



Adani Ports signs Agreement to acquire Krishnapatnam Port

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2	Acquisition Summary
3	Krishnapatnam Port – Brief
4	Krishnapatnam Port – Future Potential
5	Acquisition – Significant Value Accretion

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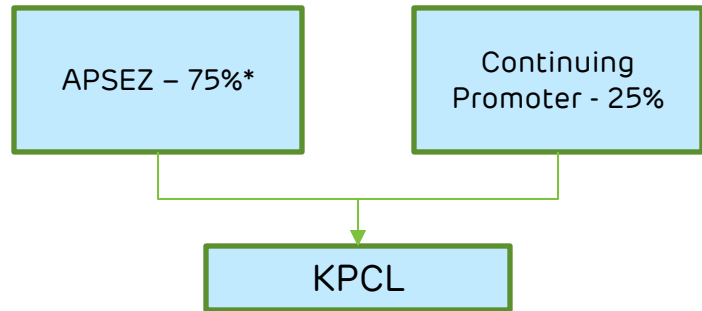
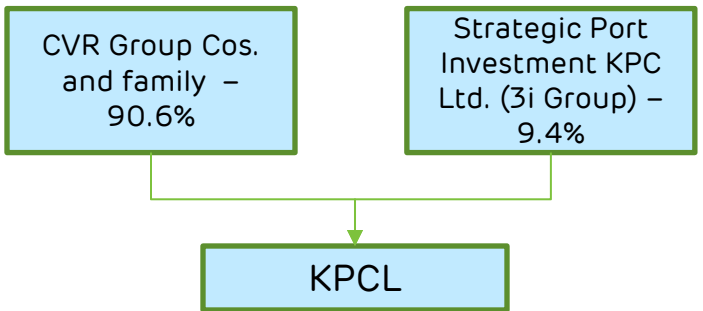
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Deal Construct

Pre-Acquisition Shareholding



Post-Acquisition Shareholding



*Sellers have an obligation to procure 9.4% from the existing investor i.e. Strategic Port Investment KPC Ltd.

Particulars	Details
Deal Value (EV)	Deal has been carried out at FY 19 EBITDA INR 1,330 Cr. with multiple of 10.2x translating to Enterprise Value of INR 13,572 Cr.
Debt Value as 31st September 2019	INR 6,212 Crore. However, for the closing of the transaction, the debt value as on 31 st December 2019 will be considered.
Timeline to Close the Transaction	120 Days from signing of Definitive Agreements
Regulatory Approvals	CCI Approval is to be obtained for the Transaction.

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Acquisition Summary – APSEZ Acquires KPCL

**Accretive at
EV/EBITDA &
EPS**

- Acquisition FY 21 EV/EBITDA multiple ~8.6x
- EPS positive on as is where is basis
 - Estimated Payback Period 4 years

**Purchase
consideration**

- Equity fully funded from internal accruals/Cash
- Credit metrics unchanged in FY 21 from FY 19
 - Net Debt to EBITDA 3.1x to ~3.2x

**A Mundra on
eastcoast**

- Eastcoast traffic > 100 MMTPA
 - Dhamra, Kattupalli & KPCL
- Eastcoast portside land >14,000 acres
- Eastcoast the “New Mundra” growing at double digit

**Strategic
flexibility**

- Adds new economic hinterland – Andhra Pradesh
- KPCL cargo to rise from 50 to 100 MMTPA – next 7 yrs
- Key enablers – Ample land, Excellent connectivity and regulatory approvals in place

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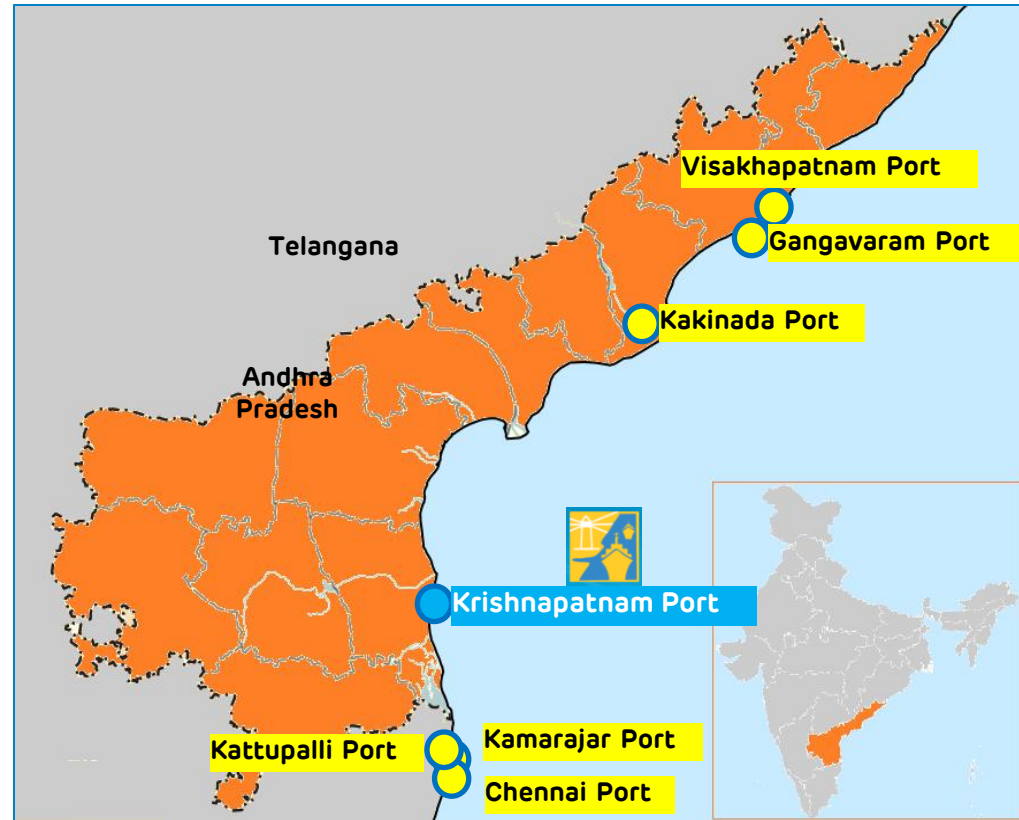
Krishnapatnam Port – Overview

Krishnapatnam Port Company Limited

Krishnapatnam Port Company Limited, a group company of Navayuga Group based out of Andhra Pradesh. It owns the largest port on the southern and eastern coastline of India.

- Krishnapatnam Port is a deep water port, located on east coast of India in Nellore District of Andhra Pradesh. (~ 180 km north of the Chennai Port).
- Multipurpose port having **18.5 m draft & 13 berths** with current capacity of **64 Million Ton** per annum.
- As per approved Master Plan, Capacity can be scaled up to 250 MMTPA
- **Nearest Highway** is National Highway 5 (NH 5) (Chennai – Kolkata)- appx. 25 Km
- **Nearest railway station** is Venkatachalam on Chennai-Kolkata Rail line at appx. 22 km
- **Nearest Airport** is Tirupathi at 120 Km

Krishnapatnam Port – Strategic Location



Krishnapatnam Port -largest private port of Andhra Pradesh & 2nd largest private port of India

Krishnapatnam Port – USPs

Port Infrastructure

All weather, deep draft port capable of handling of all type of vessels including **Capesize Vessels**;

Mechanized Handling

Mechanized coal handling system resulting in faster turnaround time of vessels;

Extensive captive cargo base

- **5,490 MW** of operational coal based power plant & **800 MW** under construction;
- **7,200 MT/day** of oil refineries;

Dedicated Conveyors

Dedicated high speed conveyor of about 12.5 Km length from berths to power plants for conveying coal;

Pipeline for Edible Oil Refineries

Two dedicated 16 inch pipeline of 6.5 Km length from berth to edible oil refineries;

Rail and Road Connectivity

Seamless congestion free connectivity by 4 lane road and double line rail leading to faster cargo evacuation;

Additional Expansion Possibility

- Debottlenecking* and additional Capex for Mechanisation will take capacity to **>100 MMTPA. in next 5 years.**
- **Phase III** - Capacity additions possible up to **250 MMTPA in line with traffic growth**
- **Ample land availability** for additional capacity execution.

*Debottlenecking will be carried out by optimizing the operation philosophy, adding the equipments, mechanization of berth, operationalizing certain works in progress

Krishnapatnam Port: Hinterland and Connectivity

Hinterland Overview

- The primary hinterland of KPCL port consist of - Central & Southern Andhra Pradesh, Eastern Karnataka and Southern Telangana.
- Port caters a rich hinterland having thermal power plants, cement plants, edible oil refinery cluster.
- KPCL also attracts the container cargo primarily consisting of export commodities like Agri, cement, minerals, fish products (reefer), etc.

Road Connectivity

- Dedicated four-lane road connecting the port to National Highway 5 (Chennai-Kolkata Highway)
- Upgradation of 4 lane to 6 lane road is in progress
- **Internal road network** of 55 km connecting berths with main road network; 5,000 Trucks/ day capacity

Rail Connectivity

- Fully electrified double rail line connecting Venkatachalam station on Chennai-Kolkata main line
- 91 km new line operational between Venkatachalam and Obulavaripalle which will reduce distance to port & hinterland by 70 km resulting in freight cost saving
- **Inside port siding:** Cargo-wise dedicated rail sidings with internal rail network of 52 Km; 60 rakes in/out capacity;



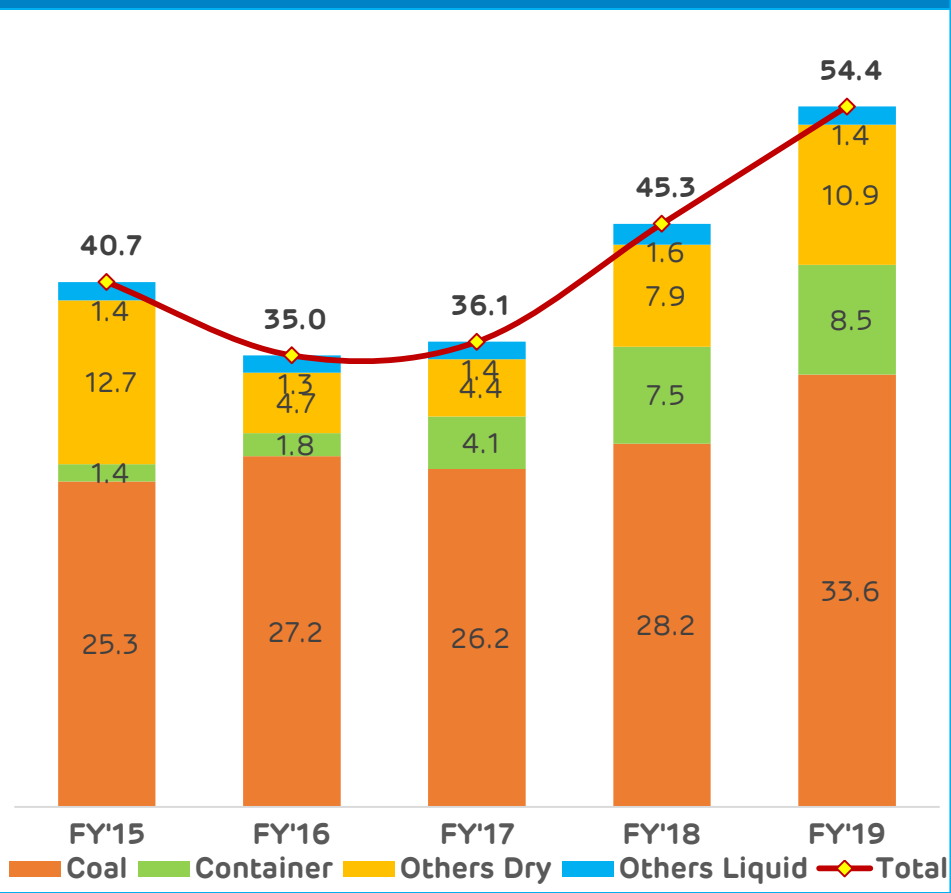
Salient Features of Concession

Particulars	Details	
Concession Period and Its Extension	Concession is for 30 years from COD with automatic extension of 2 blocks of 10 years each.	
Concession Start	Concession starts from March 2009	
Concession End	Concession will end in March 2059	
Revenue share to GoAP as % of Gross Income	Year	% of Gross Revenue
	March 2009 to February 2039	2.6%
	March 2040 to February 2049	5.2%
	March 2050 to February 2059	10.4%

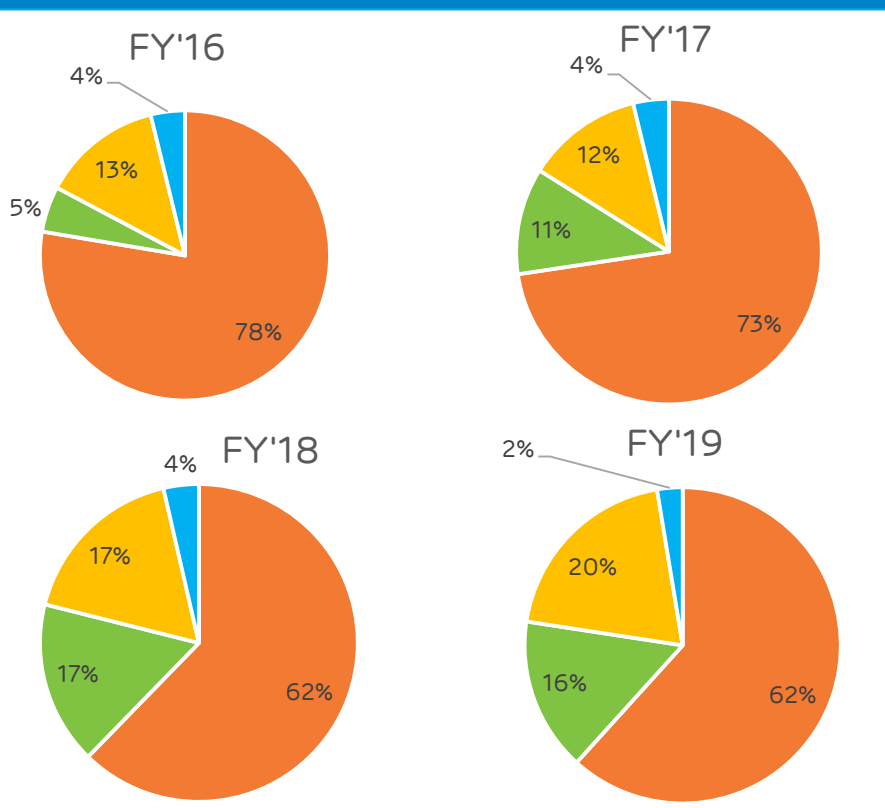
Residual Concession Life of 40 years

Krishnapatnam Port – Cargo Profile

Krishnapatnam Port Historical Cargo Profile (MMT)



Krishnapatnam Port Cargo Mix – FY16 to FY 19



50-55% of Cargo is of long term nature

- Of the total coal handled in FY'19, about 43% is for the power plants located next to the Port
- Edible oil refineries of capacity of 7,200 MT/Day are situated in port area and connected via dedicated pipeline

Krishnapatnam Port – Top Customers for FY 2019

Figures are in MMT

Coal

TPCIL/Sembcorp Energy	9.78
JSW Steel Limited	5.85
Karam Chand Thapar and Bros	3.77
Global Coal And Mining Private	1.90
K I International Limited	1.26
The India Cements Limited	1.10
Anand Transport	1.07
Swiss Singapore India Pvt.Ltd	1.05
Ultra Tech	0.88
Tata International Limited	0.74
Trident Chemphar	0.64

Iron Ore

JSW Steel Limited	5.49
K I International Limited	0.20
Essar Steel	0.34

Fertilizer

Coromandel International	Fertilizer	0.53
Indian Potash Limited	Fertilizer	0.29

Barytes

Varshini Exim Pvt. Ltd	0.31
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Clinker

Bharathi Cement Corporation Ltd	0.31
Ultra Tech Cement Limited-APCW	0.28

Edible Oil

Emami Agrotech Ltd	0.34
Gemini Edibles Oil and Fats (I) Ltd	0.28
Adani Wilmar Limited	0.24
South India Krishna Oil and Fats	0.24

Financial Performance of KPCL – Past Three Years

Year	Units	2016-17	2017-18	2018-19
Cargo	MMT	36.1	45.3	54.4
Revenue	INR Cr.	1,755	1,969	2,394
EBIDTA	INR Cr.	956	1,093	1,332
EBIDTA	%	54.5%	55.5%	55.6%
PAT	INR Cr.	77	120	326

INR/MT Analysis of Financial Performance

Year	Units	2016-17	2017-18	2018-19
Revenue	PMT	486	435	440
EBIDTA	PMT	265	241	245
PAT	PMT	21	26	60

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Krishnapatnam Port – Land Bank and Expansion Possibility

Land Bank with Port

Particulars	Area in Acres
Total Land in Possession	4,621
Additional land allotted by Govt & to be acquired	2,169
Total Land for the Port	6,790

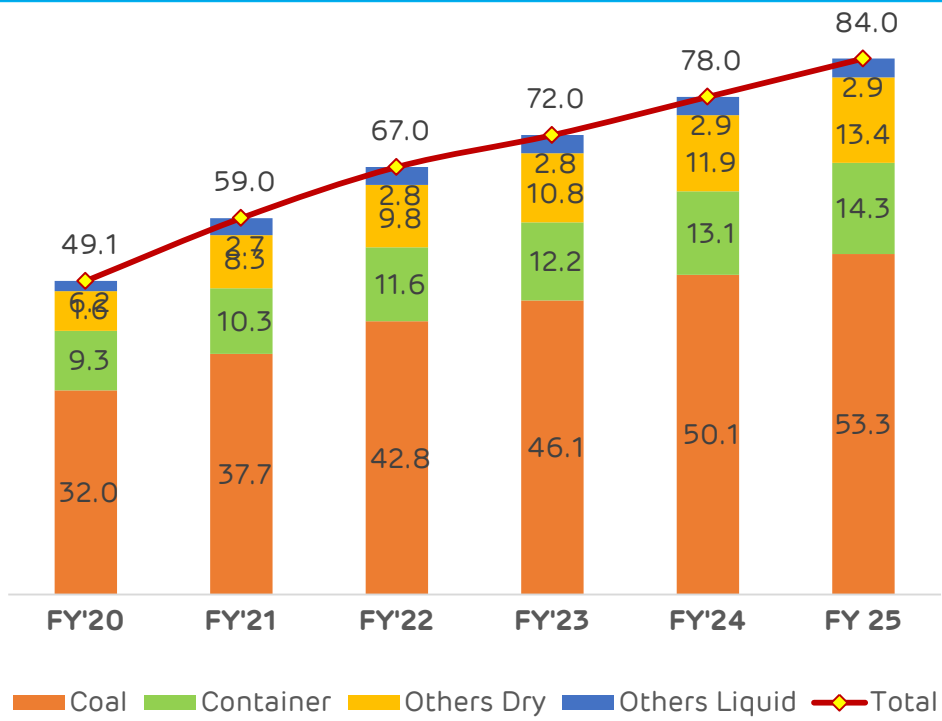
Capacity Expansion Possibilities

Given the large land bank, Port has high potential to expand by following capacity additions

SN	Particulars	MMPTA
1	Existing Capacity	64
2	De-bottlenecking Plans and Overhauling of Operations with addition of equipments and back up facilities in next 5 years	100
3	Port Expansion by Phase III Implementation	250

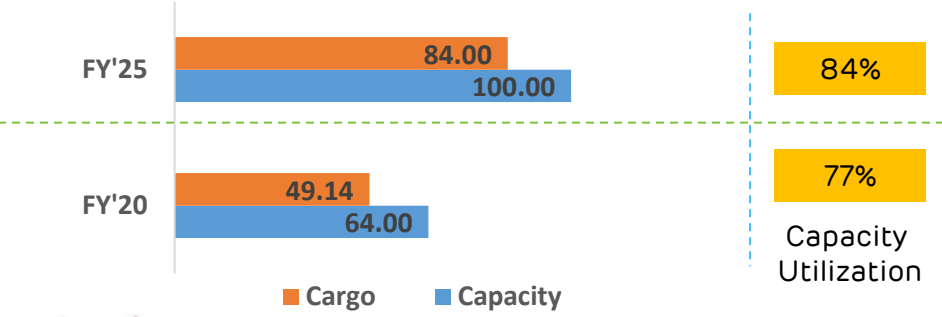
Krishnapatnam Port – Future Traffic Potential

Krishnapatnam Port Traffic Potential (MMT)



- Coal is expected to grow at a CAGR of 9.1% per annum from FY'20 to FY'25 which will be primarily driven by:
 - Commissioning of 800 MW capacity APPDCL power plant;
 - Increase in coal import by steel majors in hinterland;
 - Diversion of end customer and trading coal cargo from other ports based on competitive pricing;
- Container traffic is expected to grow at a CAGR of 8.6% per annum from FY'20 to FY'25 due to increase in export cargo like agri commodities, cements, minerals, fish products.
- Cement cargo is expected to grow due to commissioning of cement grinding plant at the port with a MGT of 1.5 MMT from FY'2022.
- A contract with Oil Marketing Company to handle POL with MGT of 1 MMT;

Capacity Vs Cargo ramp up



- The capacity will be ramped up by adding new equipments to keep the pace with cargo volume growth
- About 750 crores will be spent for aforesaid capacity addition up to >100 MMTPA during next 5 years

1. Others dry includes fertilizer, iron ore, granite, clinker, barytes, limestones, steel & others
 2. Other liquids include only edible oil

Krishnapatnam Port: Projected P&L – FY 21 to FY 25

Key Assumptions

Particulars	KPCL
Revenue	
Marine Charges Escalation (Avg)	2%
Handling Charges Escalation (Avg)	2%
Opex	
Marine Expense Escalation (Avg)	2%
Employee Benefits Escalation (Avg)	5%
Capex to be Incurred	150 Cr Per Year Till FY 25

Source of Funds	INR Cr
Debt	6,212
Equity	7,360
Total Funds	13,572

Debt Profile	INR Cr.	ROI
Foreign Currency Loan	3,106	4.50%
INR Loan	3,106	8.50%
Total Debt	6,212	6.50%

- Forex Earnings from Cumulative Marine Income (4000 Cr) will be a Natural Hedge for Foreign Currency Debt.
- Hence, 50% debt will be availed as Foreign Currency Loan

Krishnapatnam Port: Projected P&L – FY 21 to FY 25

(Figures in INR Crores)		FY'2021	FY'2022	FY'2023	FY'2024	FY'2025
Total Cargo	MMT	59.0	67.0	72.0	78.0	84.0
Revenue						
Marine Income (I)	(Bulk & Break bulk)	492	572	628	697	756
	(Container)	116	133	141	151	165
Handling Income (II)	(Bulk & Break bulk)	1,603	1,866	2,047	2,268	2,452
	(Container)	124	144	156	171	190
Other Operational Income		61	71	78	86	93
Total Revenue		2,395	2,786	3,049	3,373	3,655
Average Realization		406	416	423	432	435
Opex						
Concession fee to Government of Andhra Pradesh(GoAP)	2.60%	62	72	79	88	95
Operating Expense		763	862	937	1,025	1,113
Total Cost of Operations		826	934	1,016	1,113	1,208
EBITDA		1,570	1,852	2,033	2,260	2,446
EBITDA %		65.5%	66.5%	66.7%	67.0%	66.9%

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Acquisition – Significant Value Accretion

Key Rationale	Details
Value Accretive Deal	Acquisition FY 21 EV/EBITDA multiple ~8.6x Estimated Payback Period 4 years
Credit Metrics	Credit metrics unchanged in FY 21 from FY 19 <ul style="list-style-type: none"> ▪ Net Debt to EBITDA 3.1x to ~3.2x
Expansion of Market Footprints	APSEZ will have a sizeable presence with this full-fledged multi-commodity port.
Distinct Hinterland	KPCL will fill a key gap in APSEZ's portfolio due to its distinct hinterland which is presently not serviced by APSEZ.
Potential to Scale up	Large land bank available with KPCL provides the opportunity to scale up the Port
Potential to Increase Efficiency	APSEZ will apply its existing operation standards to the operations of KPCL. Thus, it will be able to improve the efficiency of the Operations resulting into not only cost savings but also better services to customers.
Complementary to Existing Ports	KPCL will complement existing ports of APSEZ. For example, coastal movement from Dhamra to Krishnapatnam.