

adani

Ports and
Logistics

Adani Ports and SEZ Limited Acquisition of Ocean Sparkle Ltd (OSL)

22 April 2022

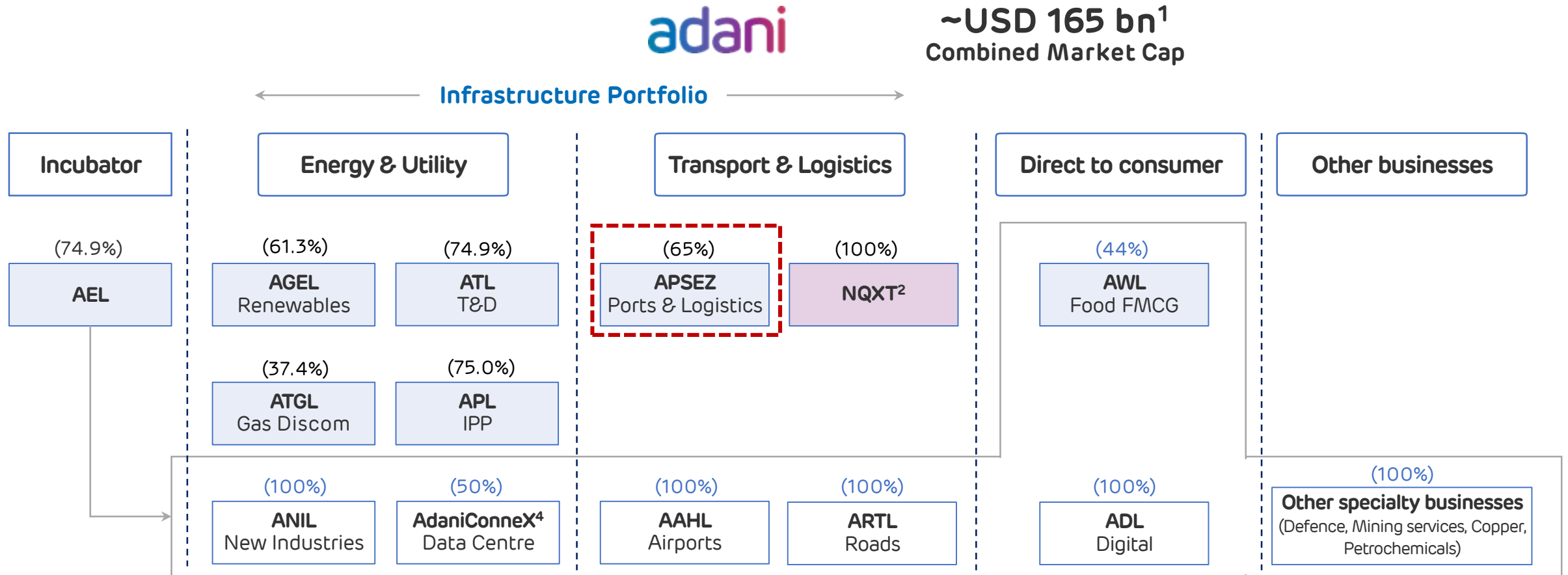


- **A** • Group Profile
- **B** • Company Profile
- **C** • Ocean Sparkle Ltd (OSL) Profile & Acquisition case
- **D** • Adani Harbour Services - Growth on the back of OSL acquisition
- **E** • Investment Thesis
- **E** • Annexure



Group Profile

Adani: A World Class Infrastructure & Utility Portfolio



(%): Promoter equity stake in Adani Portfolio companies

(%): AEL equity stake in its subsidiaries

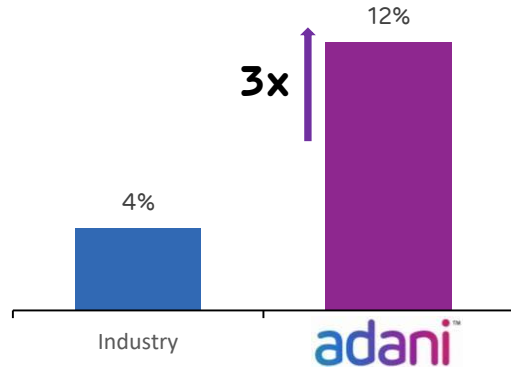
- Represents public traded listed verticals

A multi-decade story of high growth and derisked cash flow generation

1. Combined market cap of all listed entities as on Mar 31, 2022, USD/INR – 75.9 | 2. NQXT: North Queensland Export Terminal | 3. ATGL: Adani Total Gas Ltd, JV with Total Energies | 4. Data center, JV with EdgeConnex, AEL: Adani Enterprises Limited; APSEZ: Adani Ports and Special Economic Zone Limited; ATL: Adani Transmission Limited; T&D: Transmission & Distribution; APL: Adani Power Limited; AGEL: Adani Green Energy Limited; AAHL: Adani Airport Holdings Limited; ARTL: Adani Roads Transport Limited; ANIL: Adani New Industries Limited; AWL: Adani Wilmar Limited; ADL: Adani Digital Limited; IPP: Independent Power Producer

Adani: Decades long track record of industry best growth rates across sectors

Port Cargo Throughput (MMT)



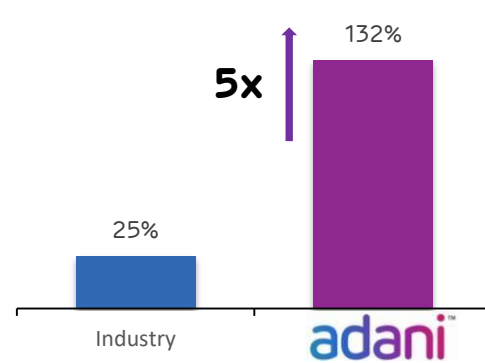
2014	972 MMT	113 MMT
2021	1,246 MMT	247 MMT



APSEZ

Highest Margin among Peers globally
EBITDA margin: 70%^{1,2}
Next best peer margin: 55%

Renewable Capacity (GW)



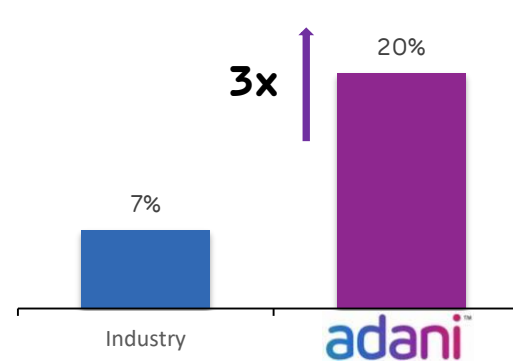
2016	46 GW	0.3 GW
2021	150 GW ⁹	20.3 GW ⁶



AGEL

World's largest developer
EBITDA margin: 91%^{1,4}
Among the best in Industry

Transmission Network (ckm)



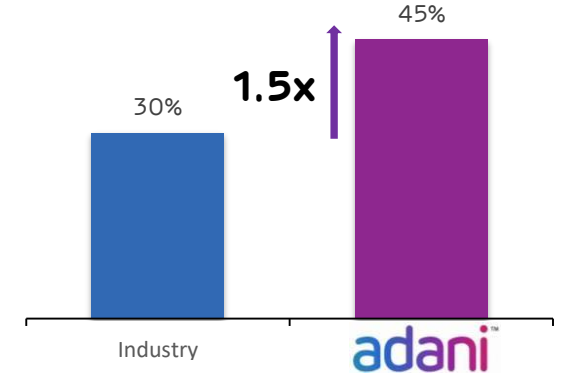
2016	320,000 ckm	6,950 ckm
2021	441,821 ckm	18,875 ckm



ATL

Highest availability among Peers
EBITDA margin: 92%^{1,3,5}
Next best peer margin: 89%

CGD⁷ (GAs⁸ covered)



2015	62 GAs	6 GAs
2021	293 GAs	52 GAs



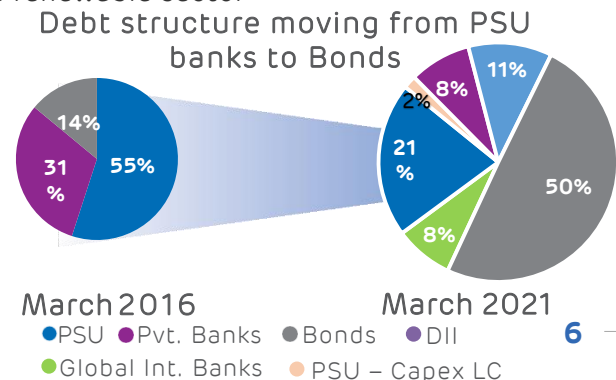
ATGL

India's Largest private CGD business
EBITDA margin: 41%¹
Among the best in industry

Transformative model driving scale, growth and free cashflow

Note: 1. Data for FY21; 2. Margin for ports business only, Excludes forex gains/losses; 3. EBITDA = PBT + Depreciation + Net Finance Costs – Other Income; 4. EBITDA Margin represents EBITDA earned from power supply 5. Operating EBITDA margin of transmission business only, does not include distribution business. 6. Contracted & awarded capacity 7. CGD: City Gas distribution 8. GAs - Geographical Areas - Including JV | Industry data is from market intelligence 9. This includes 17GW of renewable capacity where PPA has been signed and the capacity is under various stages of implementation and 29GW of capacity where PPA is yet to be signed'

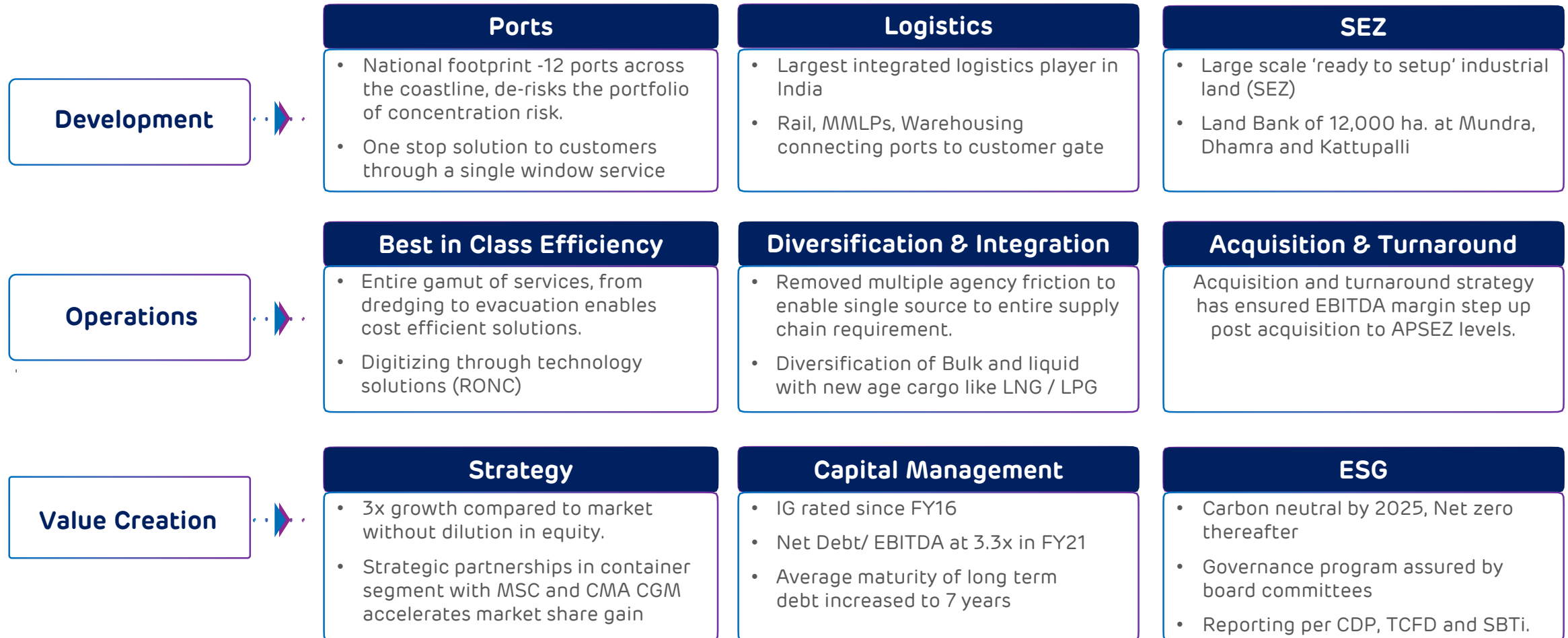
Adani: Repeatable, robust & proven transformative model of investment





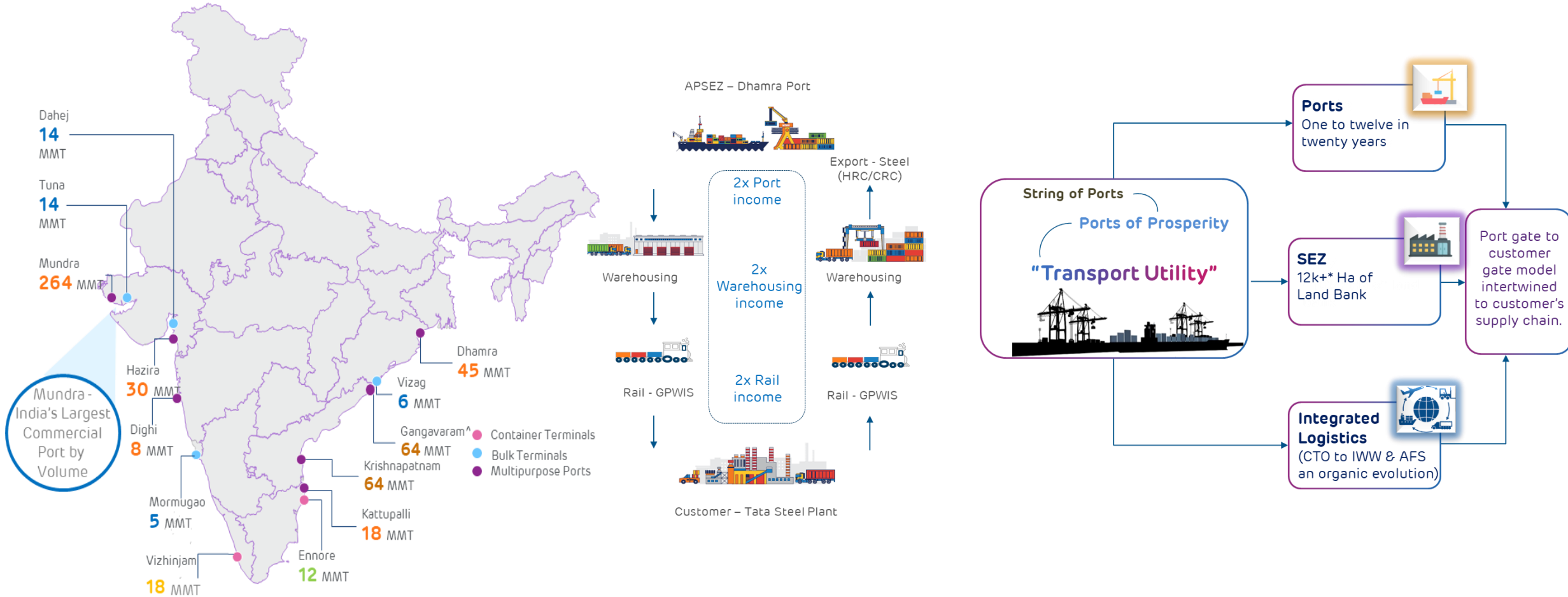
APSEZ: Company Profile

APSEZ: Transformational journey



Growth in non Mundra Ports, traffic parity in coasts and reaching customer gate builds the largest Transport Utility






APSEZ: A transport utility with string of ports and integrated logistics network



Grown from a single port to Twelve Ports ~560 MMT of augmented capacity to handle all types of cargo

An integrated approach through Ports, SEZ and Logistics enables presence across value chain

APSEZ: Logistics to provide growth impetus & help reaching customer's gate

Assets	Trains	MMLPs	Grain Silos	Ware-housing	Rail Tracks
					
FY16	24 Trains	4 MMLP	--	0.4 mn Sq. ft.	510 KMs
	▼	▼	▼	▼	▼
FY21	60 Trains	5 MMLP	0.87 MMT	0.4 mn Sq. ft.	620 KMs
	▼	▼	▼	▼	▼
FY25	200+Trains (Largest Private Player)	15 MMLP (Covering all key market)	2.5+ MMT (market leader with 40% of Capacity)	60 mn Sq. ft. (15% of market capacity)	2000+ KMs (Largest Private rail network)
	3X	3X	3X	150X	3X

Integrated logistics allows for a single window service for the customer



Ports and
Logistics

C

OSL Acquisition : Company Profile &
Acquisition Case

OSL is India's largest third-party marine services provider

- OSL is India's **largest third-party marine service provider**; its Asia and global ranking are 6th and 11th respectively
- **End-to-end marine services** (Towage, Pilotage, and others) contribute around 92% share of ~INR 600 crore revenue in FY22; remaining is primarily Dredging
- **Formed in 1995 by a group of Marine Technocrats; current shareholding** - Promoters (34.7%) & Financial Investors (65.3%)
- OSL's current operations span 13 major ports and 15 minor / private ports in India, and 3 ports in Oman
- The company has long-term take or pay contracts, and around 40% of its customers are sovereign equivalent

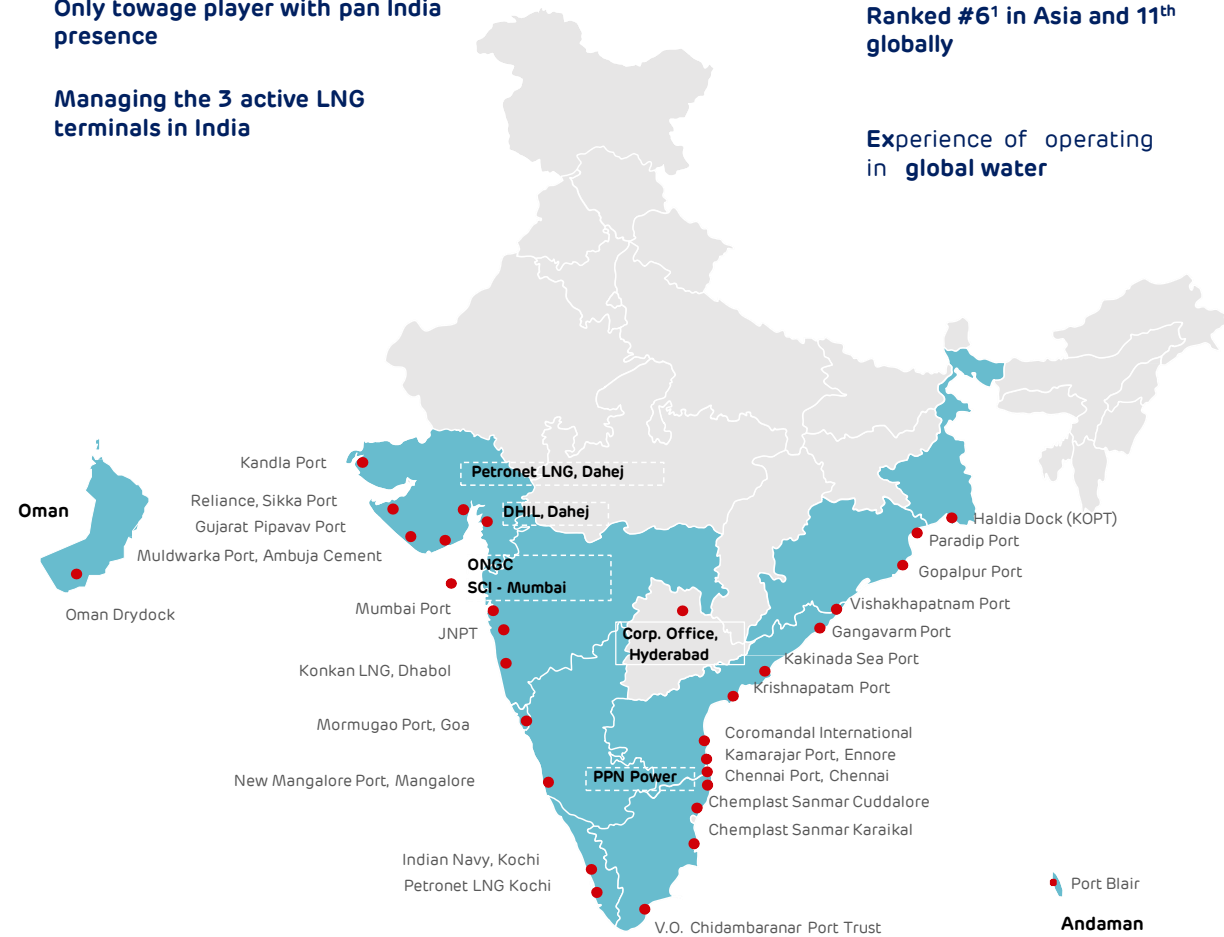
Presence across 31 Ports In India & Oman

Only towage player with pan India presence

Managing the 3 active LNG terminals in India

Ranked #6¹ in Asia and 11th globally

Experience of operating in global water

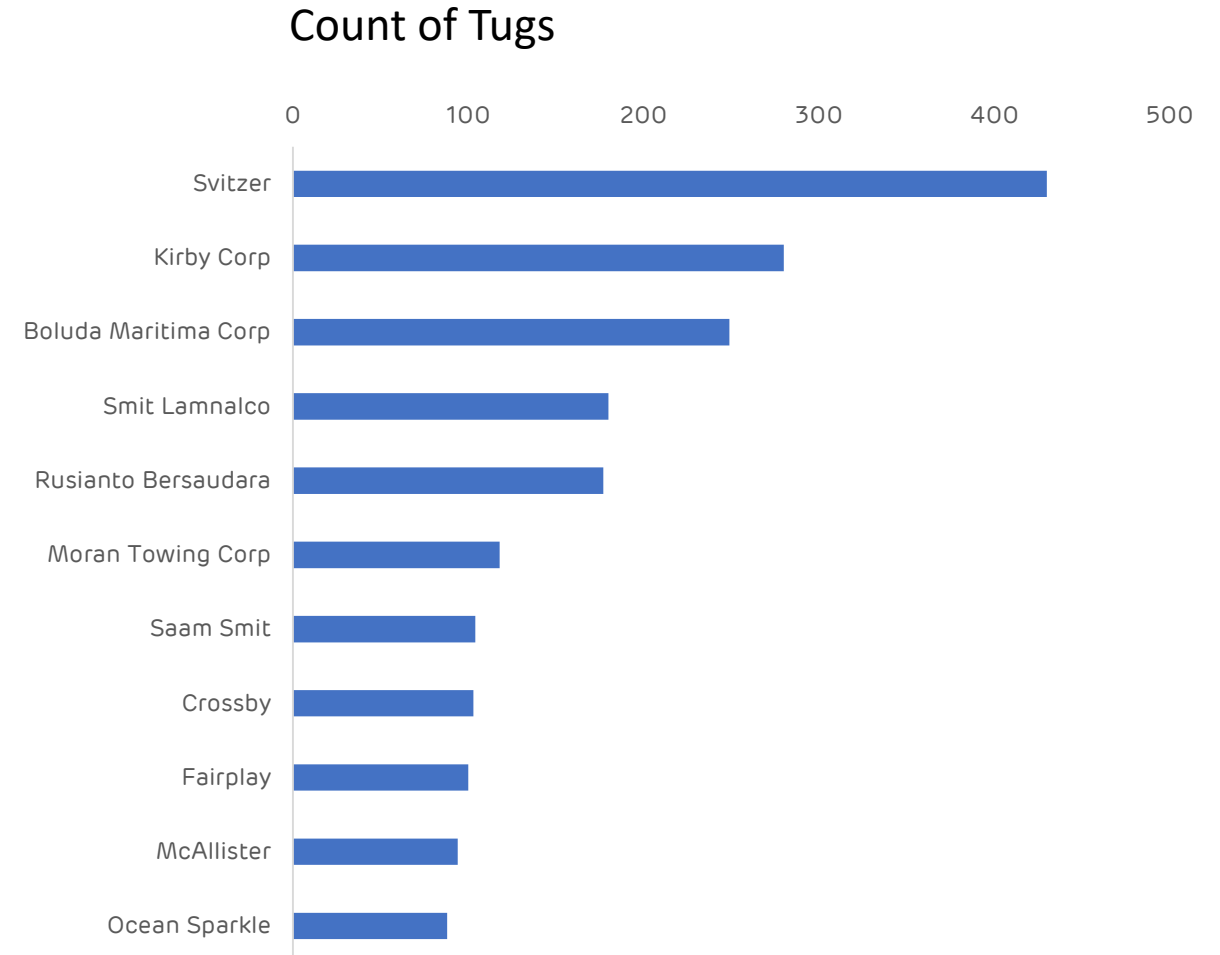


OSL is a leader in India's outsourced tug market²

1. Rank in Asia Towage by #tugs owned in outsourced market
2. Market Share in outsourced tug market in India based on #tugs owned

OSL ranks 11th amongst third-party marine services providers globally

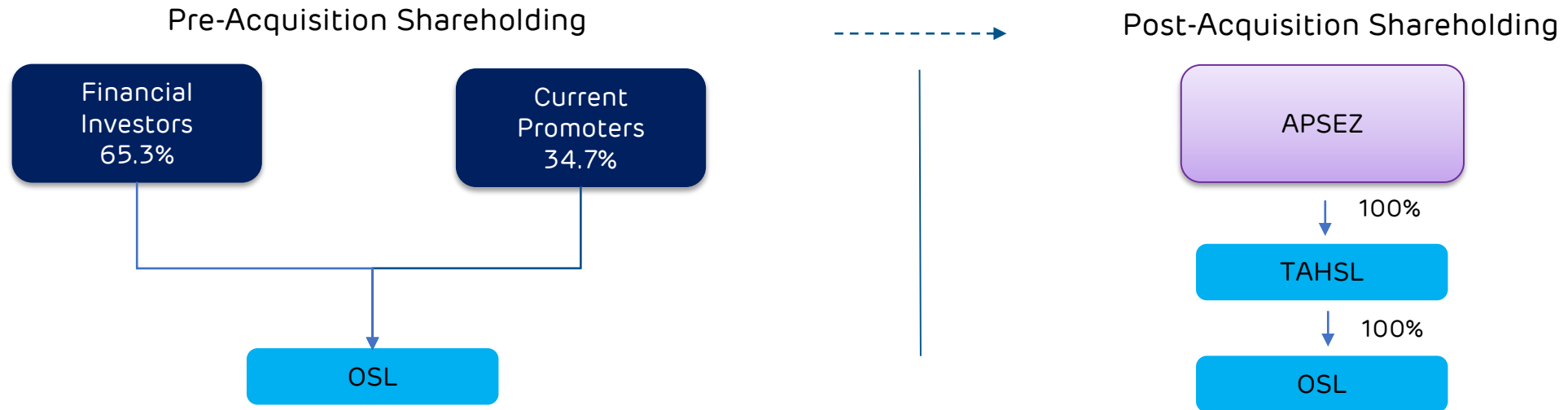
- OSL's key assets include 75 Tugs, 5 Pilot vessels, 12 Dredgers & 2 Offshore vessels with average life of 12.8 years
- Globally, the top 10 players in the third-party marine services market have a tug count in the range of 88-430
- OSL with its experience of operating in Sri Lanka, Oman, Saudi Arabia, Yemen, Qatar, & Africa provides APSEZ a platform for entry into global waters
- Potential to replicate OSL's low-cost leasing model in markets outside India, with global growth rate pegged at ~7% over the last decade



Acquisition rationale: various material positives for APSEZ

- OSL enables APSEZ to become India's market leader in marine services (a key segment in ports operations)
 - APSEZ gets a material market share of third-party marine services revenue
- OSL's robust business model, provides for long-term cash-flow visibility
 - Around 80% of revenue and 85% of EBITDA is from the take-or-pay contracts with average contract life >7 years
- Provides APSEZ an excellent platform to build a presence in global waters
 - OSL has the experience of operating in Saudi Arabia, Qatar, Oman, UAE, Bangladesh, Sri Lanka, and Indonesia
- Acquisition is value accretive
 - Even on 'as-is' basis (almost flat revenues and EBITDA margin) the return exceeds our capital allocation threshold of 16% and investment payback is less than 7 years
- Material synergies
 - Potential for margin improvement due to synergies from higher utilization & network effect, reduced capex and service costs, and debt refinancing (average debt rate of 8.3%)

Acquisition priced at a multiple significantly lower than APSEZ's trading multiple



Enterprise Value

- EV finalized at INR 1,700 Cr
- Transaction EV/EBITDA multiple is @ 5.7x, based on FY23 EBITDA of ~INR 300 Cr

Debt Matrix

- Net Debt to EBITDA at <1x
- Strong Credit profile with AA- Rating (by ICRA)

At 5.7x of FY23 EBITDA, OSL's acquisition is value accretive for APSEZ shareholders from day one

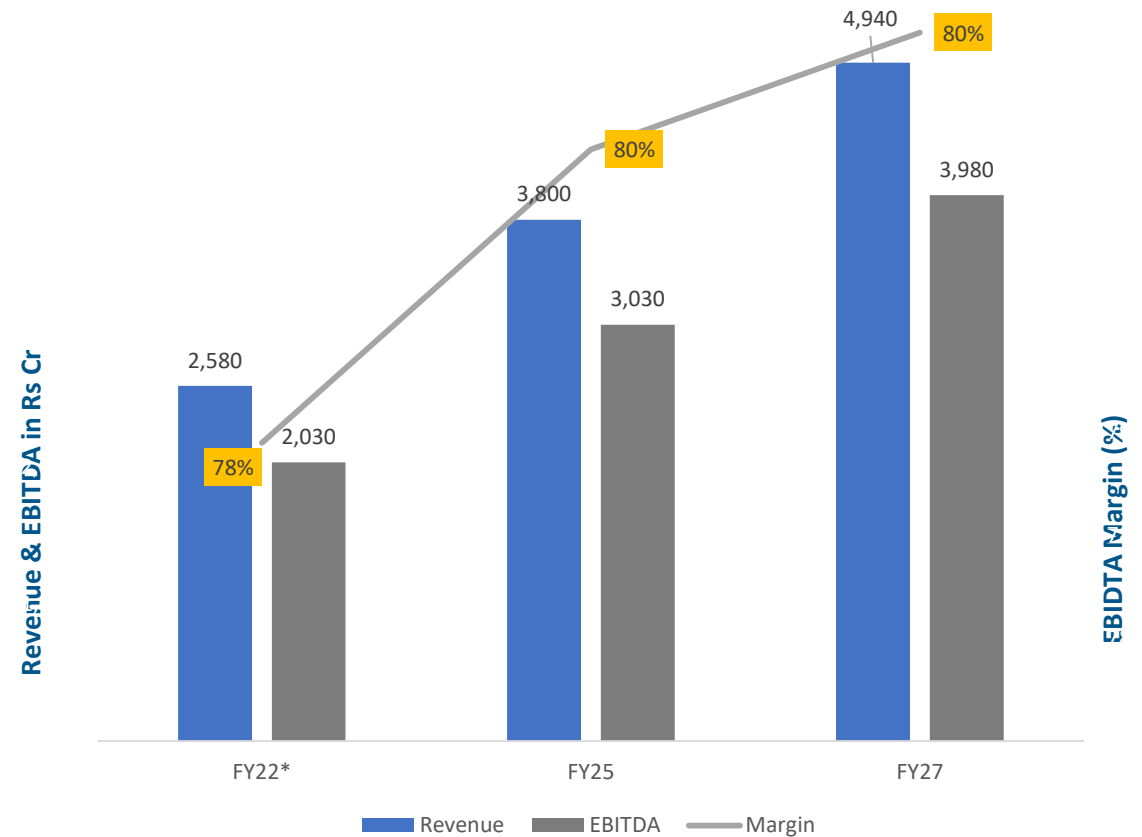


Adani Harbour services: Growth on the back of OSL acquisition

Adani Harbour services: Indian operations to almost double in 5 years

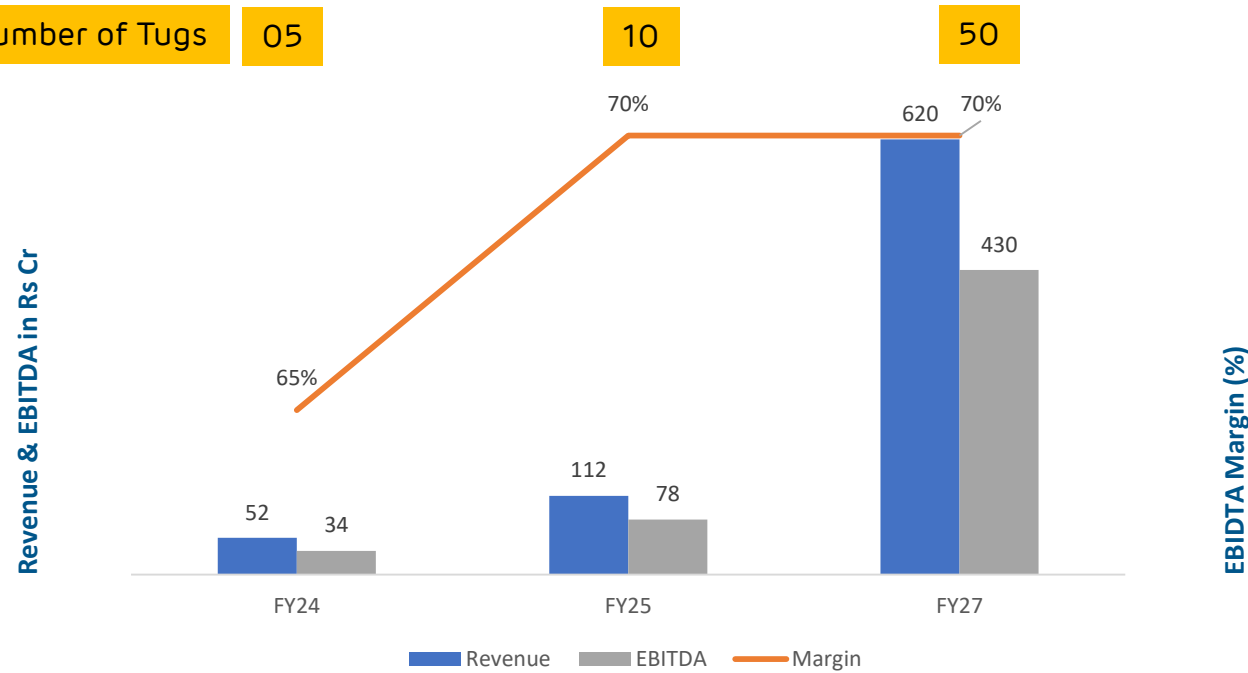
Adani Harbour services with OSL consolidated

- In 5 Years, consolidated revenue and EBITDA to almost double from FY22 levels, with key assumptions being:
 - APSEZ's captive marine segment to continue growing in line with cargo volume growth
 - Third-party marine service segment growth to be commensurate with the growth of Indian marine services market
 - OSL to add new Tugs to service new contracts
 - OSL's EBITDA margin improvement of 5 percentage points due to identified synergies
- Annual average Free cash flow for firm (FCFF) of INR 2,700 over 5 years



*FY22 numbers are estimates

Scenario for APSEZ's Harbour services expansion in other geographies (not included in the base case)



OSL's Overseas Expansion

Key assumptions:

- APSEZ starts servicing South Asia, Middle East, and Australia
- APSEZ contracts for around 50 Tugs by FY27, a small share of total market
- Tug hire rate of \$4300 /day in FY22 and increasing at 5% y-o-y
- EBITDA margins growing to 70%

Financials in FY27:

- APSEZ to achieve INR 620 Cr of revenue and INR 430 Cr of EBITDA from overseas marine services.

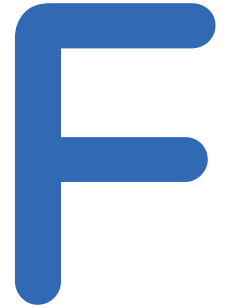


Investment summary

Conclusion: Investment case

- OSL will enable APSEZ to become **India's market leader in marine services**
- APSEZ will **get long-term cash visibility** on account of access from marquee customers of OSL that have take or pay contracts with an average contract life of >7 years (which contribute ~85% of OSL's EBITDA)
- **Value Accretive to APSEZ's shareholders** - The acquisition price of INR 1,700 Cr is determined on an EV/EBITDA multiple of 5.7x
- **Equity payback period is ~7 years on 'as-is' basis**, i.e., almost flat revenues y-o-y, flat EBITDA margin, and debt servicing in line with the existing obligations
- **Our marine services base case growth forecast** is for consolidated revenue and EBITDA to almost double in 5 years (revenue and EBITDA of around INR 5,000 Cr & INR 4,000 Cr respectively in FY27)
- OSL will enable APSEZ's to have a foot-hold in marine services segment in countries other than India

OSL acquisition is well aligned to our strategy of becoming the largest port operator globally and the largest transport utility in India

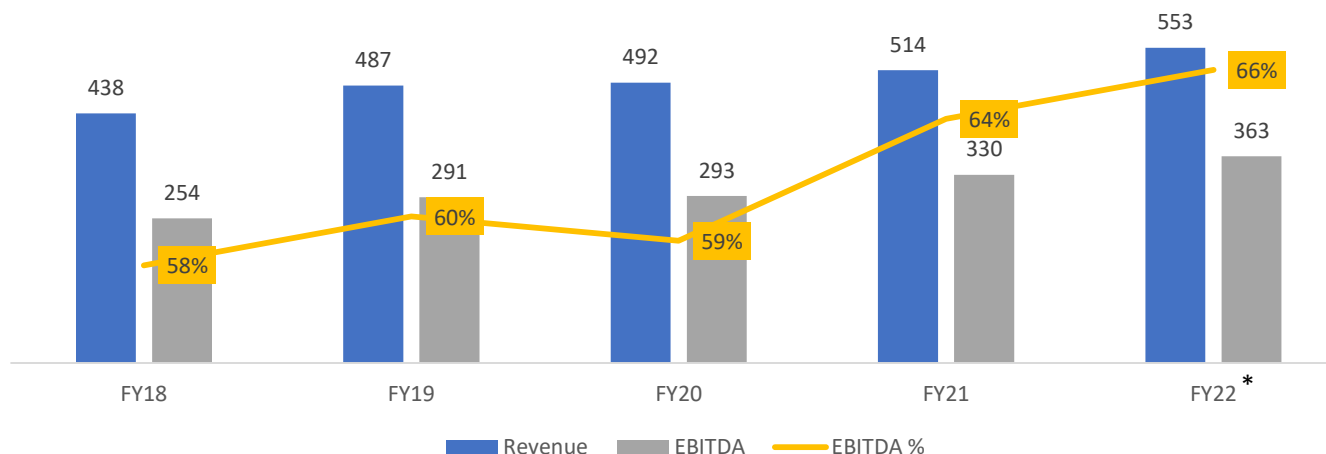


Annexure

OSL - Key Financials

Marine services segment

(In INR Cr)



(In INR Cr)

Others (Dredging + Offshore)	FY18	FY19	FY20	FY21	FY22
Revenue	58	107	104	108	47**
Expense	-52	-85	-60	-64	-45
EBITDA	6	22	44	44	2
HO Activities					
Expense	-32	-41	-54	-52	-53

- Marine services (towage & pilotage) segment contributes around 92% of OSL's total revenues
- Growth in revenue is supported by a resilient business model with sticky customers and Take Or Pay type contracts
- Industry leading EBITDA margin for third party marine service operators
- OSL is projected to have a FCFF of INR 294 Cr in FY22
- Future growth in revenue and EBITDA to be driven by adoption of APSEZ SOPs, synergies of operations and enhanced scale

*FY22 numbers are based on estimate for the year | ** Revenue of Dredging segment reduced from INR 87 Cr to 41 Cr and EBITDA reduced from INR 37 to 8 Cr, Revenue of Offshore segment reduced from INR 21 Cr to 6 Cr and EBITDA reduced from INR 7 to -6 Cr, primarily due to COVID.

OSL - Tug Fleet Details

Average Tug Age – 12.81 Yrs

Age of Tug (Yrs)	Nos
<5	21
>5 and <=10	10
>10 and <=15	12
>15 and <=20	17
>20 and <=25	9
>25 and <=30	5
>30 and <=35	0
>35 and <=40	1

75

Bollard Pull Capacity

Bollard Pull Capacity	No. of Tugs
< 35 T	1
35 T	1
40 T	7
45 T	8
50 T	23
55 T	7
60 T	1
65 T	23
75 T	4

75

Fire Fighting Capabilities

Fire Fighting Capability	Nos
Agni 1 (FiFi - 1) (2400 m³/hr)	32
1/2 FiFi (1200 m³/hr)	14
FiFi < 1200 m³/hr	26
0 FiFi	3

75

Towing Capabilities

Towing Capabilities	Nos
with Aft Towing Winch	43
with Aft Towing Hook	60

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