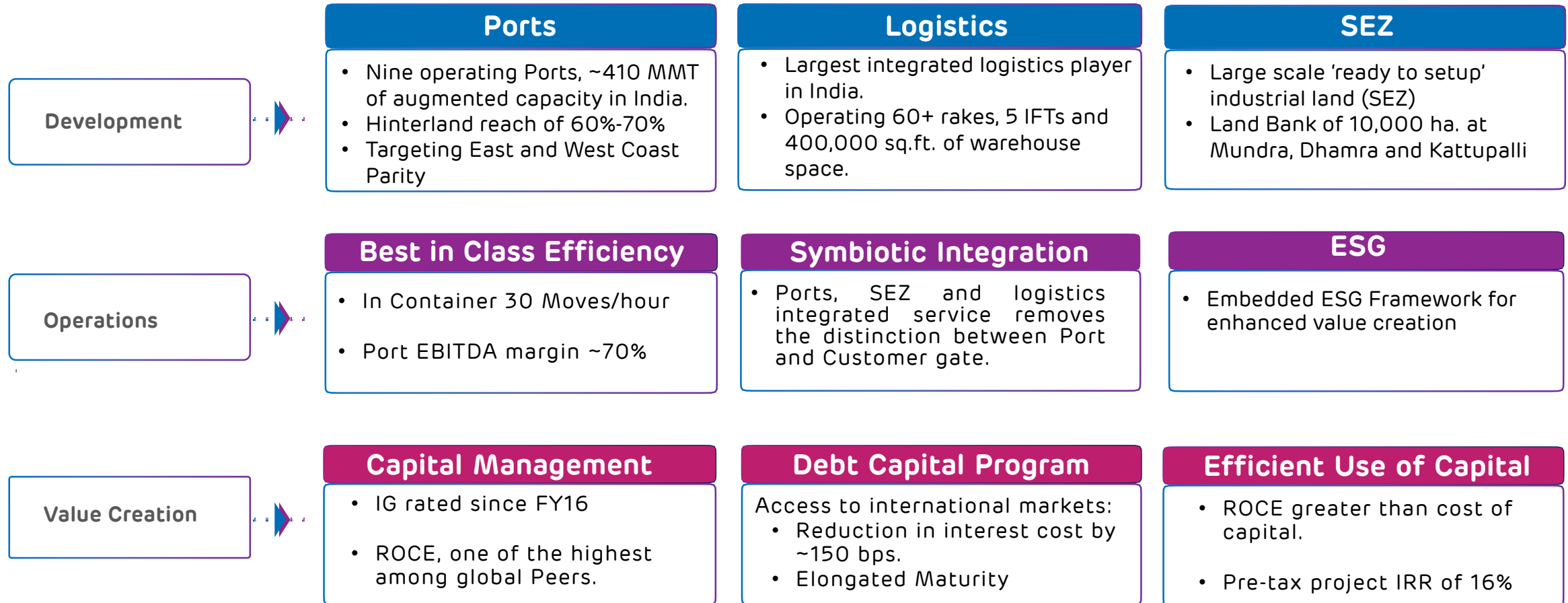
Low capital cost, time bound & quality completion providing long term stable cashflow & enhanced RoE

Adani Group: Repeatable, robust business model applied to drive value

Successfully applied across Infrastructure & utility platform

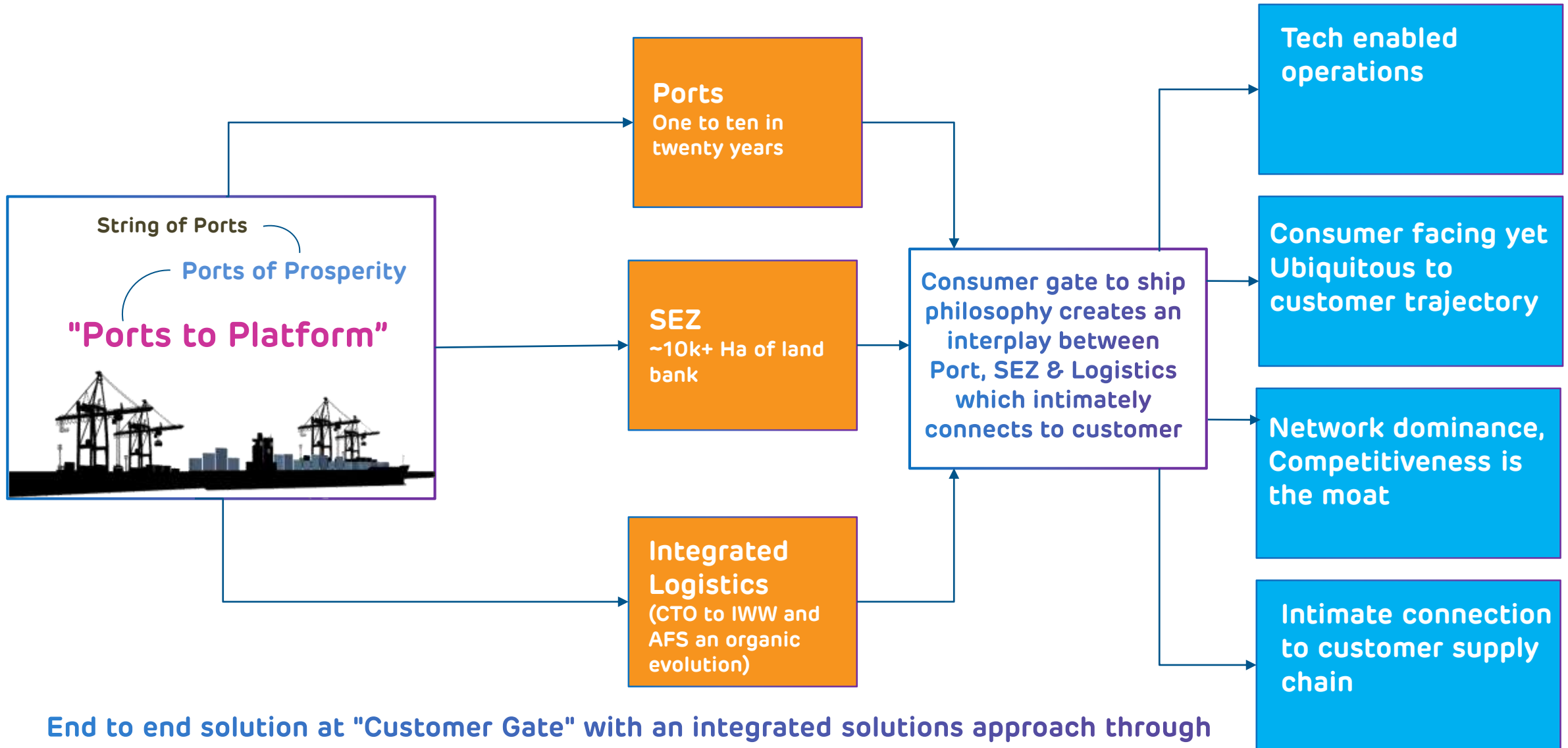


APSEZ : A transport & logistics utility that dominates the network



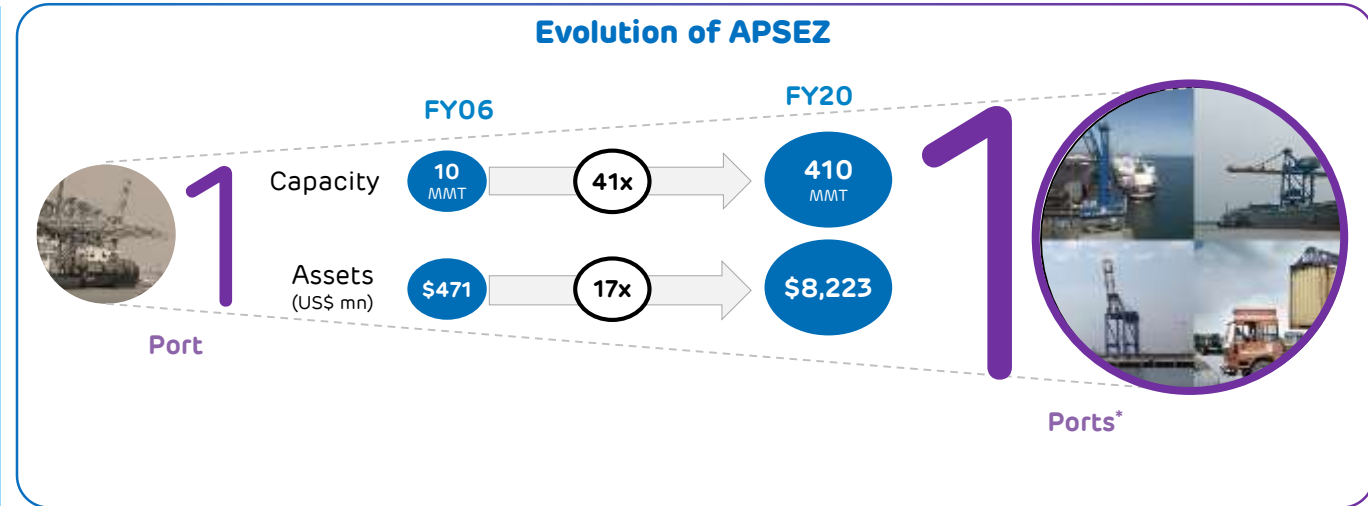
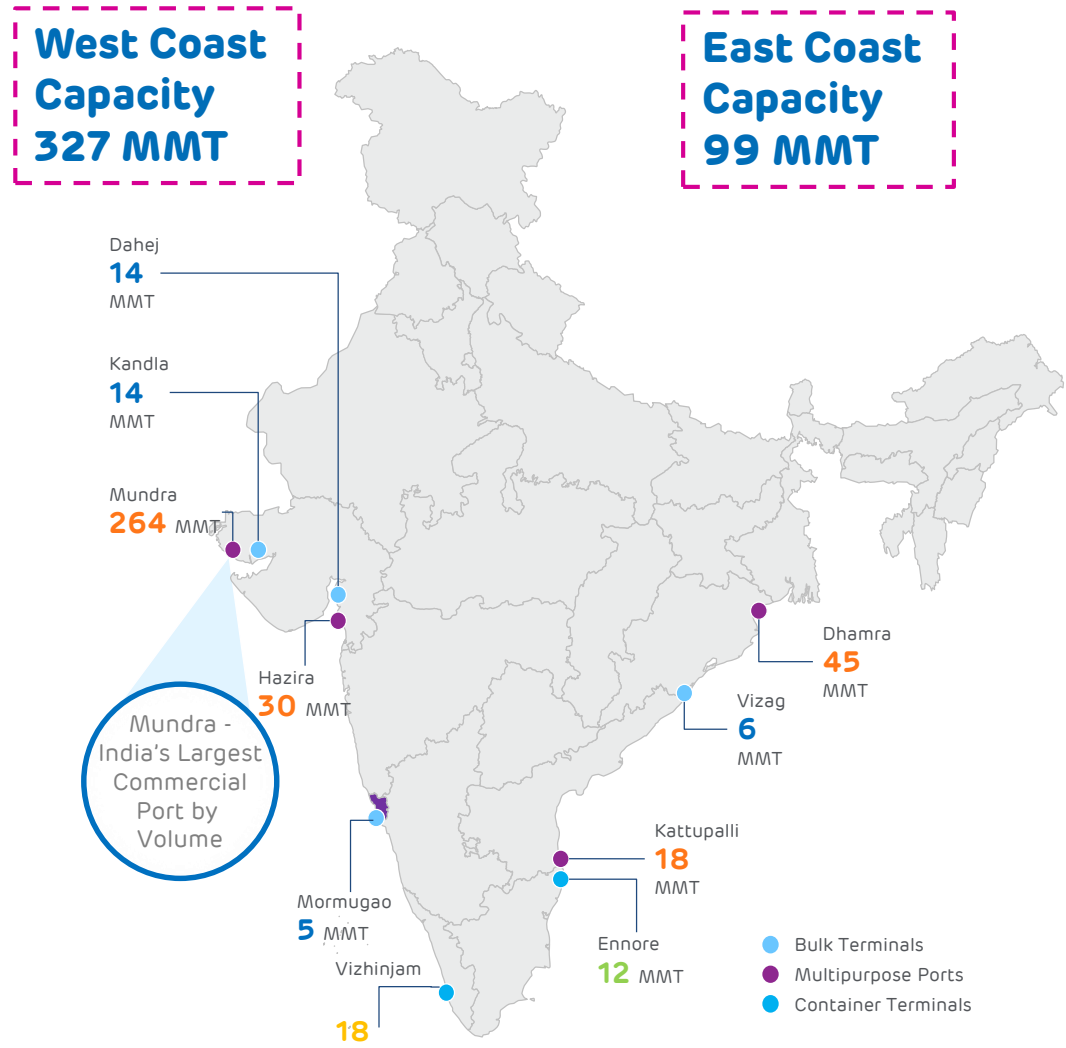
Part I – APSEZ Company Profile

APSEZ : Complimenting verticals creating a multiplier effect



End to end solution at "Customer Gate" with an integrated solutions approach through Ports, SEZ and Logistics

APSEZ : Largest network of ports in India



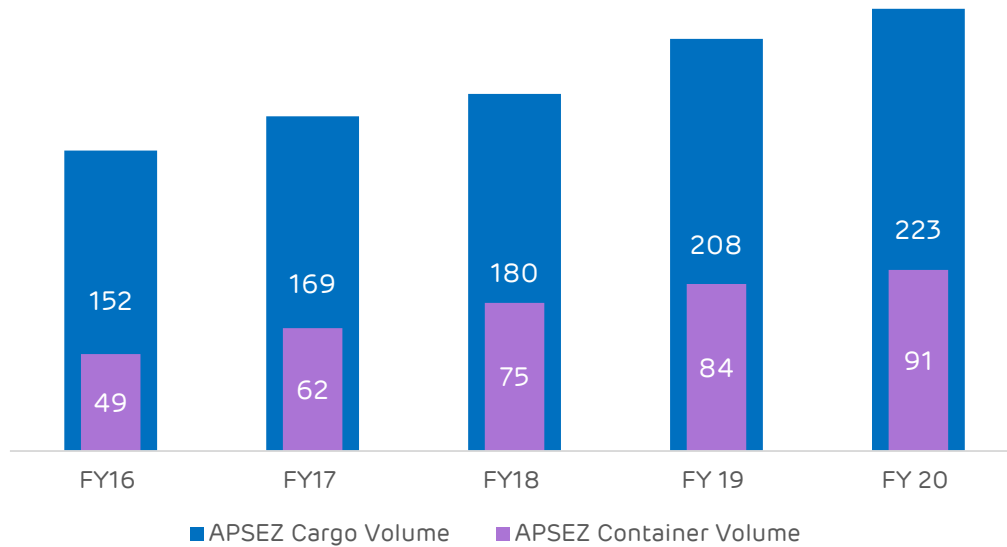
9 Ports serving vast economic hinterland of the country

Port cargo trajectory : APSEZ vs All India Ports – FY16-20

APSEZ Total Throughput

CAGR – 10%

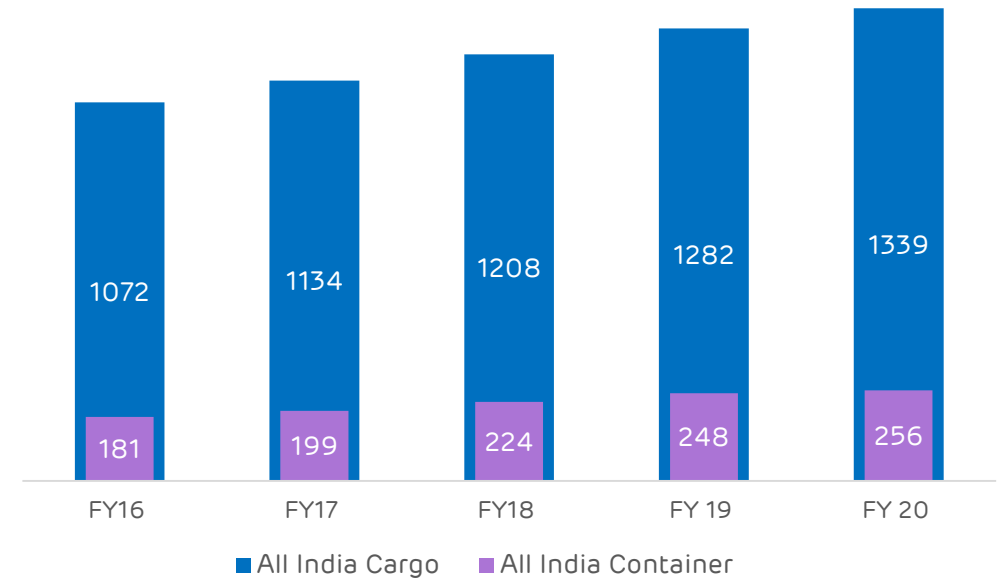
Container CAGR – 17%



All India Ports Total Cargo

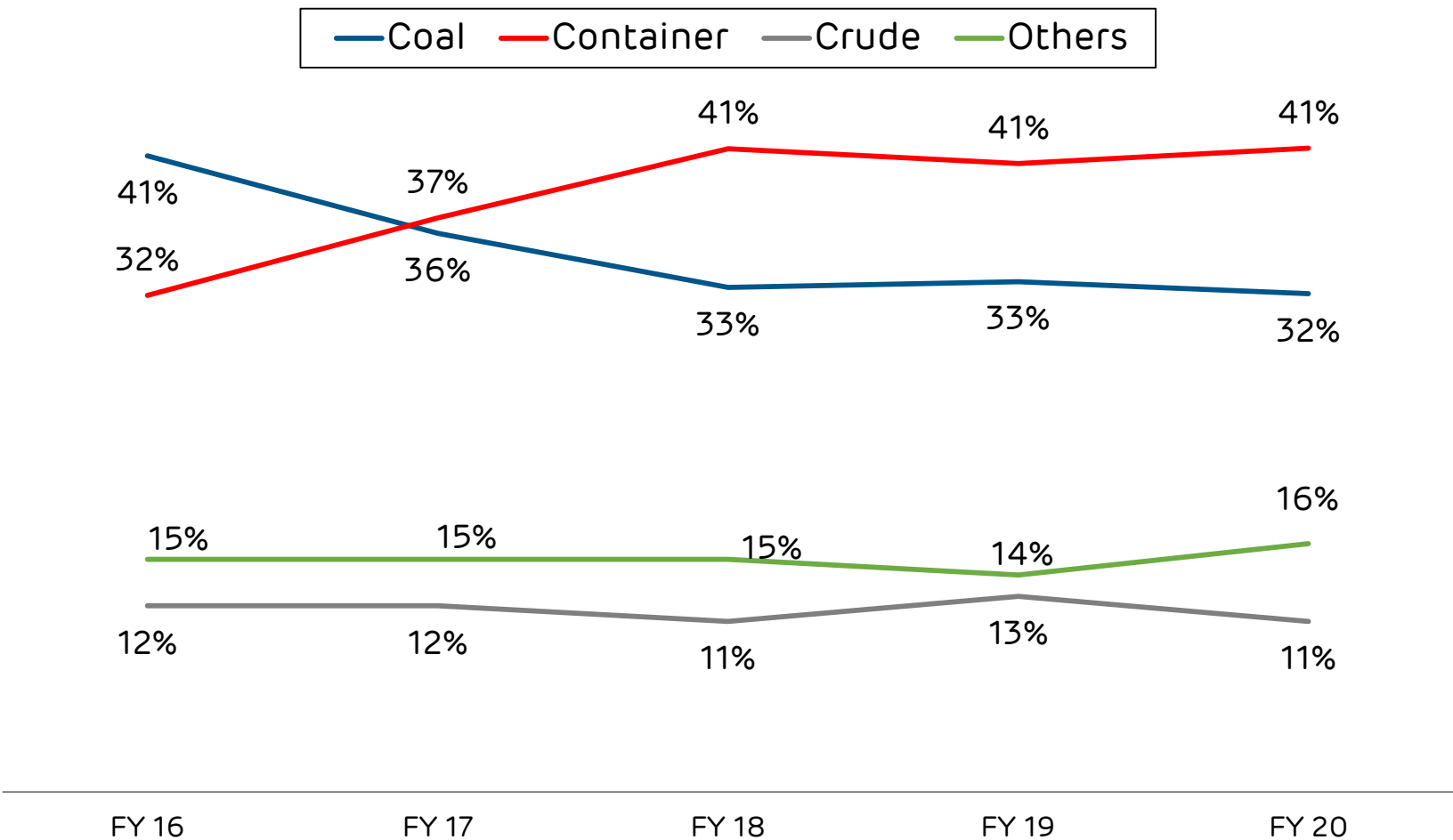
CAGR – 6%

Container CAGR – 9%



Volume growth consistently ahead of All India Ports

APSEZ : Cargo mix assimilates diversity



New Cargo Added -



Mundra LPG

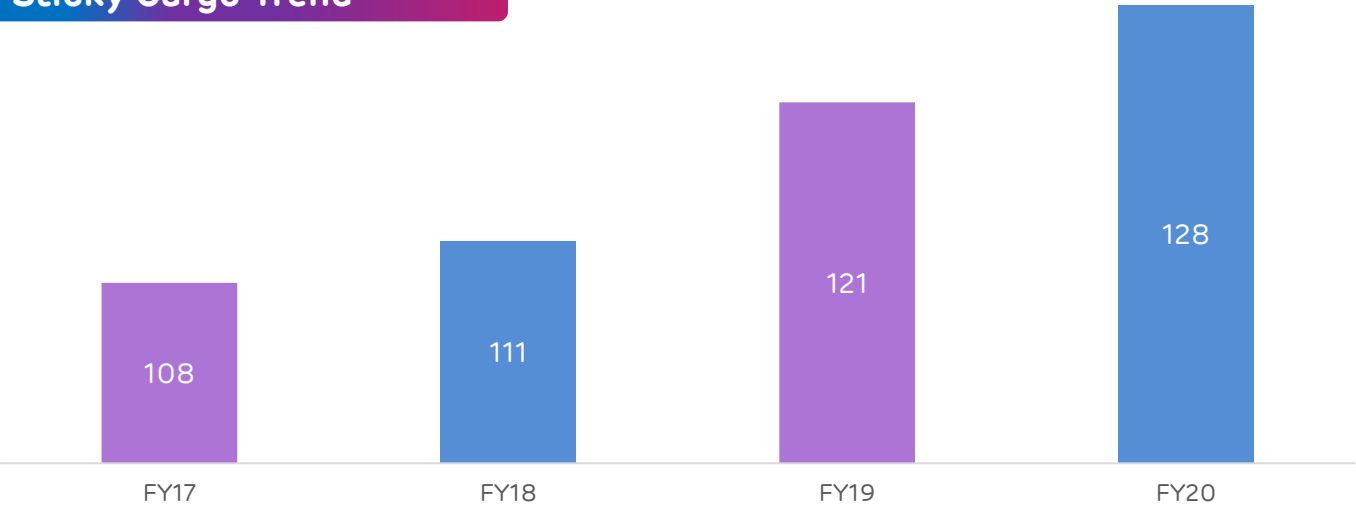


Mundra LNG

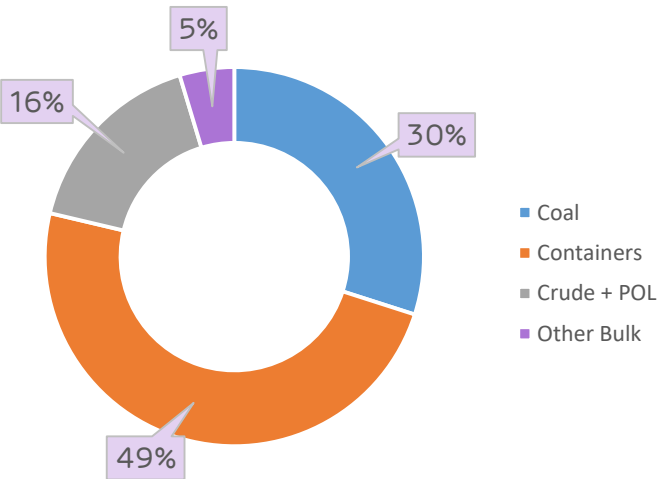
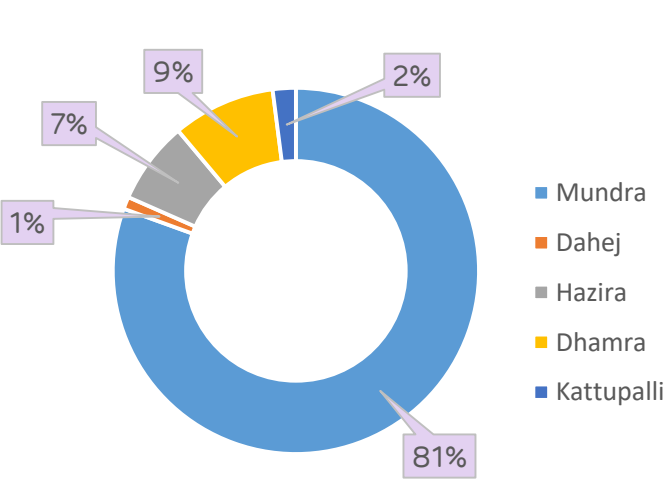
APSEZ : Sticky cargo – Ensures resilience

(in MMT)

Sticky Cargo Trend



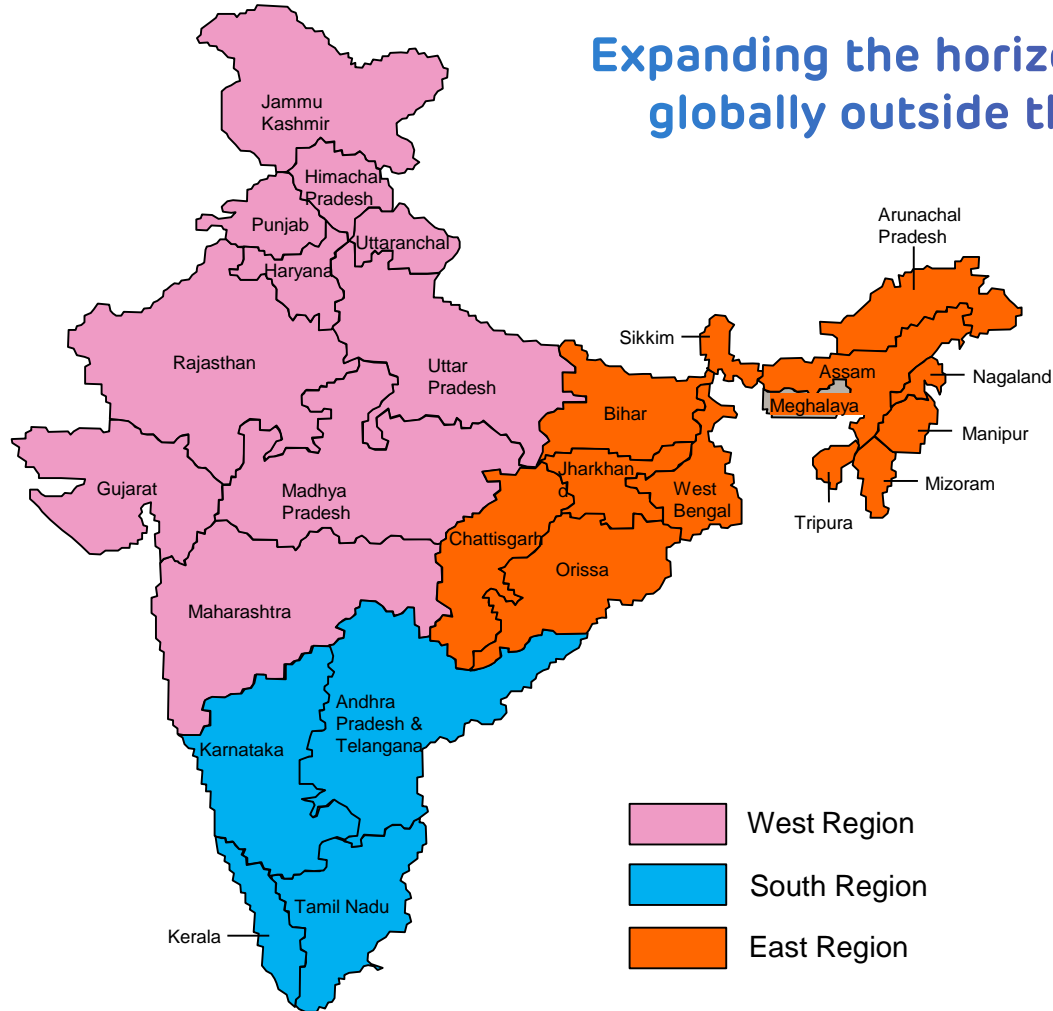
Sticky Cargo Composition- Port wise & Cargo wise



Sticky Cargo

- Constitutes ~60% of total cargo.
- Increasing at a CAGR of ~10%
- 81% of sticky cargo at Mundra. Port, as other port mature share of sticky cargo from other ports will increase.
- Container and coal constitutes 79% of total sticky cargo.

APSEZ : Integrated logistics catalyzing transformation



APSEZ coverage across Indian hinterland (GDP terms)*

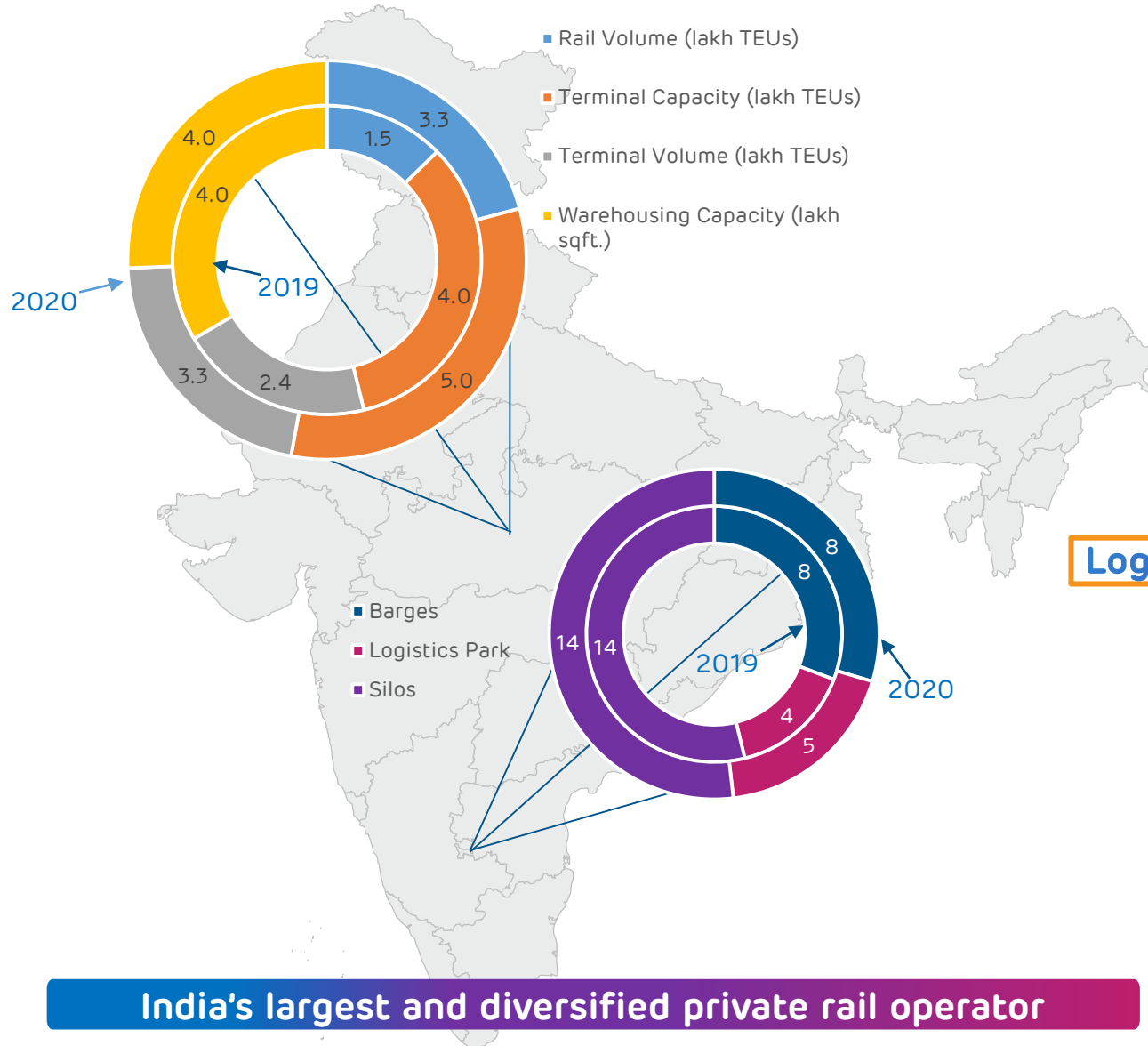
(In USD Billion)

Region	FY19	FY25
West	1290	2520
East	438	823
South	706	1359
Total	2434	4702

- Agility of logistics business brings flexibility in port business, improves stickiness of cargo.
- Covering 70% of India's economic hinterland.
- Economic hinterland reach in GDP terms will increase 2x.

Focus on further increasing the hinterland reach through organic and inorganic path

APSEZ : Integrated logistics catalyzing transformation



Logistics Services



APSEZ: SEZ Port development - Recurring income stream

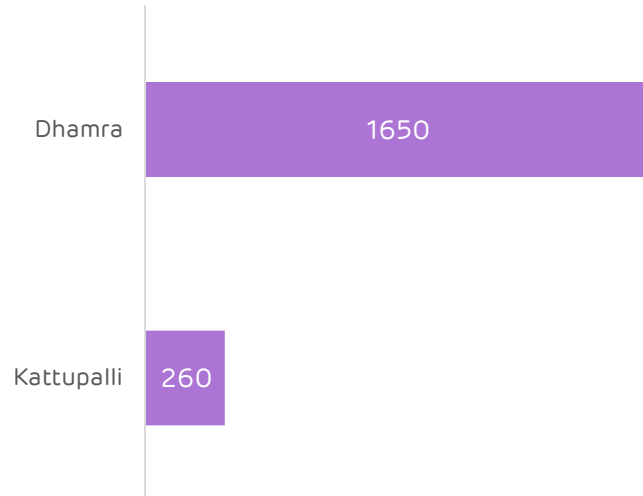
Developing Industrial Clusters:

- Mundra SEZ (8000 Ha.)

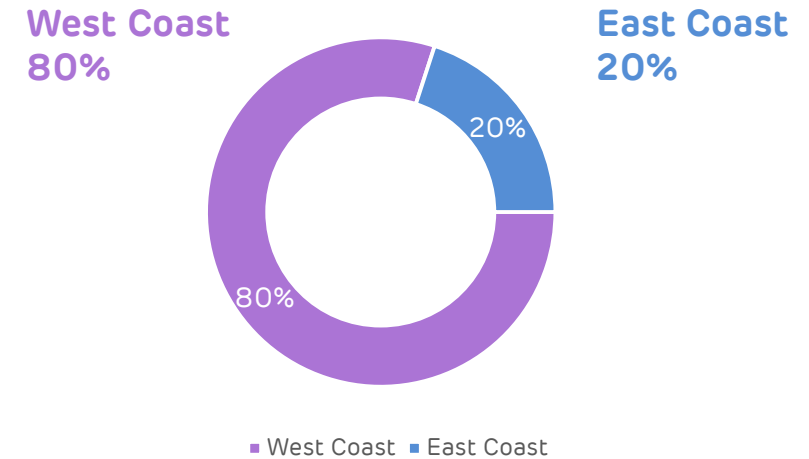


Proposed industrial development

- Kattupalli (150 Ha + 110* Ha)
- Dhamra (1200 Ha + 450* Ha)



Total Land Bank ~10k+ Ha.

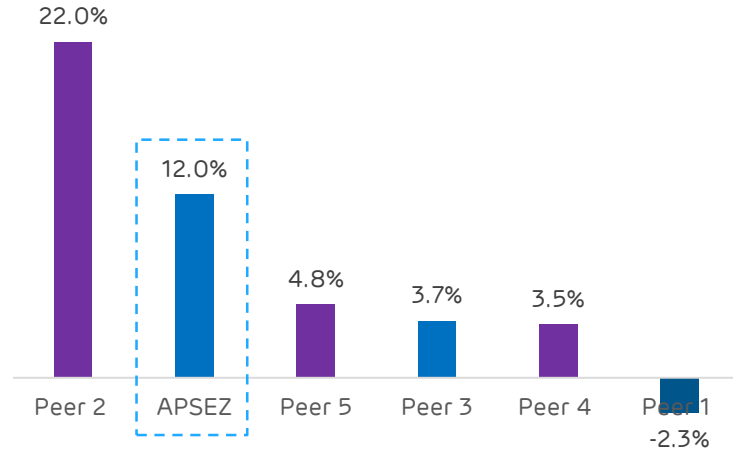


Value Creation:

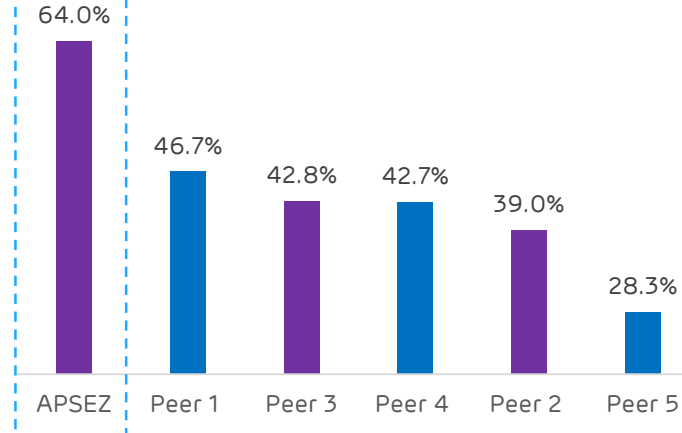
- Bringing customer inside Port gate.
- Entrenching into customer's supply chain – Higher Consumer Interface
- Providing Multimodal Connectivity

APSEZ : Benchmarking with Global Peers

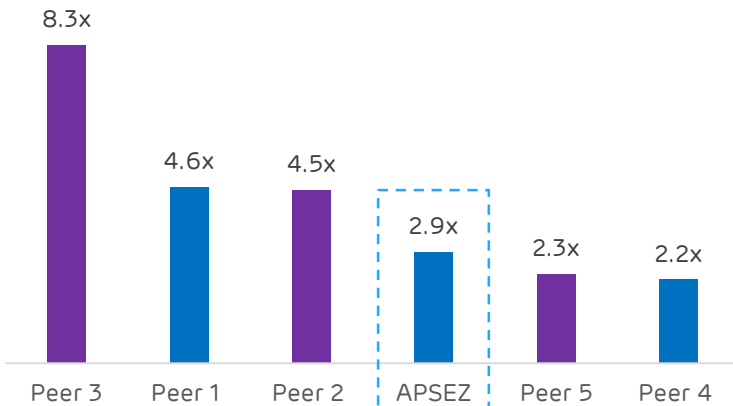
Revenue Growth (3 yr CAGR)



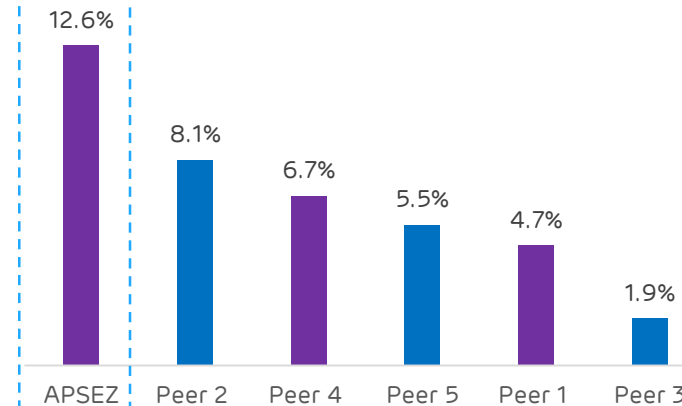
EBITDA Margin %



Net Debt/LTM EBITDA



ROCE %



Faster Growth than peers

Name	Credit Rating	ESG Rating
APSEZ**	Baa3/BBB-/BBB-	CCC
Peer 1	Baa1/A-/-	BB
Peer 2	Baa3/-/BBB	BB
Peer 3	Baa1/BBB/-	CCC
Peer 4	Aa1/AA-/-	N.A.
Peer 5	A1/A+/-	BB

**APSEZ underlying rating is BBB/Baa2

Part II - APSEZ Financial Profile

APSEZ : Highlights of Capital management program

Consistent investment grade rating

- Since FY16, capped at sovereign.
- Earnings growth and free cash flow generation to fortify coverages.

Elongated debt maturity profile

- Increased to 5 years.
- We are moving towards unsecured debt (46% in FY16 to 71% in FY20).

Liability Management- Natural Hedge

- Debt mix - FX 68% and INR 32%.
- US dollar denominated income of \$430mn per annum provides natural hedge with 2.9x coverage.

Reduce Cost of Capital

- Cost of Debt is at 6.4% per annum,
- Timely and quality disclosure and active guidance policy to increase predictability.

Robust capital allocation policy

- Pre tax project IRR of >16%.
- Rationalization of assets for improving ROCE.
- Economic value add enshrined into all capital deployment.

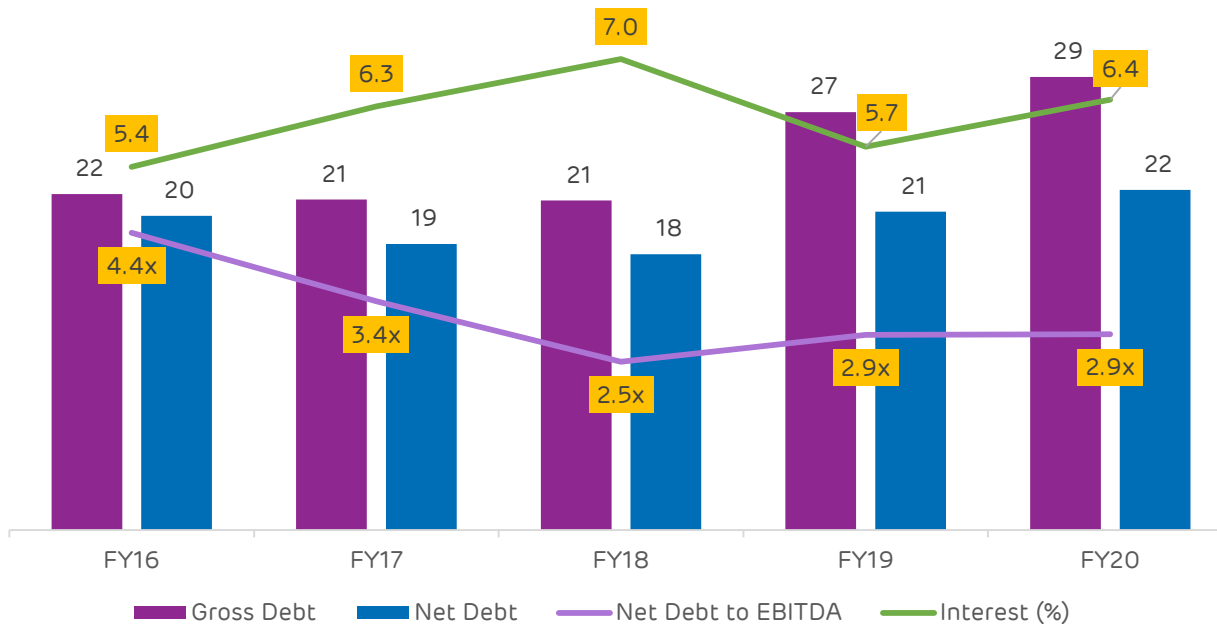
Optimized Capital Structure

- Desired level: Net Debt/EBITDA 3.0x - 3.5x. Currently at 2.9x.
- Shareholder return policy of 20%-25% of PAT to continue.

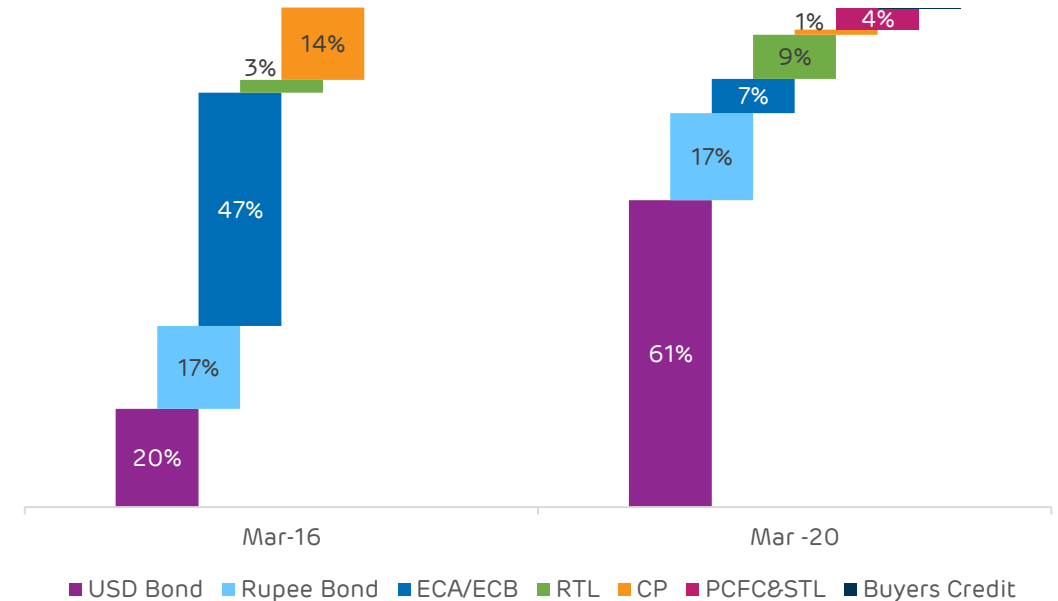
APSEZ : Credit protection encapsulated in capital structure

Gross Debt, Net Debt & Net Debt to EBTIDA

(In INR '000 cr.)

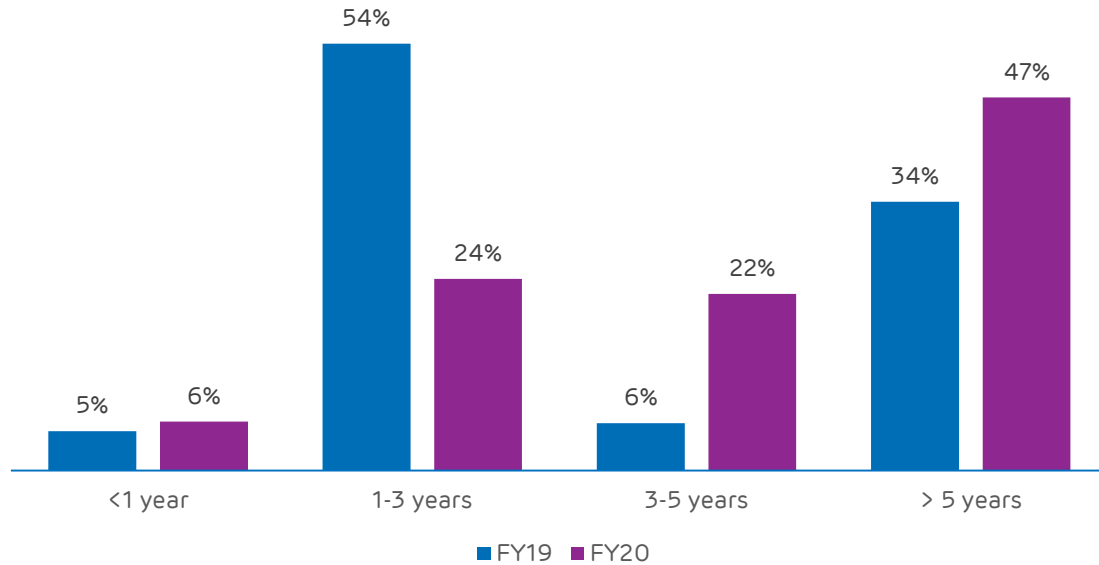


Product Mix



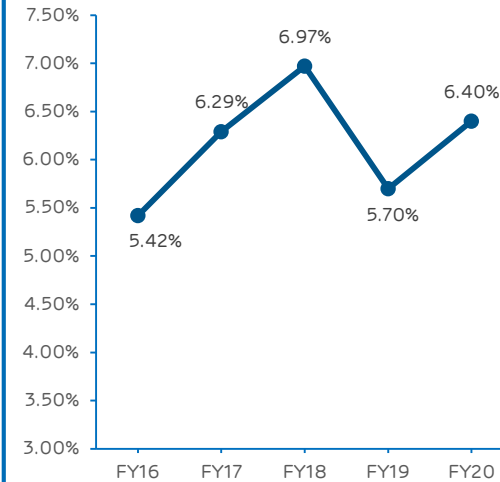
- Net debt maintained at similar levels.
- Increased EBITDA resulted in improved leverage ratio from 4.4x in FY16 to 2.9x in FY20.
- Net Debt to EBITDA at 2.9x, maintained below our desired level of 3x-3.5x.
- US Dollar bond increased from 20% to 61%, of debt portfolio, commensurate with increase in FX revenue.

APSEZ : Improved maturity & reduced cost

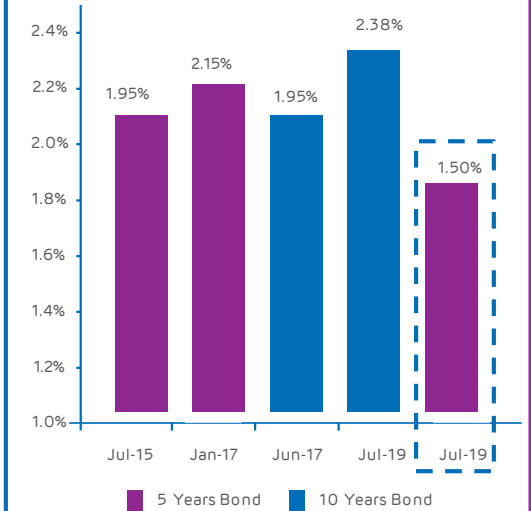


- Improved maturity profile of long term debt
- Elongated average maturity - 3 years to 5 years

Improving Interest cost



Shrinking APSEZ Spread

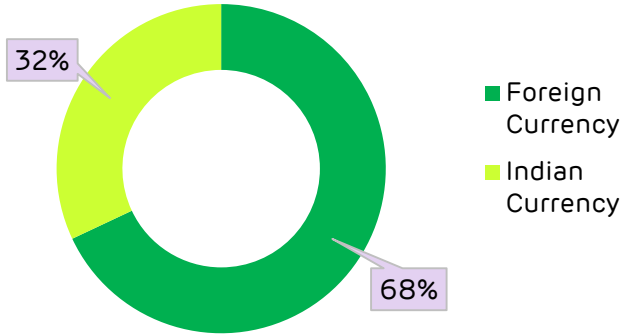


- Strong fundamentals enable tapping capital at finer spreads

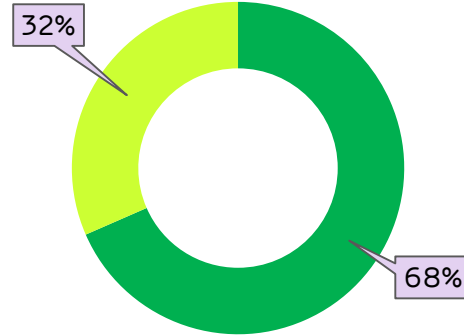
APSEZ : Debt profile FY16 vs. FY20

FX vs. INR Debt

FY16



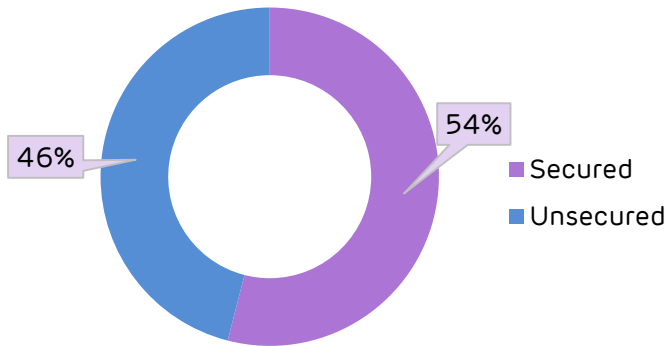
FY20



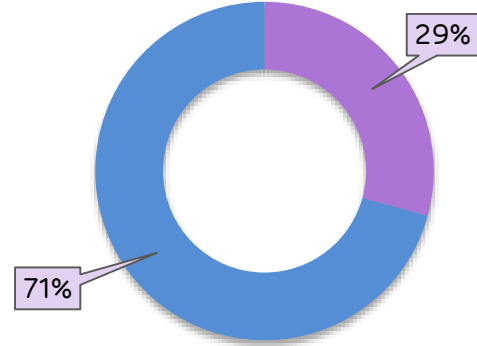
- FX to INR debt maintained at 68%
- Unsecured debt increased from 46% to 71%.
- Shift towards long term debt (95%),
This improves maturity and liquidity position.
- Debt profile commensurate with asset profile

Secured vs. Unsecured

FY16

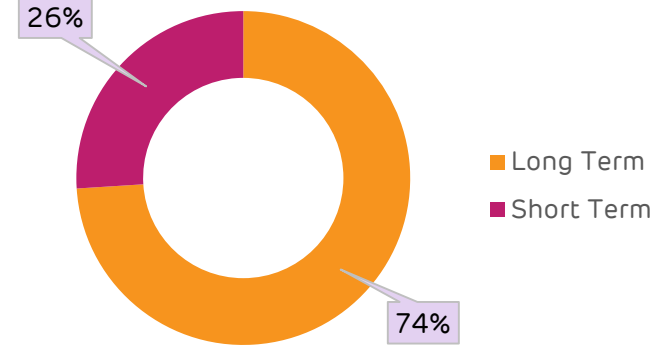


FY20

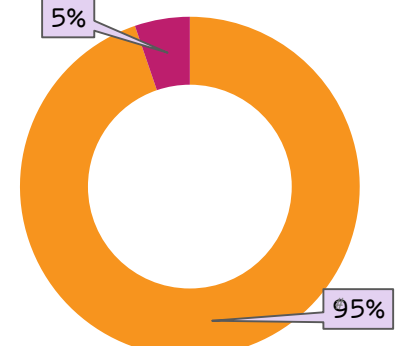


Long vs. Short Term

FY16

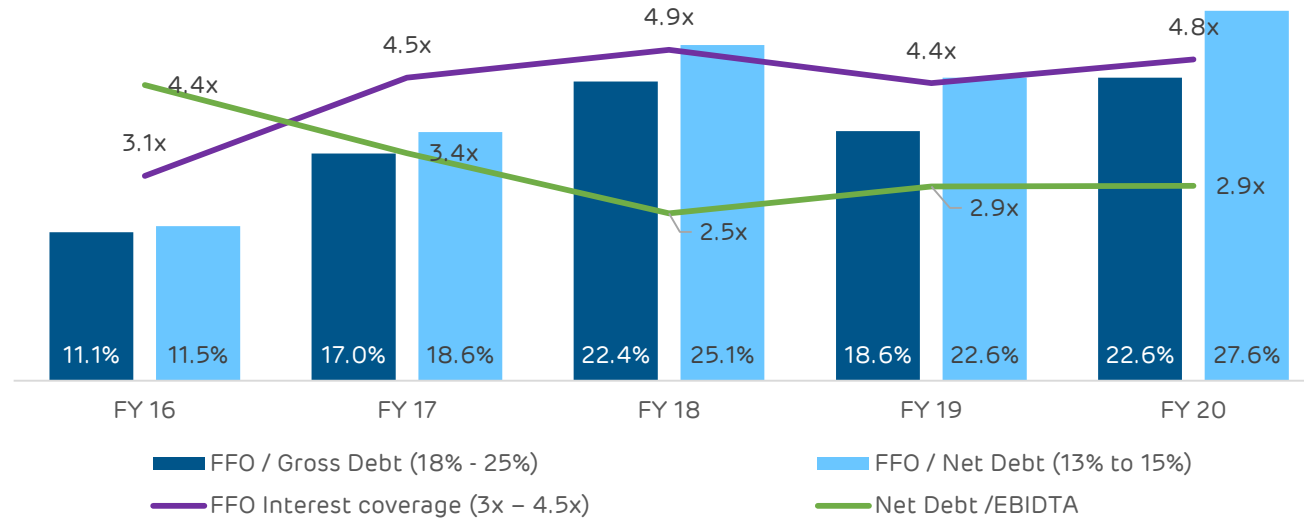


FY20



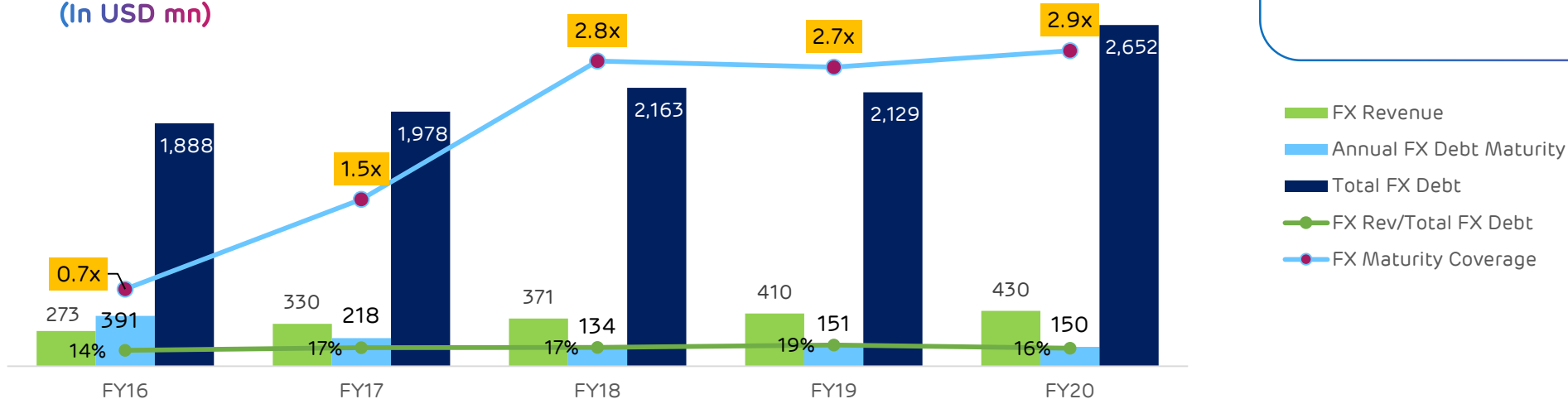
APSEZ : Key ratios

Rating Ratios



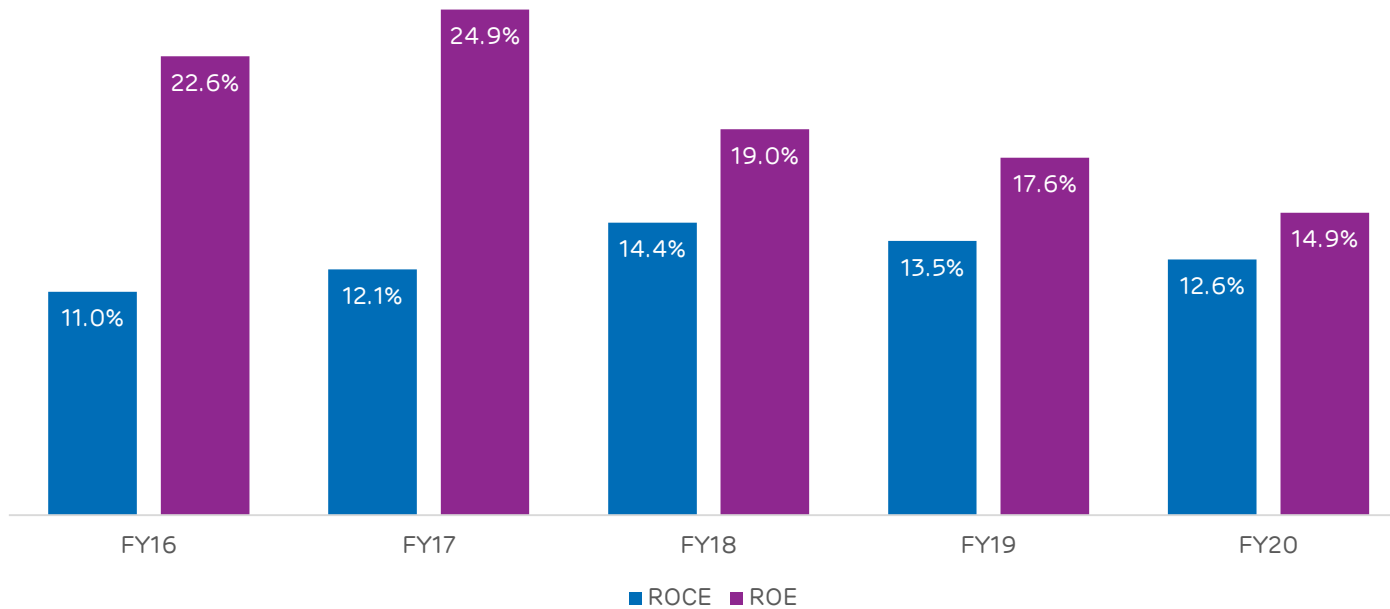
- Net debt to EBITDA* maintained at 2.9x which is below our desired level of 3x-3.5x.
- All key rating ratios continue to be in the prescribed range.
- Earnings growth and free cash flow generation to fortify coverage.
- Dollar denominated debt has increased to ~2.7 bn in FY20 from ~1.9 bn in FY16. However the coverage of forex debt maturity# in terms of dollar earnings has increased from 0.7x in FY16 to 2.9x in FY20.

FX Revenue and Debt Maturity#, Coverage (In USD mn)



APSEZ : Key ratios

ROCE and ROE



- Returns ratio continues to be robust.
- ROE is compressed in FY20 due to MTM accounting for forex debt (normalized ROE at 21%).
- Capex program is validated through stringent mechanism to achieve targeted returns (IRR) of >16%, as per capital allocation policy.

Rationale for Investment

APSEZ : Immense Value Creation

	FY16		FY20		FY25
Capital Employed**	Rs.341 bn.	1.4x	Rs.480 bn.	1.05x	Rs.505 bn.
EBITDA	Rs.46 bn.	1.7x	Rs.76 bn.	1.9x	Rs.145 bn.
Net Debt / EBITDA	4.4x	2.9x		3x	
ROCE	11%	160 bps	12.6%	>740 bps	20%+

- Strict covenant management to maintain/improve IG rating.
- EBITDA to double in 5 years with minimal further investment.
- Maturing of greenfield/ acquisition will lead to increase in ROCE.

**Capital Employed = Net Worth + Total Debt-Cash - Cash Equivalent

*1 US \$ = Rs.75.67 Figure pertaining to Mar 20

APSEZ well placed to capture future growth

Why Invest with us?

- The Platform which enables and encapsulates the entire gamut of supply chain.
- A transport & logistics utility that dominates the network.
- Presence across coastline of India de-risks portfolio, working towards east coast and west coast parity.
- Unique operating model with sustained and diversified growth.
- 60%+ sticky cargo brings resilience to earnings.
- World-class technology and people with focus on environment, sustainability and governance.
- Portfolio level diversified growth.
- Strong sponsorship of Adani Group.

APSEZ : Medium Term Growth Targets

~25%
All India Market Share

~14%
Revenue CAGR

~14%
EBITDA CAGR

20%+
ROCE

Part III - Environment Social & Governance

APSEZ : FY20 ESG performance



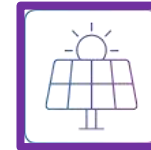
52 % ↓*
Energy Intensity
9074 GJ/MMT



37 % ↓*
Emission Intensity
1407 tCO2/MMT



6 MW
Wind Turbine



13 MW
Solar Panel



44 % ↓*
Water Intensity
20.2 ML / MMT



99%
Waste Managed through 5R
Waste Management



10 Million
Trees Planted
Terrestrial Plantation



2889 Ha - Afforestation
2340 Ha - Conservation
Mangrove



70 %
Local Procurement



5 %
Employee Turnover

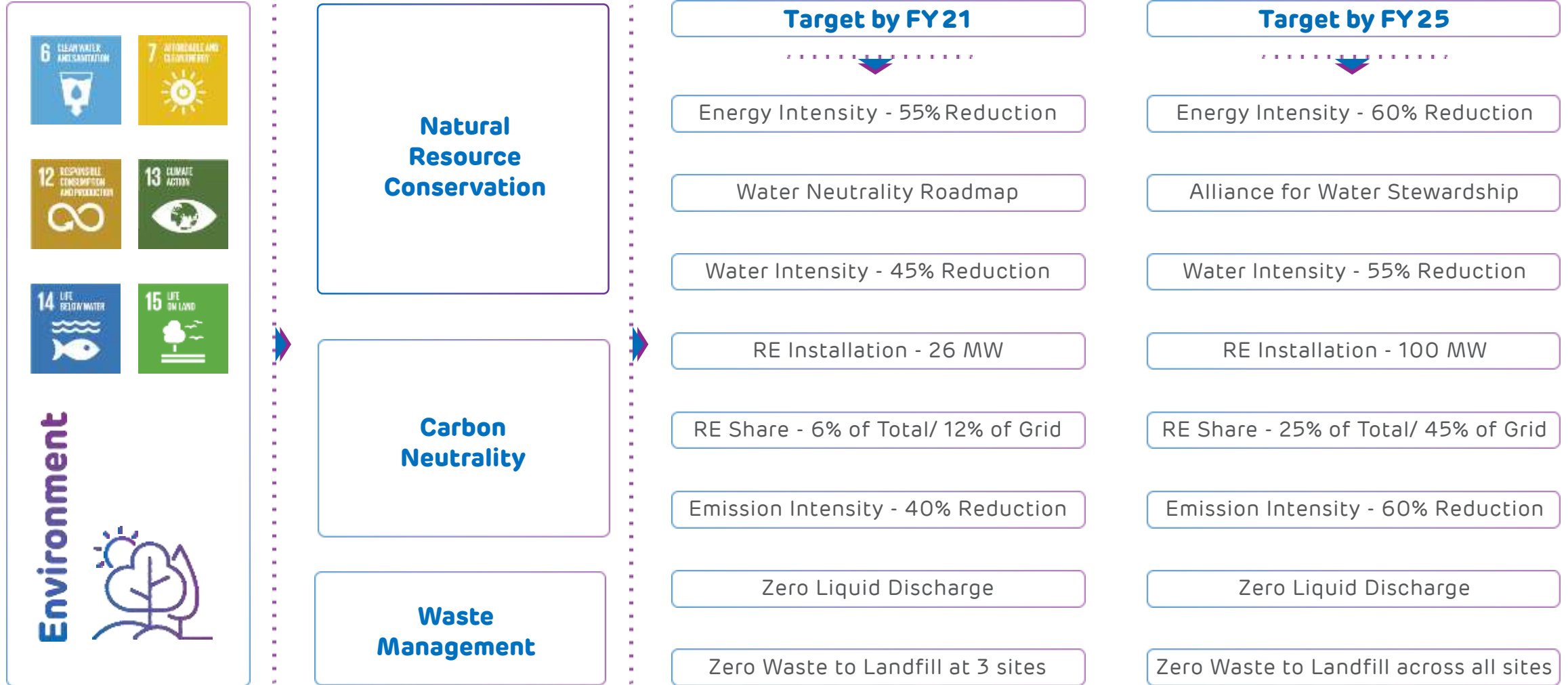
Current ESG Rating

As per MSCI APSEZ is rated 'CCC', we are engaging with MSCI for revision.

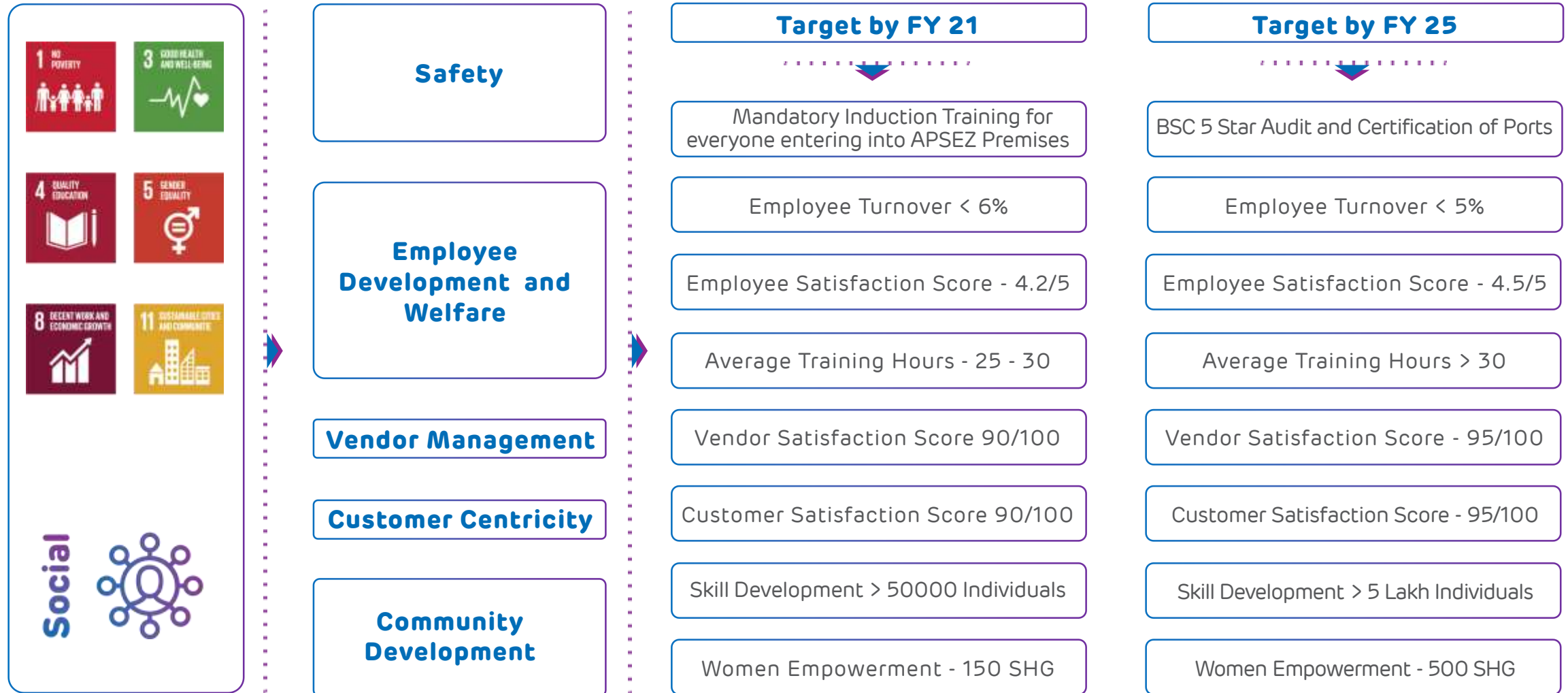
Focus Areas

- Efficient use of water and energy from cleaner sources
- Reduction of emission levels
- Zero tolerance for fatalities at ports

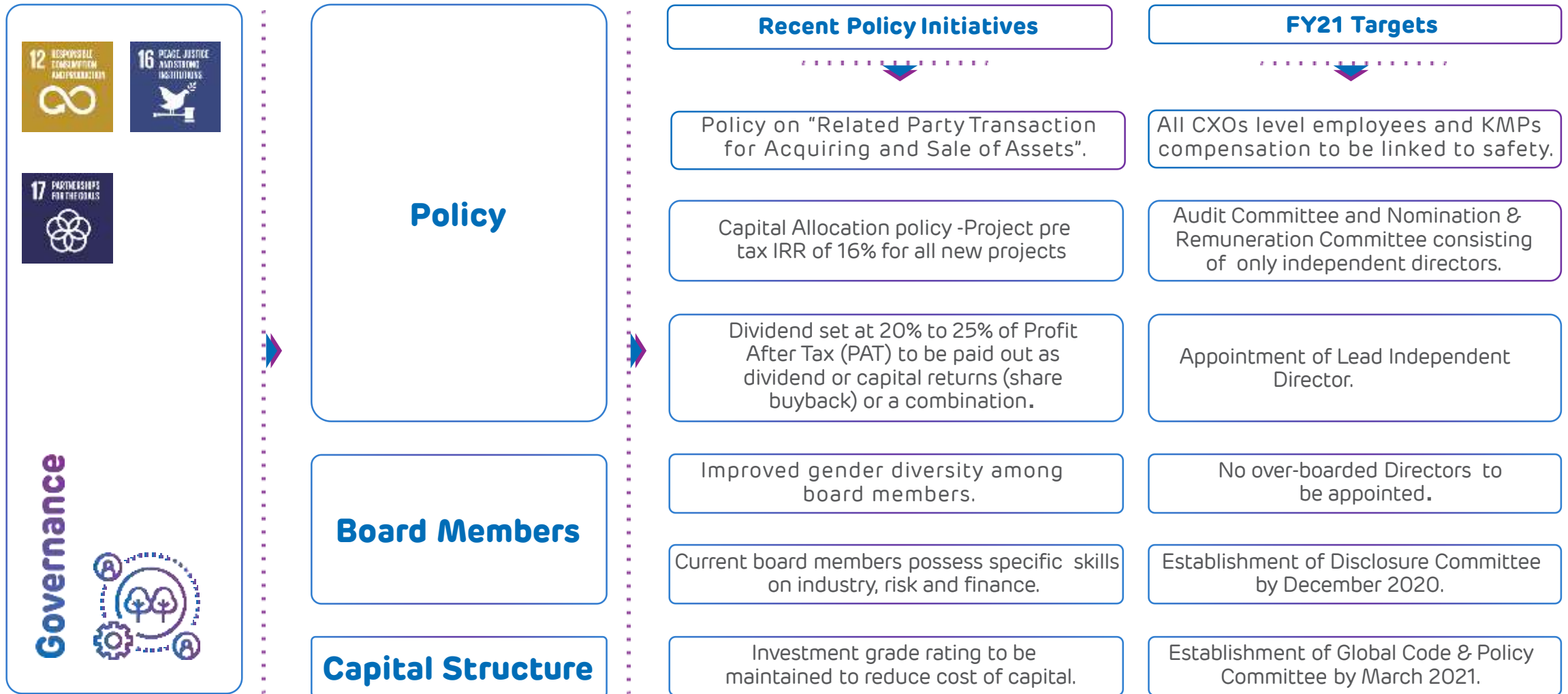
APSEZ: Sustainability Roadmap



APSEZ: Sustainability Roadmap



APSEZ: Sustainability Roadmap



Corporate Social Responsibility : Community development



Education

Free Education –
137 students

Play School for –
1061 students

Scholarship Support –
530 students

Transportation Support –
605 students

Turtle Conservation Trainings
to Fishermen –
250 fishermen



Community Health

Medical Support –
9876 persons

Senior Citizen Scheme
(above 60 years) –
250 persons

Support for Insurance cover –
2566 persons

Medical Financial Support in
case of emergencies –
3678 persons



Sustainable Livelihood

Alternate Livelihood Support
(Mangroves Nursery) –
42048 person days

Women Empowerment –
1505 beneficiaries

Fishing equipment support –
3046 beneficiaries

DATS Distribution for Safety
to Boat Fisherman –
50 beneficiaries

Cycle to coastal Fisherman –
74 beneficiaries

Life Jacket Support –
1250 beneficiaries



Community Infrastructure

Basic Facilities
(Shelter and Electricity) –
288 persons

Drinking water facilities –
1085 Households

Sanitation Facility –
185 toilets

Constructed approach road
for fishing activity –
13.23 km

Restoration of Shelter –
385

Solar Light/ lantern support –
1293 lamps

Annexures



36-39

Outlook

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APSEZ – Credit Ratings

41-42

Technology and People

43

Case : Carbon Footprint Reduction

Outlook

APSEZ : Update on COVID-19 and its impact on operations

- Port operation is classified as an 'essential service' and as such all Ports are operating.
- Announced Force Majeure to customers in order to mitigate the risks of under-performance due to bottlenecks.
- Implementing operating procedures laid down by Govt. of India at all our Ports with safety of the workforce as a top priority.
- Operational staff quarantined at Ports with all arrangements for safe work environment.
- Hygiene, sanitization of workplaces & sites ensured, enabled 100% thermal scanning.
- Majority of our employees are working from home.
- Proactive steps for movement of containers through rail by the government.
- Rail traffic from our Ports moving efficiently, enabling us to convert road to rail traffic.
- Cargo volume impacted due to logistics bottleneck and constraints in supply chain.

APSEZ : Outlook

Economic Outlook

- Cargo volume lower due to slow movement of road transport and supply bottlenecks.
- Situation expected to improve progressively from 4th May as lockdown will be lifted in phases.
- India's GDP growth rate for FY21 is estimated to be flattish and various agencies are predicting a zero growth.
- GOI expected to announce stimulus to revive MSMEs and industrial production.
- RBI will continue to focus on ensuring ample liquidity and flow of credit to industries.
- Agriculture output to be at record level thus aiding exports.

Operations Outlook

- Availability of manpower to be a challenge this will impact productivity in the short term.
- Challenges to various industries as supply chain are clogged.
- EXIM to be subdued for some time.
- PMI expected to pick up from H1 FY21.
- Expecting slow pick up in cargo volume in Q2 FY21.
- V shape recovery possible in H2 F21 post complete lifting of lockdown.

APSEZ : Key focus areas FY21

Liquidity Management

- Focus on maintaining adequate liquidity to tide over uncertainties and unpredictable scenarios.
- Fully covered in-terms of debt servicing for next 12 months by ensuring adequate liquidity.
- Available cash balances of ~Rs.7,300 cr., creates a safety net.

Focus on Cash Conservation

- Rationalizing operating expenses :
 - Improving efficiency and optimizing cost.
 - Converting fixed cost to variable cost.
- Capex :
 - Reduction in Capex spending from Rs.4,000 cr. to Rs.2,000 cr.
- Improving Working Capital Cycle :
 - Improving DSO
 - Optimizing payment cycle

Capital Management

- IG rating to be maintained. Improving liquidity ratios ensuring credit quality.
- Net debt to EBITDA within the desired level of 3 to 3.5x.

Update on Acquisition

We will complete the planned acquisitions as some of them are transformational in nature

- KPCL, Dighi – pending approval from authorities
- Above acquisitions are now expected to be complete by Q3 of FY21.

APSEZ is rated investment grade from FY16 and beyond

APSEZ - International Rating

Rating Agency	Rating/ Outlook	Remarks
Fitch	BBB-/Stable	No change as compared to previous quarter
Moody's	Baa3/Stable	
S&P	BBB-/Stable	

APSEZ - Domestic Rating

Rating Agency	Rating/ Outlook	Remarks
CARE	AA+/Stable	Long Term Facility
ICRA	AA+@; A1+	Long Term Facility; Short Term Facility
India Rating	AA+/Stable: A1+	Long Term Facility; Short Term Facility

Joint Ventures – Domestic Ratings

Rating Agency	Rating/ Outlook	Company	Remarks
CARE	AA/Stable	AICTPL (JV with MSC)	Long Term Facilities
India Rating	A+/Stable	Adani CMA (JV with CMA CGM)	Long Term Facilities

Subsidiaries – Domestic Rating

Rating Agency	Rating/ Outlook	Company	Remarks
CARE	AA+ (CE) / Stable	Adani Agri Logistics Ltd	Rupee Term Loan Facility
ICRA	AA+ (CE); Stable	Adani Hazira	Rupee Term Loan Facility
ICRA	A+/Stable	MUPL	Rupee Term Loan Facility
India Rating	AA/Stable	Dhamra Port Company	Rupee Term Loan Facility

**Fitch has reaffirmed BBB- / Stable outlook for APSEZ despite the uncertain global environment due to COVID 19 pandemic
No change in International & Domestic Ratings during the last quarter**

Leveraging technology on an enhanced service base

1
Automated Workflow & Data Based Decision making

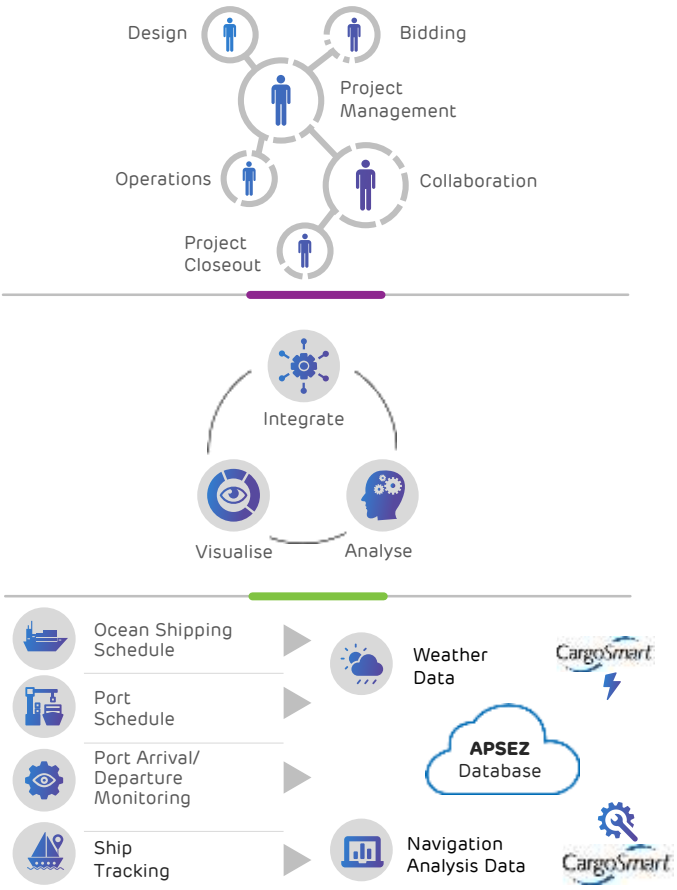
Automated & Integrated Workflow Platforms for Internal and External Stakeholders – providing visibility & data based decision making

2
Data Analytics & Optimisation

Capturing Data and using the same for Performance Improvement

3
Robust & Secure Technology Framework

Efficient, future ready, integrated, flexible, disruptive & secure IT & Technology Universe



- CAPEX Planning & Optimisation
- Cost Optimisation
- Ops. Efficiency Improvement
- Efficient Planning: Speed & Flexibility
- Info-security
- Visibility: Real time Data
- Port Community System
- Customer Centricity

Building best-in-class technology to attain higher efficiencies and deliver better customer experiences

People – Building future ready organization



Leadership pipeline development

- Leadership readiness for new business and international expansion.
- Successor Identification, Development & Deployment.
- Mentor mentee, Takshashila, North-Star program.



Continuous Capability Development

- Focused training approach.
- People in sync with changing needs.
- Enhance culture of Collaboration
- Technology adaptable workforce
- Scalable organisation structure



Talent Management

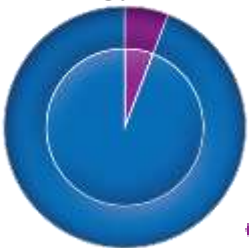
- Create Opportunities for Internal Talent.
- Lateral requirement from IIM, IITs, and other premier institute of India.
- Readiness for integrating acquisitions & international expansion

Building APSEZ as a future ready organisation: Right People with Right Skills at Right Positions & Right Locations

Case : Carbon Footprint Reduction and Waste Management

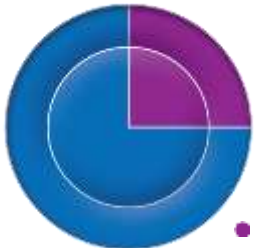
Renewable Energy Initiatives

Energy Mix



FY 20

● Renewable **6%**
● Conventional **94%**



FY 25

● Renewable **25%**
● Conventional **75%**

Integrated Waste Management

Waste Management through 5R Principle (Reduce, Reuse, Reprocess, Recycle, Recover)



E-RTG

Conversion of D-RTG to E-RTG

Conveyor Belt

Replaced mechanical operation of coal shifting with conveyor belt

LED

Replaced conventional lighting system with energy efficient LEDs

5XL Trailer

Fuel consumption for steel coil handling activity reduced by 50%

Shore

Providing shore power to tug and dredger operations

Power

Pilot project of LNG driven ITVs has been successfully tested

Fuel Shift

Pilot project on battery driven tug is in progress

D-RTG - Diesel Rubber Tyre Gantry Crane E-RTG
- Electric Rubber Tyre Gantry Crane

Initiatives

- Material Recovery Facility
- Biogas Plant (Waste to Energy)
- Organic Waste Converter
- Oil-water separator facility

Achievements

- Zero Waste to Landfill certification
- Biogas generation – 30 m³/day
- 1MTD manure production
- Waste Co-processing by Cement Industry

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Investor Relations Team:

MR. D. BALASUBRAMANYAM

Group Head - Investor Relations

✉ d.balasubramanyam@adani.com

☎ +91 79 2555 9332

MR. SATYA PRAKASH MISHRA

Senior Manager - Investor Relations

✉ satyaprakash.mishra@adani.com

☎ +91 79 2555 6016

MR. ATHARV ATRE

Assistant Manager - Investor Relations

✉ atharv.atre@adani.com

☎ +91 79 2555 7730