



Ports and  
Logistics

# Investor Presentation

## Adani Ports and SEZ Limited

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London NDR  
21 & 22 Oct, 2019





## Investment Thesis



## Roadmap 2025



## Finance Strategy



# APSEZ : Investment thesis

Leading Port Utility and Integrated Logistics company with pan-India footprint driven by customer centricity through technology and best in class talent, with sustainable parameters and governance practices.

Unique operating model with sustained high and diversified growth having low risk

Market leader in the fastest growing region across the globe with 60-70% hinterland presence

Benign regulatory environment with stable outlook

Assets with enhanced capacity utilization and operating leverage

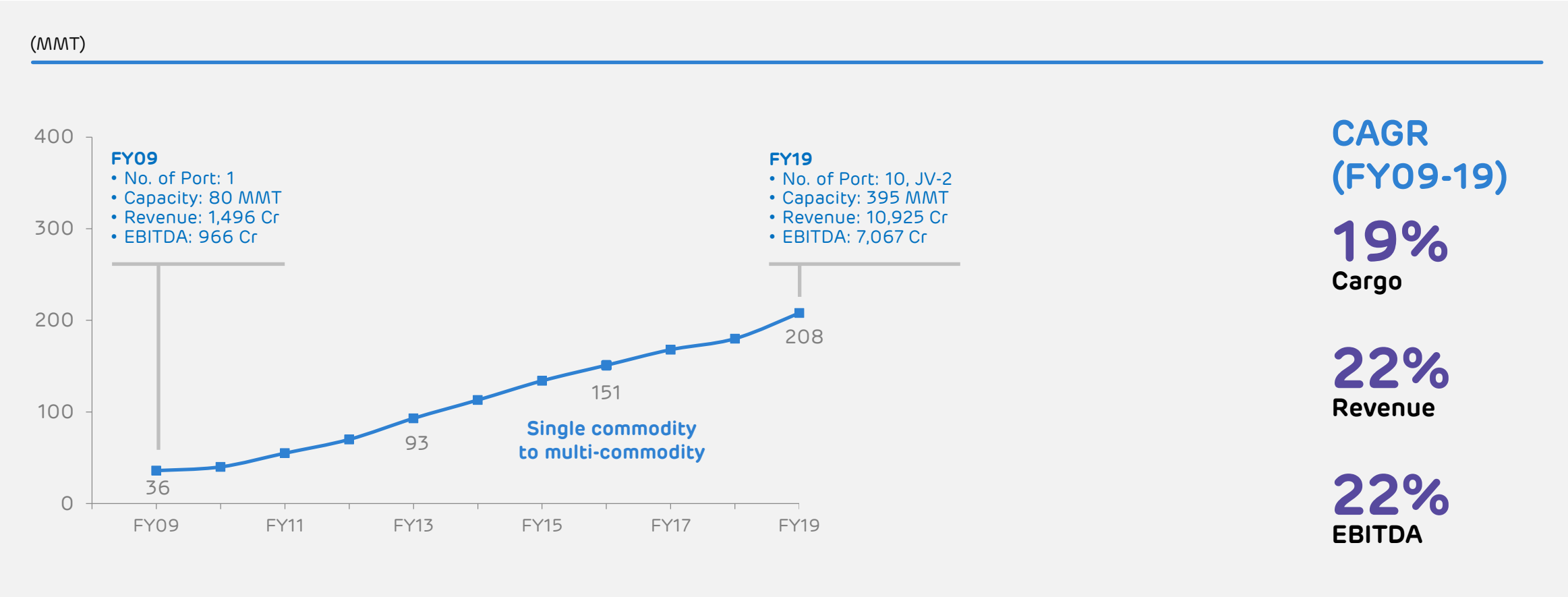
One-point transport utility with integrated logistics

Emphasis on environment, sustainability and corporate governance

World-class technology and people

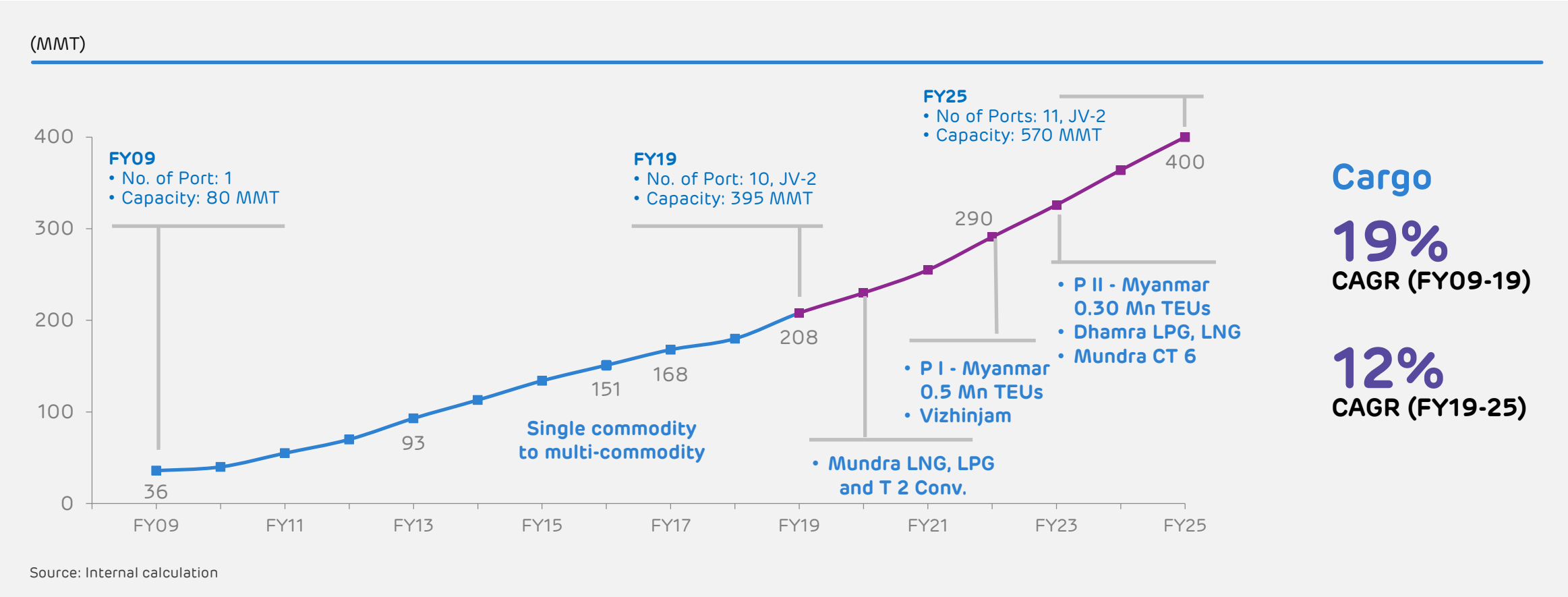
Sustained profitability and enhanced balance sheet strength

# Crossed key milestone of 200 MMT in FY19



APSEZ is among the top 5 fastest growing port players in the world

# Next 200 MMT to be achieved in 6 years

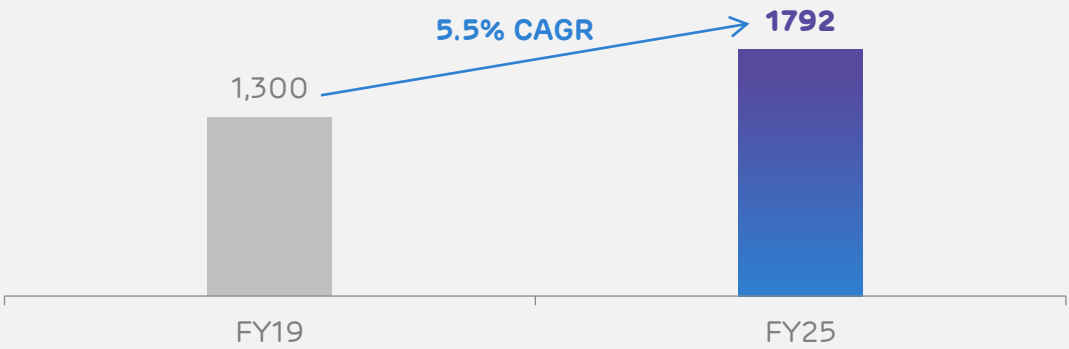


APSEZ is among the top 5 fastest growing port players in the world

# APSEZ will continue to outpace India's cargo growth by 2x

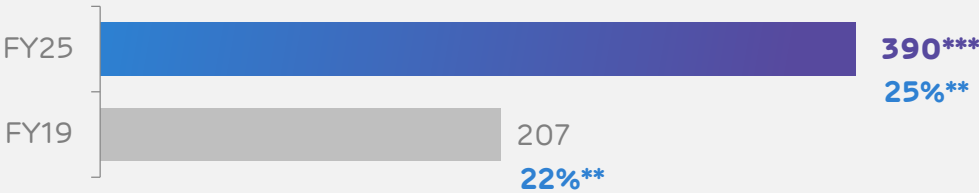
## India's Port handling by 2025

(Cargo Volume in MMT)



## APSEZ market share gains

(MMT)



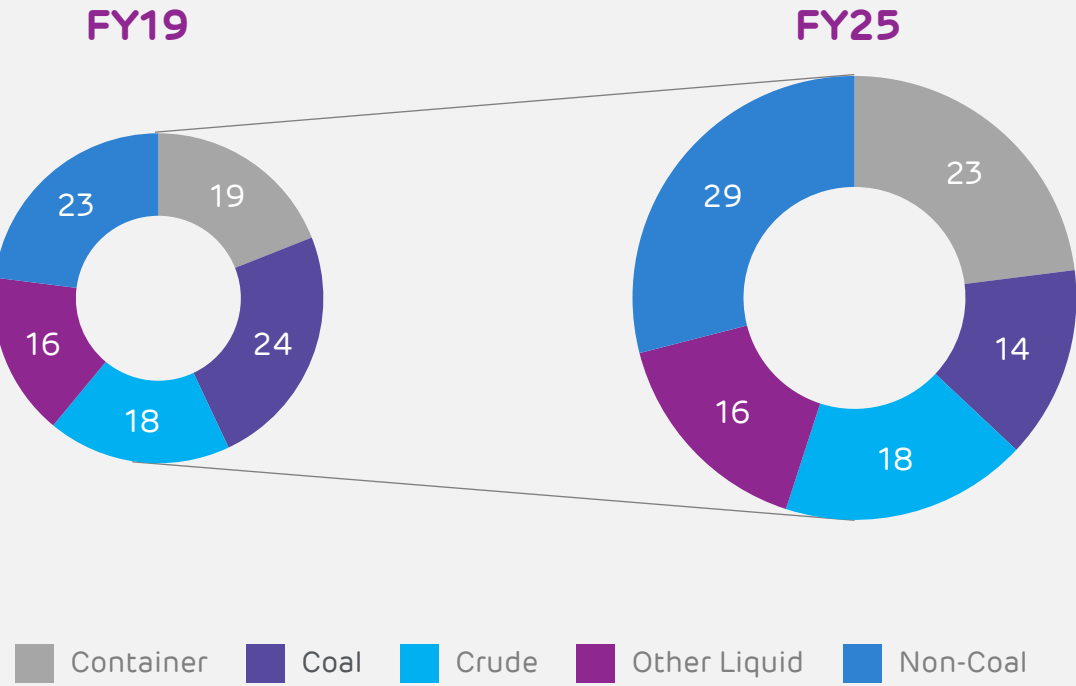
\*\*ex of coastal volumes

\*\*\* 390 MMT excludes Myanmar operations

Source: Internal calculations

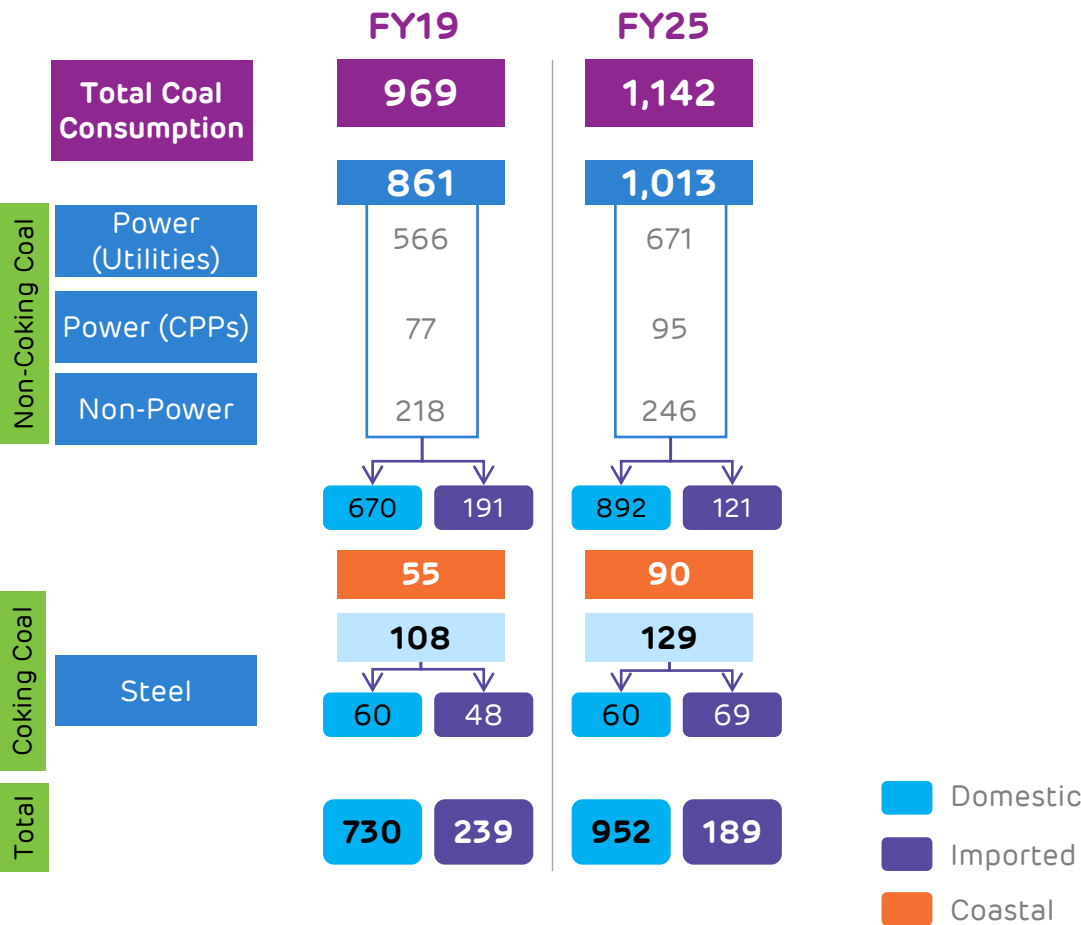
## India Cargo commodity basket

(%)



# Coal Consumption to increase

(MMT)



## Assumptions:

### Demand Side

1. Power demand assumed to grow at 5% through FY25
2. By FY25,
  - Coal power requirement (Adj for RE and other non-thermal) is 1,200 BU (1000 BU in FY19)
  - Coal PLF seen to rise to 67%
  - Thermal coal requirement for utilities ~670 MMT (570 MMT in FY19), Captive power ~100 MMT (80 MMT in FY19), Cement and other industries ~250 MMT (220 MMT in FY19)

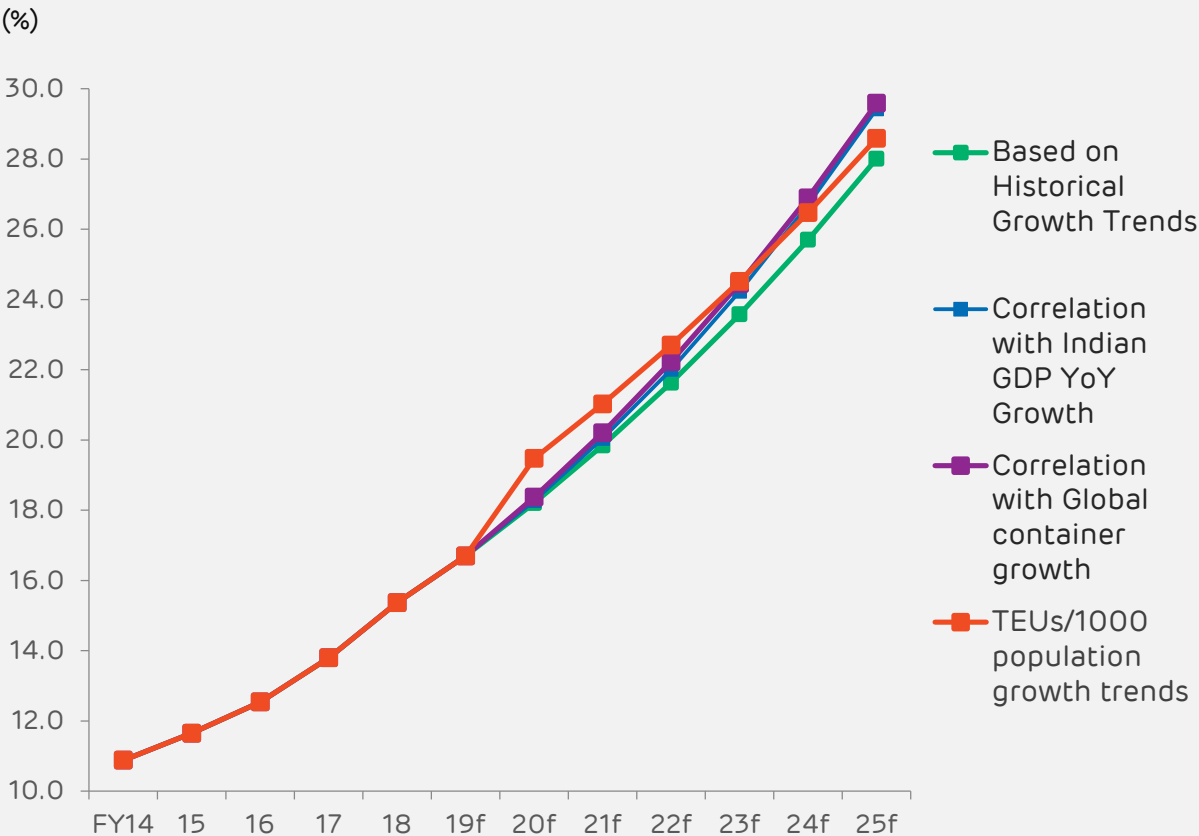
### Supply Side

1. CIL dispatches to grow by 800 MMT (80% of CIL stated target 1,000 MMT), ramp-up assumed in ECL, CCL, NCL, SECL, and MCL
2. Major lines up for opening and unclogging capacities include Shivpur-Kathua in CCL (+20 MMT), Jharsuguda-Barapalli-Sardega (+35MT, Phase II +60MT), Kharsia-Dharamjaigarh in SECL (+80MT) and Tori-Shivpur in CCL (+80 MMT).
3. Other public and private miners will ramp-up to 65 MMT

Source: Internal calculations

# Opportunity in containers handling: 1.7X rise in all India volume

Containers handling (MTEUs) forecasts



Source: Internal calculations

## Drivers

1. Economy doubling in size over 2025, consumption led demand will hold as rising disposal income and premiumisation of consumption will mean demand of imported goods.
2. Transshipments volumes at selective ports, especially at Mundra & Vizhinjam.
3. Growth(minor volumes) in regional landlocked country container demand: Nepal & Bhutan
4. Inorganic support in form of cargo containerisation from current levels of 65% ( benchmark 85 to 90 %).
5. Long term impact of make in India and high growth in manufacturing Gross Value Added

## Forecast of regional container volume (mTEUs)

Years	All India	West	East	South
2018-19	17	11	1	4
2024-25e	28	19	2	7
Growth	65%	73%	100%	75%

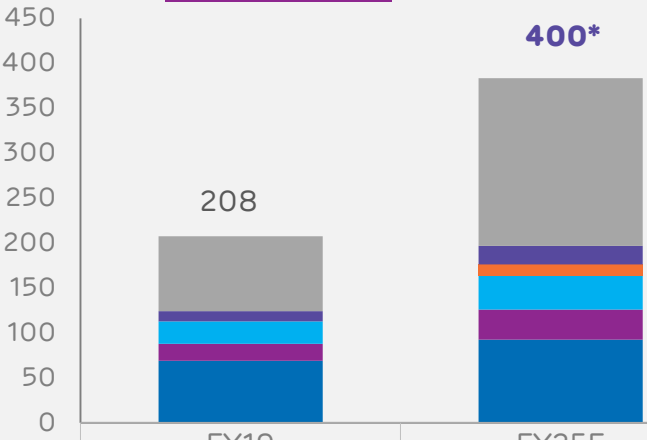


# APSEZ cargo diversification will continue

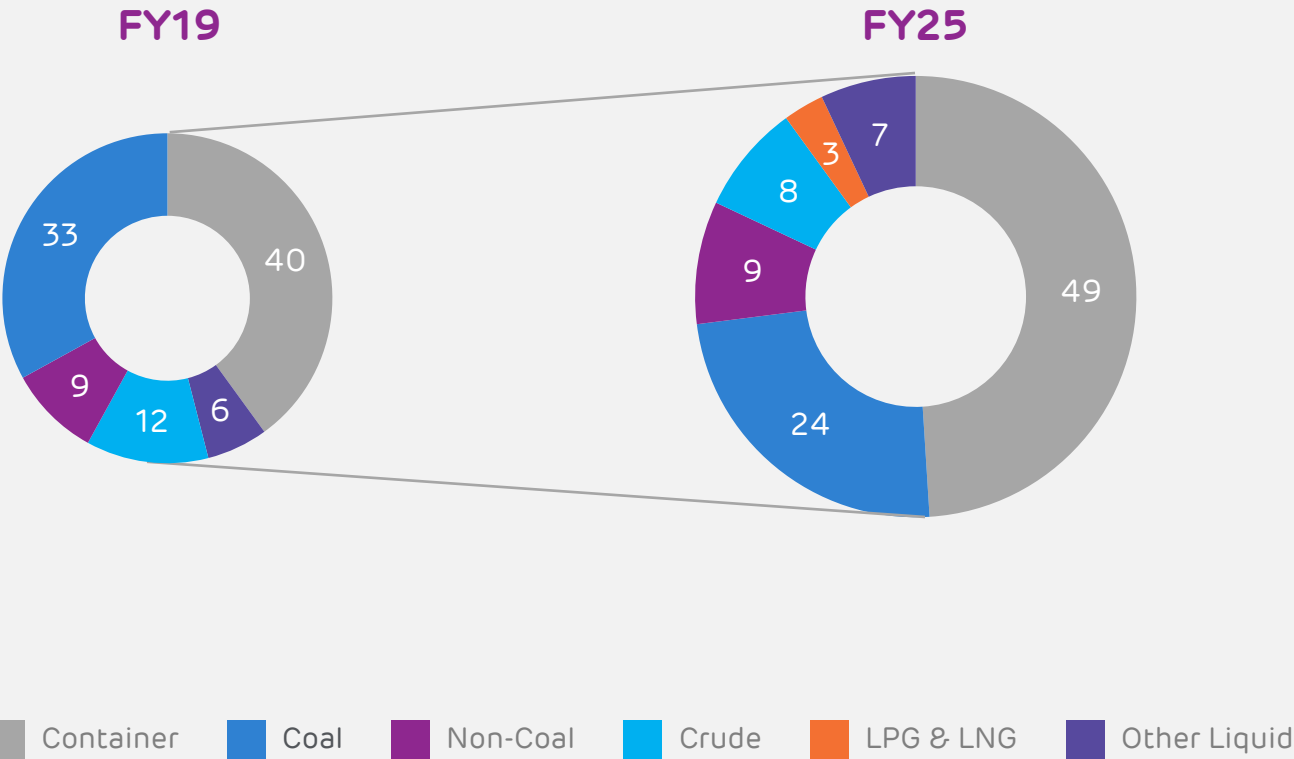
## APSEZ Cargo Profile

(MMT)

CAGR 11.5%

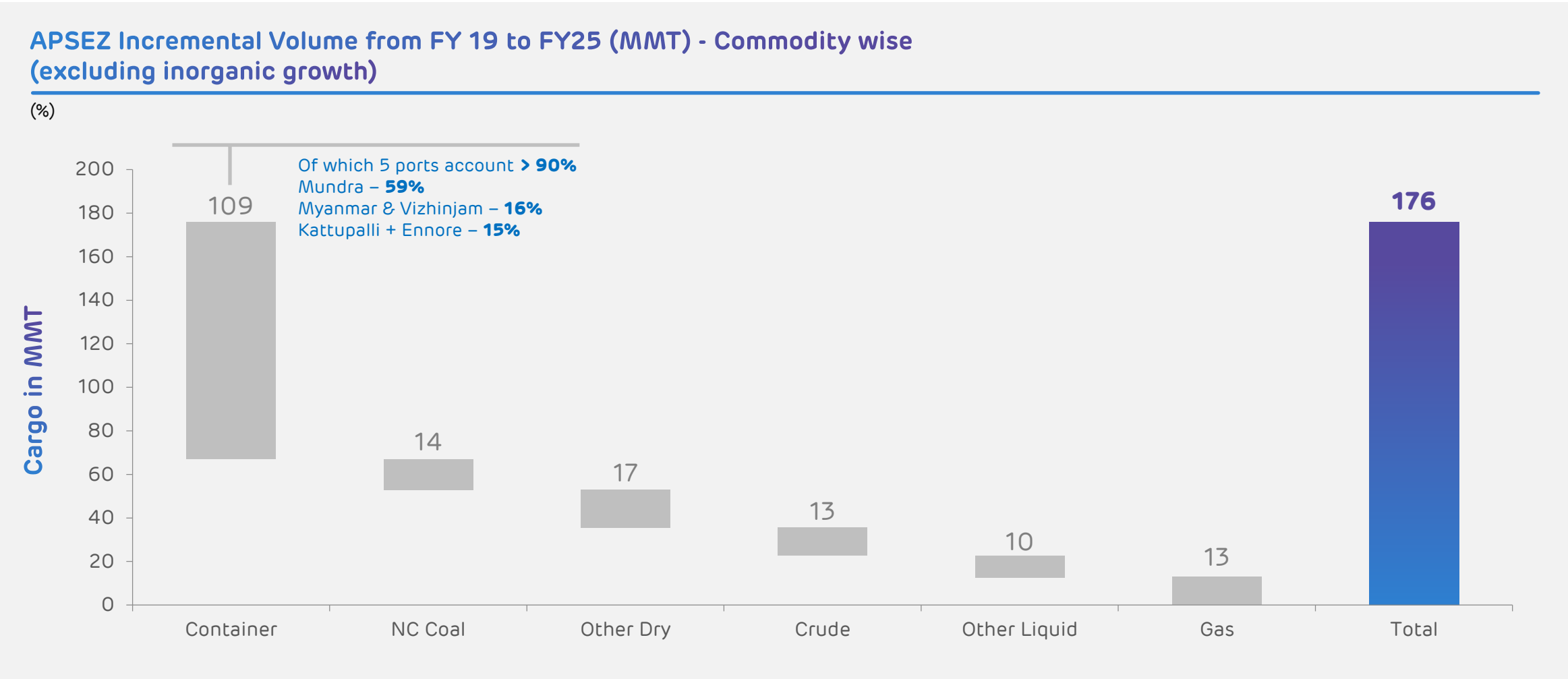


	FY19	FY25E
Containers	83	187
Other Liquid	11	21
LPG & LNG	0	13
Crude	25	38
Non-Coal	19	33
Coal	69	93



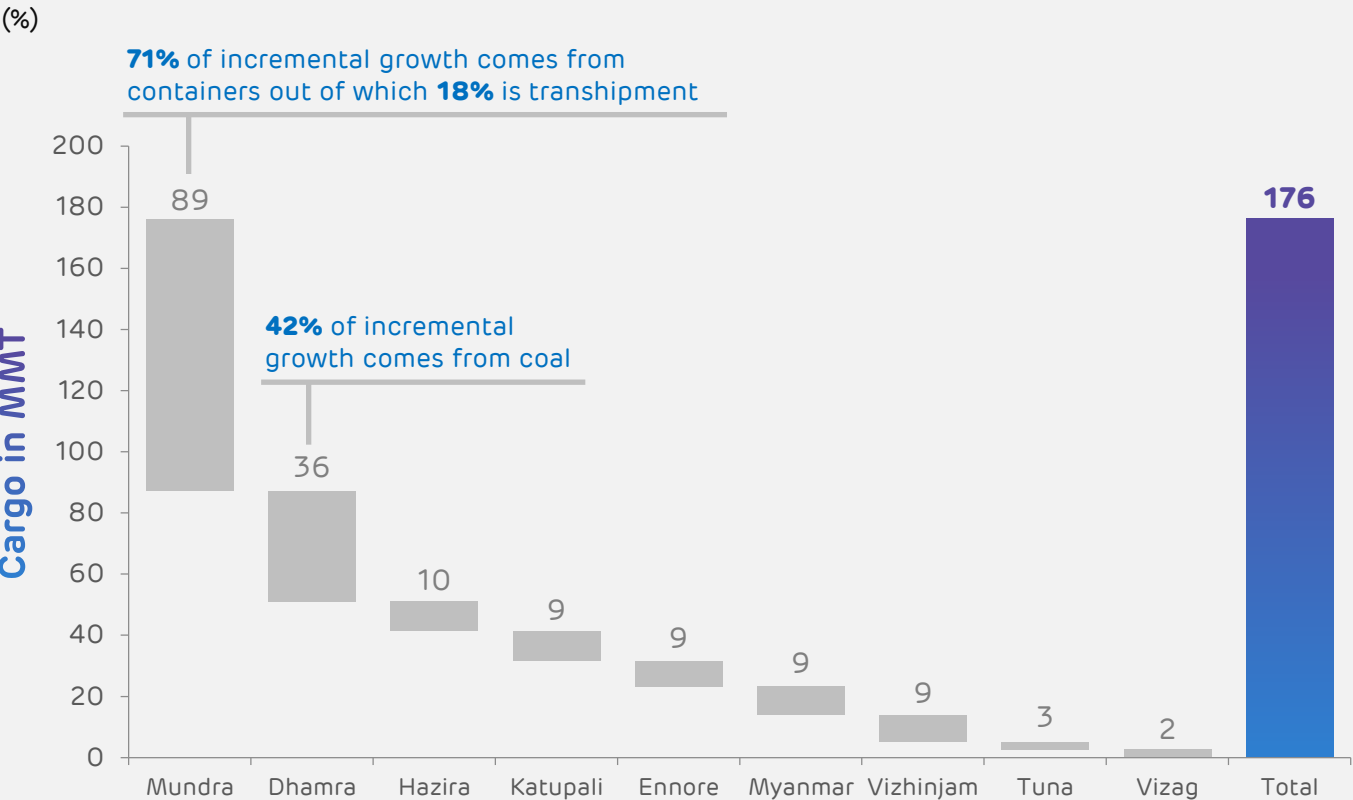
\* Includes 16 MMT cargo from inorganic growth

# Containers to contribute 62% to incremental volume



# APSEZ port wise incremental cargo volume by FY25

APSEZ Incremental Volume from FY 19 to FY25 (MMT) - Port wise (excluding inorganic growth)



APSEZ ports commodity wise market share in India

(%)

Commodity	FY 19	FY 25
Containers	34	48
Coal	29	51
Crude + POL	8	9
Gas (LPG + LNG)	0	19
Other Liquid	15	19
Total	22	25

# Focused capital allocation based on harnessing existing capacities

Port <sup>(1)</sup>	Current State: FY19		FY 25: Investment in key infrastructural projects	Expected in FY25	
	Installed Capacity	Utilisation <sup>(2)</sup>	Key identified infrastructure projects for capacity addition	Installed Capacity	Utilisation
<b>Mundra</b>	252 MMT	137 MMT (55%)	<ul style="list-style-type: none"> <li>• Container terminal capacity – CT 2 and CT6</li> <li>• Liquid cargo storage tanks</li> <li>• LPG and LNG</li> </ul>	325 MMT	227 MMT (70%)
<b>Hazira</b>	30 MMT	20 MMT (65%)	<ul style="list-style-type: none"> <li>• Rail linkage to Hazira port</li> <li>• Liquid terminal</li> <li>• Warehouse and open cargo storage yards</li> </ul>	43 MMT	29 MMT (68%)
<b>Dhamra</b>	45 MMT	21 MMT (46%)	<ul style="list-style-type: none"> <li>• New multipurpose cargo berth</li> <li>• Doubling of railway line</li> <li>• Container infrastructure</li> <li>• LPG and LNG</li> </ul>	83 MMT	58 MMT (70%)
<b>Kattupalli</b>	18 MMT	9 MMT (51%)	<ul style="list-style-type: none"> <li>• Rail connectivity to Kattupalli port</li> <li>• Multipurpose berth and liquid terminal Facility</li> </ul>	26 MMT	18 MMT (69%)

Notes: (1) Does not include Dahej, Ennore, Tuna, Goa, Kandla and Vizag ports / terminals

(2) Actual cargo volumes in FY19, and percentage utilisation: calculated as actual volumes in FY19 / installed capacity

# Focused capital allocation based on harnessing existing capacities

Port <sup>(1)</sup>	Current State: FY19		FY 25: Investment in key infrastructural projects	Expected in FY25	
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<b>Vizhinjam</b>	Under Construction		<ul style="list-style-type: none"> <li>• Container transshipment hub</li> </ul>	18 MMT	9 MMT (50%)
<b>Myanmar</b>	Under Construction		<ul style="list-style-type: none"> <li>• Phase I – 0.5 Mn Installed Capacity (expected cost of USD 220 – 230 Mn)</li> <li>• Phase II – 0.3 Mn Installed Capacity (expected cost of USD 55 – 60 Mn)</li> </ul>	12 MMT	8 MMT (67%)
<b>Logistics</b>	<ul style="list-style-type: none"> <li>• 4 Logistic park/ICDs</li> <li>• 49+ rakes <sup>(3)</sup></li> <li>• Warehouse: 0.4Mn Sq. Ft.</li> </ul>		<ul style="list-style-type: none"> <li>• Investment in an additional 12 + Multimodal logistics parks</li> <li>• Investment in additional 180+ Rakes (Bulk + Container Trains + Auto Trains)</li> <li>• Additional 4.5 Mn Sq. Ft + Warehouse Space development</li> </ul>	<ul style="list-style-type: none"> <li>• 15+ Multi-modal Logistics Parks</li> <li>• 200+ rakes</li> <li>• Warehouse: 5 Mn SqFt.</li> <li>• 1.5 MMT+ Silo Capacity</li> <li>• 2 Mn Sqft Cold Storage</li> </ul>	
<b>Estimated Capex of INR 17,500 Crs. to create ~170 MMT of capacity+Logistics Expansion</b>					

Notes: (1) Does not include Dahej Ennore, Tuna, Goa, Kandla and Vizag ports / terminals

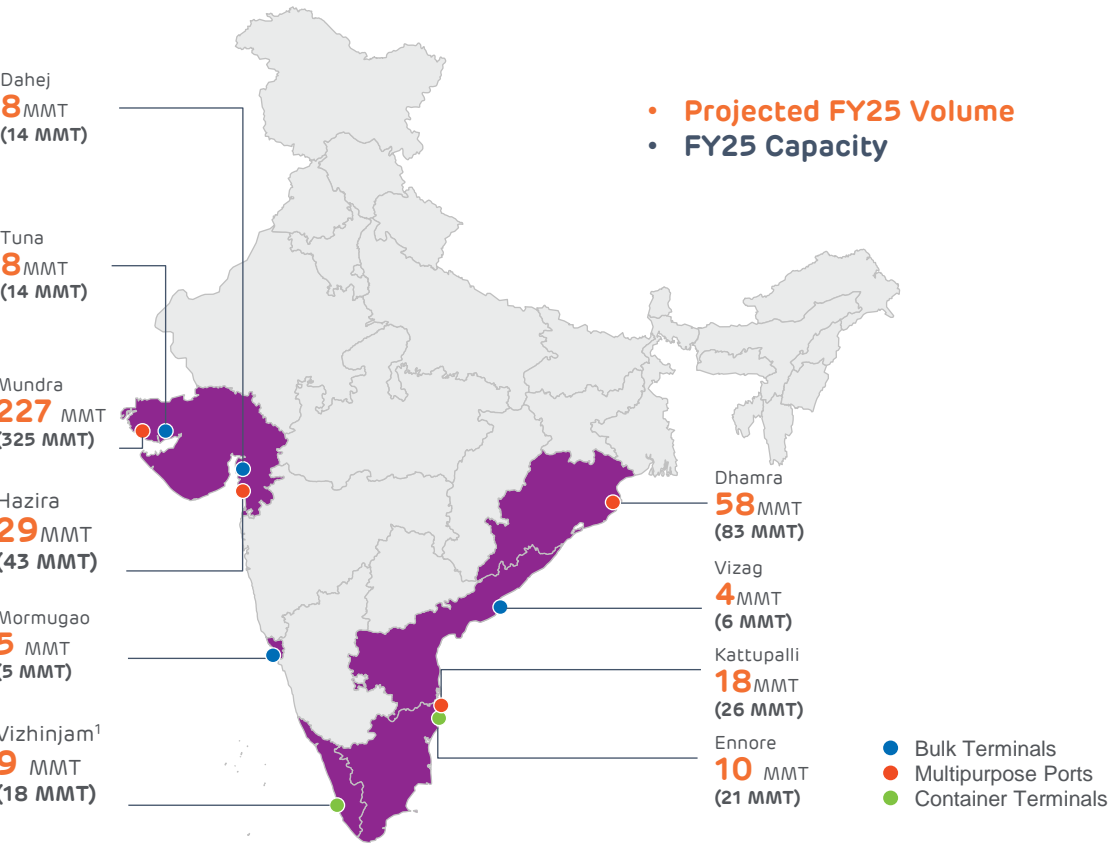
(2) Actual cargo volumes in FY19, and percentage utilisation: calculated as actual volumes in FY19 / installed capacity

(3) Number of rakes is as on 20-Aug-2019



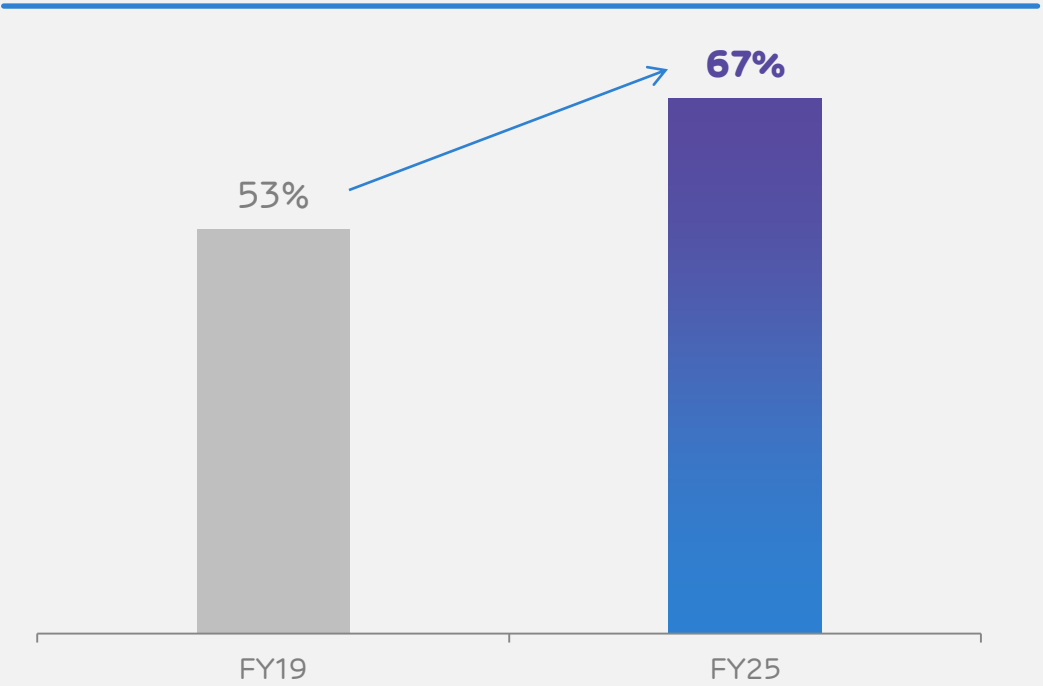
# APSEZ : Enhanced capacity utilisation with operating leverage

## Strong Growth in existing Ports



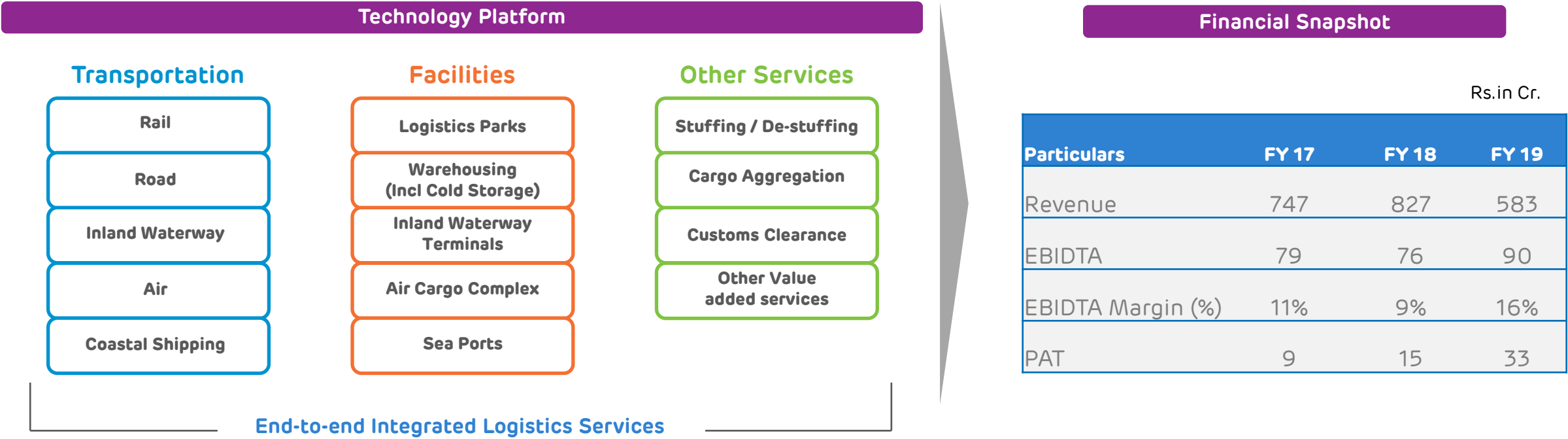
Notes: (1) Under development

At 400 MMT, capacity utilisation will improve by 14%



Source: Internal calculations

# Integrated logistics services to expand across the country



# Substantial expansion of assets and service capabilities

## Multi-modal Logistics Parks



From 4 to 15+

## Rakes \*



From 49 to 200+

## Warehouses



From 0.4 Mn to 5 Mn Sq.Ft.

## Silo Capacity



From 0.5 to 1.5 MMT

**22%+**  
**EBIDTA**

## New Business

### Cold Storage



2 Mn Sq.Ft.

### Air Cargo



50K MT

### Inland Waterways



25 Barges

\* Rakes includes GPWIS, Container Trains & Auto Trains

# APSEZ Corporate Governance

## Recent Governance Initiatives

- Policy on “Related Party Transactions for Acquiring and Sale of Assets”
- Dividend and shareholder return policy to be consistent with the long term strategic growth objectives of the company
- Dividend set at 20% to 25% of Profit After Tax (“PAT”) to be paid out as dividend or capital return (share buyback) or a combination
- Capital allocation policy targets Project pre tax IRR of 16% for all new projects
- Inducted one more independent director Ms. Nirupama Rao, (I.F.S.) on the Board

## Future Governance Initiatives

- Formal Board member Evaluation & Performance Plans by March 2020
- Establishment of Disclosure Committee by December 2020
- Establishment of Global Code & Policy Committee by March 2021

# Environment, Sustainability & Safety

## Focus on Renewable Energy



- Existing RE usage is **10 MW**
- **100%** cargo handling using RE by FY25

## Reducing Carbon Footprint



- Becoming a **Carbon Neutral Company** by FY25
- In-line with **Paris Accord**

## Water Conservation



- **422 mld** water recycled and reused in FY19
- **100%** water recycling and reuse by FY25 approximately 1000 mld

## Waste management



- **6,000 MT** waste being recycled, recovered and reprocessed in FY19
- **Zero waste** to landfill sites by FY25, Qty 10,000 MT

## Nature Conservation



- **~3000 Hectare** of Mangrove Plantation completed, ~1000 Hectares more targeted
- **750 Hectare** terrestrial plantation completed, ~ 1000 Hectare more targeted

**SAFETY  
FIRST**

**Safety Vision "Zero":** Highest commitments towards safety No Fatality, No Injuries . Safest place to work.



# Key Pillars of Finance Strategy

## 1. Consistent disclosures to increase predictability

- Information efficiency
- Timely and quality disclosure
- Reliable earnings

## 3. Reduce cost of capital

- Maintain Investment Grade Rating
- Develop a longer term yield curve

## 5. Enhancement in Shareholder Return

- Dividend enhanced to 20% - 25% of Profit After Tax from FY 20

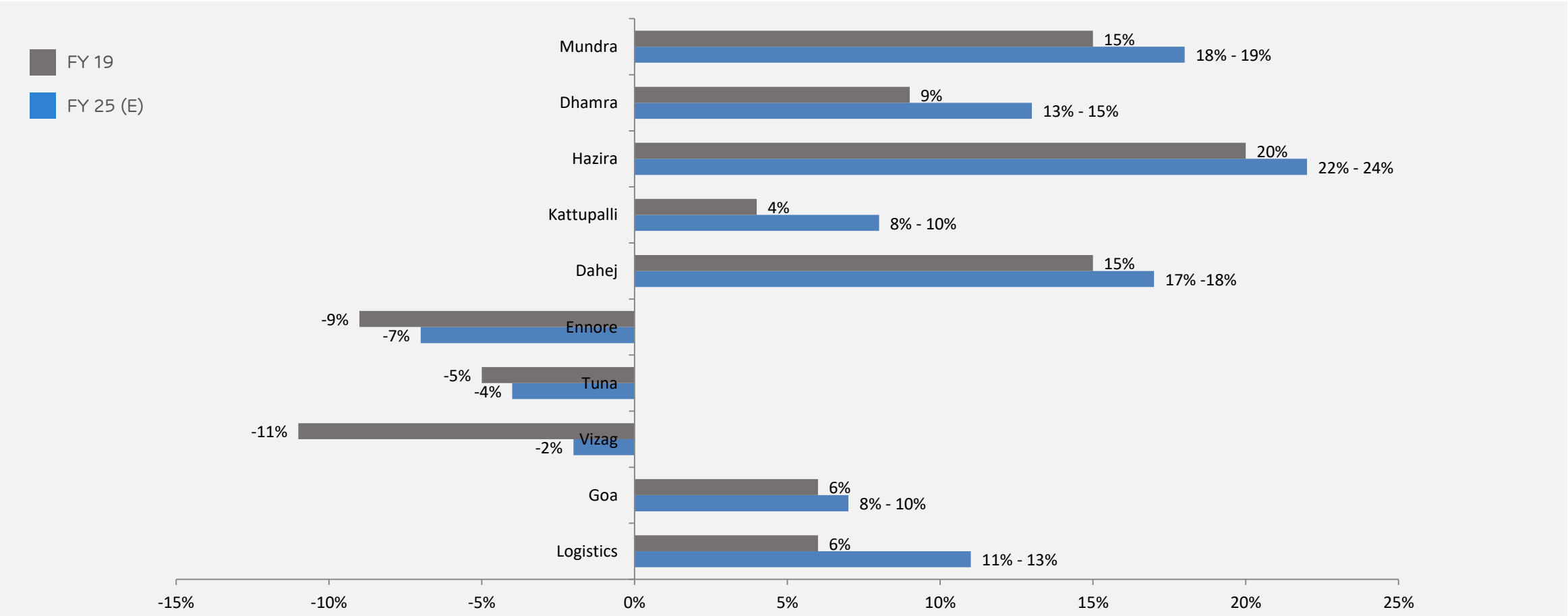
## 2. Focus on operating margins

- Consistently improve operating margin
- Port EBIDTA Margin to be around 70%

## 4. Robust capital allocation policy

- Board approved capital allocation policy – Project pre tax IRR of 16%
- Rationalization of assets for further improvement of ROCE

# ROCE of portfolio of existing ports



Consolidated ROCE to increase from 13.5% in FY19 to over 16% in FY25 due to higher capacity utilisation

# APSEZ well placed to capture future growth

## Why Invest with us?

- Sustained high and diversified growth with low-risk and unique operating model
- Sustained profitability and enhanced balance sheet strength
- One-point transport utility across port and hinterland with integrated logistics presence
- Enhanced capacity utilisation with operating leverage
- World-class technology and people with focus on environment, sustainability and governance

## APSEZ: FY25



**25%**

All India Market Share



**20k Cr+**

Revenue



**13k Cr+**

EBITDA



**16%+**

ROCE



**adani**

Ports and  
Logistics

**Thank You**





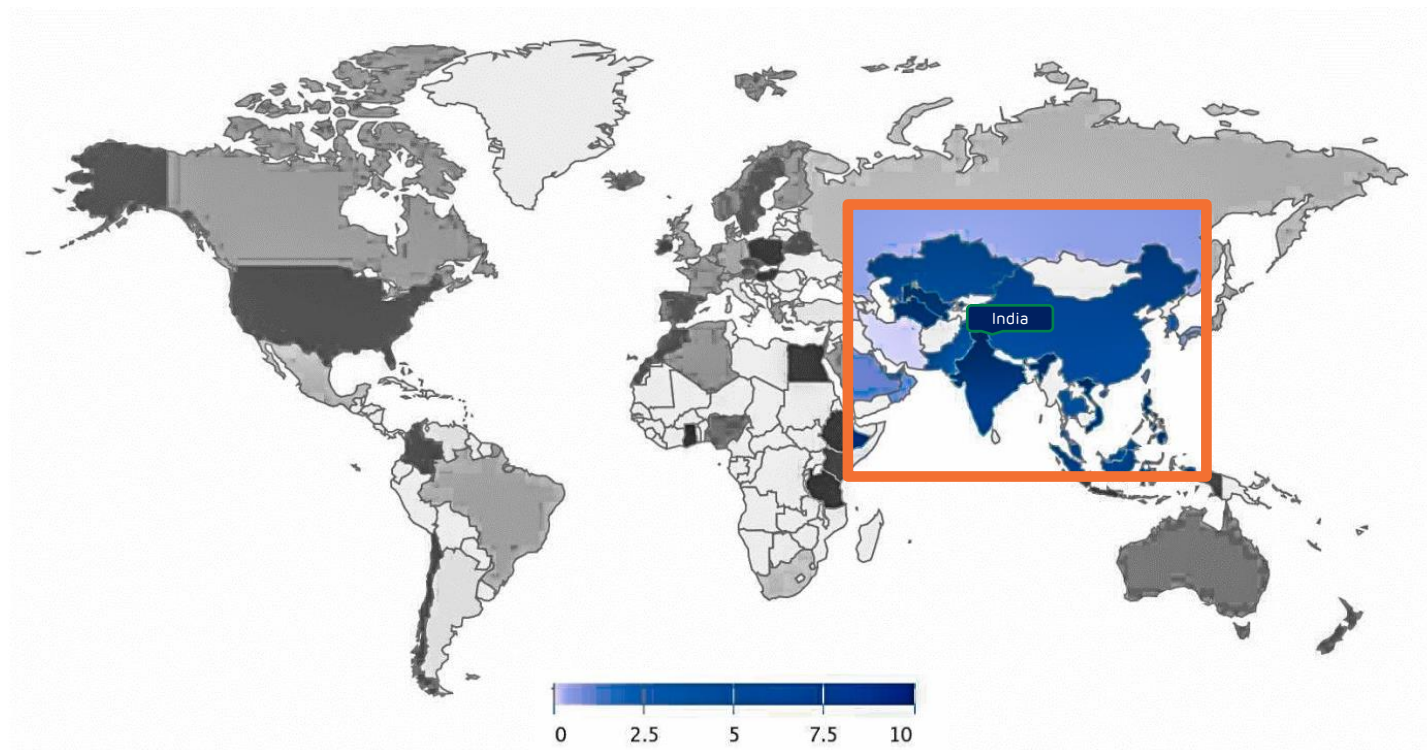
# Appendix





# Our business hinterland will remain growth engine of the world

## Global outlook for Gross Domestic Product Growth rates, 2018-2028



Notes: Colour ramp is based on GDP growth rates in 2019.  
Source: The Conference Board Economic Outlook 2019, July 2019 update.

India to be a US\$ 5 trillion economy by 2025

INR **2.7** trillion  
FY2019 nominal GDP

INR **2.5** trillion  
Incremental GDP by FY2025

Note: Average real GDP projected for 2019-25 is 7.5%  
Average nominal GDP estimated at 11.6%  
USD-INR exchange rate is projected at 70

# 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

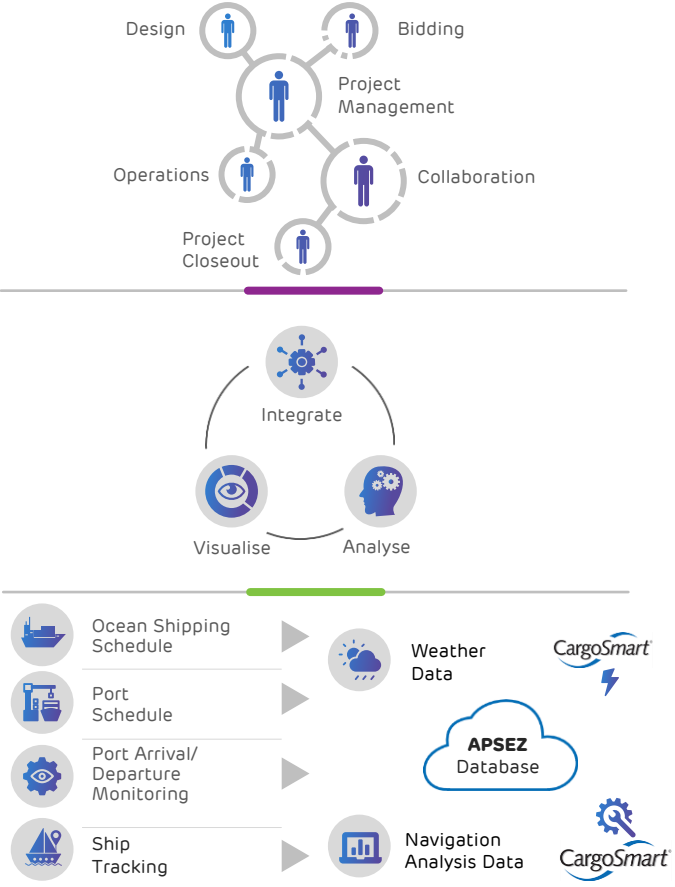
Data Analytics & Optimisation

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 organisation



## 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**

# Adani Foundation – Building Communities



Education

Beneficiaries

1,21,159



Community  
Health

5,18,160



Sustainable  
Livelihood

3,29,372



Community  
Infrastructure

3,79,262



Beneficiaries

50,353



20,829



4,87,502

**3.2 million**

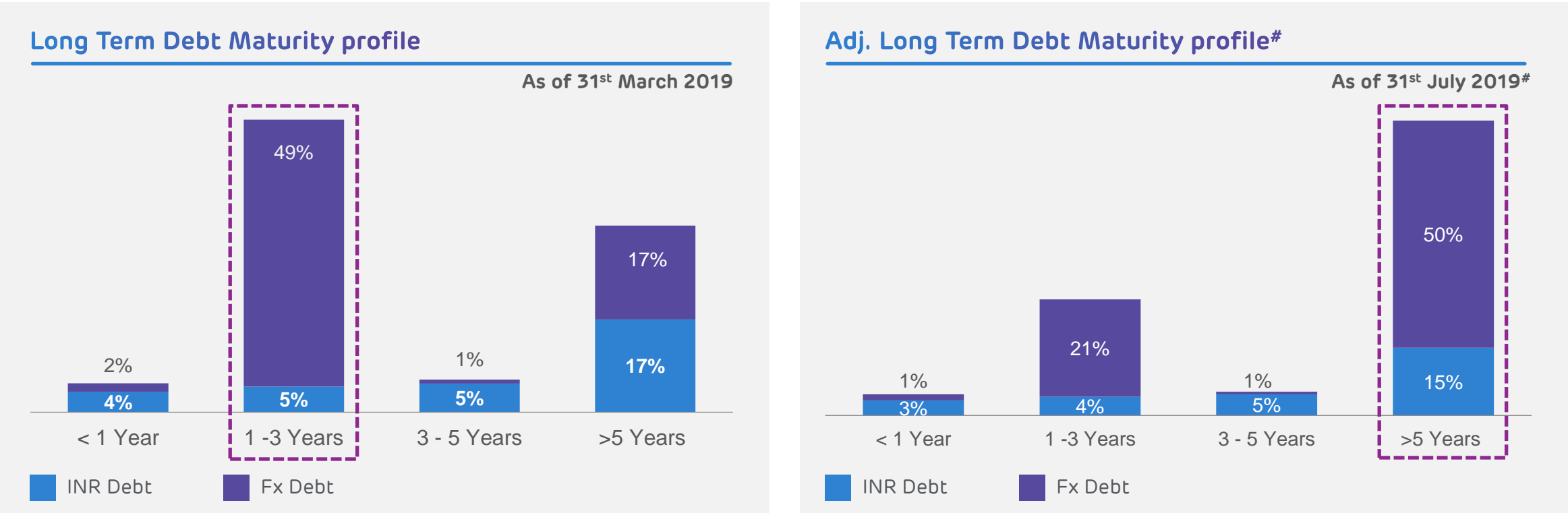
people annually  
across 2,250 villages  
in 18 states, 21 sites,  
38 locations.

**~ 19 lakhs**

direct and 14 Lakhs indirect  
beneficiaries.

Making a difference by continuous supporting local communities to build new, healthy, skilled, empowered India

# Debt profile – Elongated from 4 to 6 years post bond issuance



Description (INR Crs.)	Mar' 2014	Mar' 2019
Gross Debt	12,934	27,188
Of which Long Term Borrowings	12,528	21,000

<sup>#</sup>Post issuance of two new bonds of USD 750 Mn and USD 650 Mn  
 Note: 1 USD = INR 59.92 (As on March 31, 2014); 1 USD = INR 69.16 (As on March 31, 2019)



# APSEZ is rated investment grade from FY16 and beyond

## Stable Outlook

Baa3

BBB-

BBB-

## Covered by International rating agencies

MOODY'S  
INVESTORS SERVICE

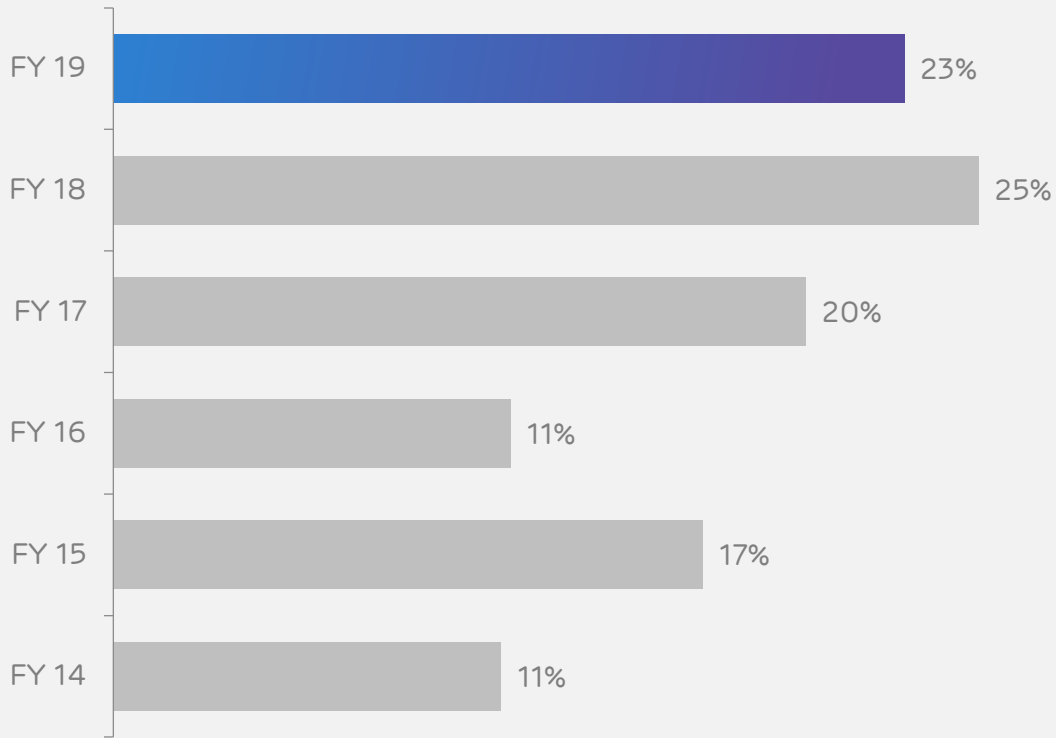
Fitch  
Ratings

S&P Global  
Ratings

## Key Investment Matrix

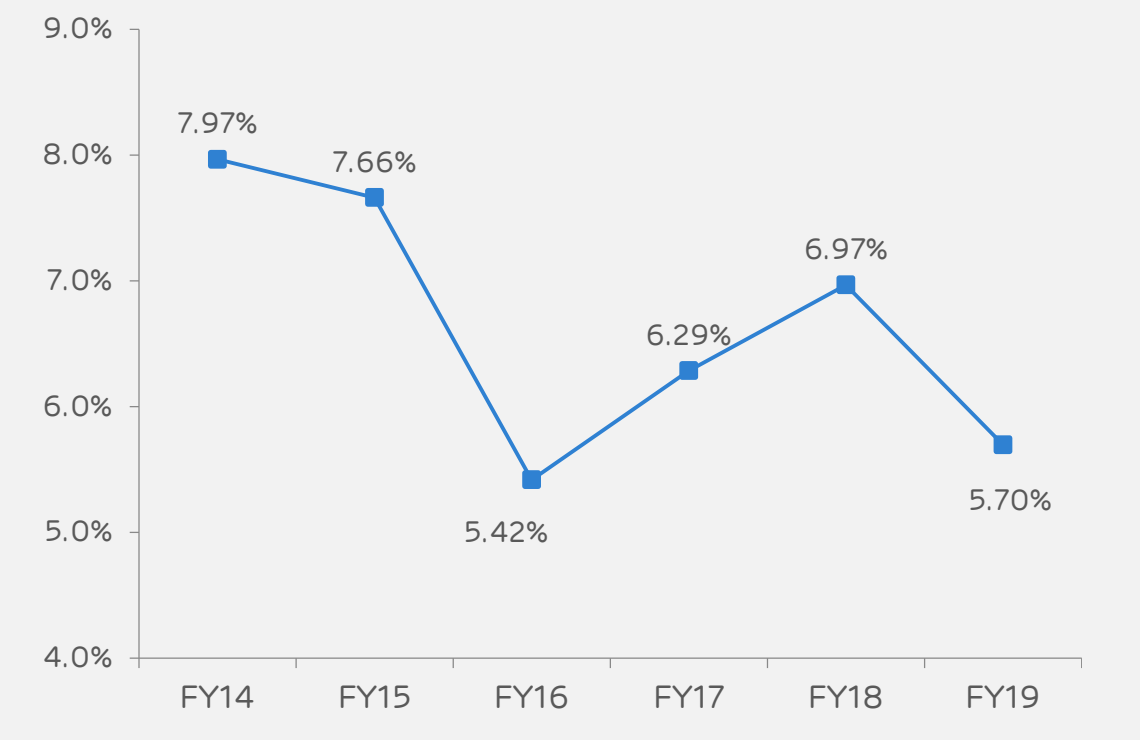
Matrix being maintained	Range
FFO / Gross Debt :	18% - 25%
FFO / Net Debt :	13% to 15%
Liquidity Ratio :	> 1.20x
FFO Interest Coverage :	3x – 4.5x

## FFO / Net Debt

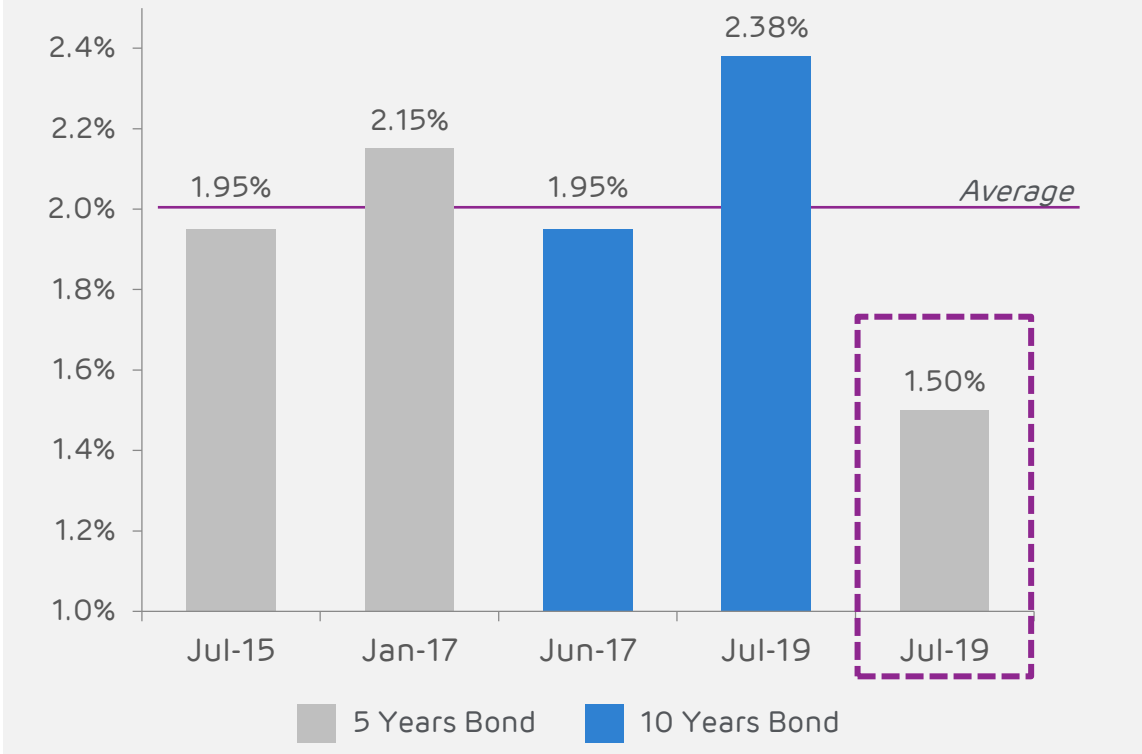


# Reduction in cost of debt

Improving Interest cost



Shrinking APSEZ Spread



Strong fundamentals enable tapping capital at finer spread

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