Adani Ports and SEZ Limited

APSEZ acquires minority stake in Gangavaram Port Ltd.

March 03, 2021
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As on Feb 28, 2021, USD/INR – 73.4 | Note - Percentages denote promoter holding

1. NQXT – North Queensland Export Terminal | Light blue color represent public traded listed verticals
2. ATGL – Adani Total Gas Ltd
3. ATGL3 – Gas DisCom

Opportunity identification, development and beneficiation is intrinsic to diversification and growth of the group.
**Adani Group**: Decades long track record of industry best growth rates across sectors

Port Cargo Throughput (MT)

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry</th>
<th>Adani</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>972 MT</td>
<td>113 MT</td>
</tr>
<tr>
<td>2020</td>
<td>1,339 MT</td>
<td>223 MT</td>
</tr>
</tbody>
</table>

Renewable Capacity (GW)

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry</th>
<th>Adani</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>25%</td>
<td>12%</td>
</tr>
<tr>
<td>2020</td>
<td>161%</td>
<td>6x</td>
</tr>
</tbody>
</table>

Transmission Network (ckm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry</th>
<th>Adani</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>7%</td>
<td>21%</td>
</tr>
<tr>
<td>2020</td>
<td>3x</td>
<td>21%</td>
</tr>
</tbody>
</table>

CGD (GAs covered)

<table>
<thead>
<tr>
<th>Year</th>
<th>Industry</th>
<th>Adani</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>30%</td>
<td>1.5x</td>
</tr>
<tr>
<td>2020</td>
<td>14,837 ckm</td>
<td>14,837 ckm</td>
</tr>
</tbody>
</table>

**Transformative model driving scale, growth and free cashflow**

- **APSEZ**: Highest Margin among Peers globally
  - EBITDA margin: 70%¹,²
  - Next best peer margin: 55%
- **AGEL**: Worlds largest developer
  - EBITDA margin: 89%³,⁴
  - Among the best in Industry
- **ATL**: Highest availability among Peers
  - EBITDA margin: 92%³,⁵
  - Next best peer margin: 89%
- **ATGL**: India’s Largest private CGD business
  - EBITDA margin: 31%⁶
  - Among the best in industry

**Note**: 1 Data for FY20; 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 sales 5. Operating EBITDA margin of transmission business only, does not include distribution business. 6. Contracted & awarded capacity 7. CGD – City Gas distribution GAs 8. Geographical Areas - Including JV | Industry data is from market intelligence.
Adani Group: Repeatable, robust & proven transformative model of investment

<table>
<thead>
<tr>
<th>Activity</th>
<th>Site Development</th>
<th>Construction</th>
<th>Operation</th>
<th>Capital Mgmt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis &amp; market</td>
<td>Site acquisition</td>
<td>Engineering &amp; design</td>
<td>Life cycle O&amp;M planning</td>
<td>Redesigning the capital structure of the asset</td>
</tr>
<tr>
<td>intelligence</td>
<td>Concessions and regulatory agreements</td>
<td>Sourcing &amp; quality levels</td>
<td>Asset Management plan</td>
<td>Operational phase funding consistent with asset life</td>
</tr>
<tr>
<td>Viability analysis</td>
<td>Investment case development</td>
<td>Equity &amp; debt funding at project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

India’s Largest Commercial Port (at Mundra)
Highest Margin among Peers

Longest Private HVDC Line in Asia (Mundra - Mohindergarh)
Highest line availability

648 MW Ultra Mega Solar Power Plant (at Kamuthi, TamilNadu)
Constructed and Commissioned in nine months

Energy Network Operation Center (ENOC) enables centralized continuous monitoring of solar and wind plants across India on a single cloud based platform

In FY20 seven international bond issuances across the yield curve totalling~USD4Bn
All listed entities maintain liquidity cover of 1.2x- 2x as a matter of policy.

1. FY20 data for commercial availability declared under long term power purchase agreements;
Company Profile
Ports
One to twelve in twenty years

SEZ
12k+* Ha of Land Bank

Integrated Logistics
(CTO to IWW & AFS an organic evolution)

Port gate to customer gate model intertwined to customer’s supply chain.

String of Ports

"Transport Utility"

Ports of Prosperity

APSEZ
Largest private transport utility

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

* Includes both SEZ and non SEZ land

Import - Coking coal

Export - Steel (HRC/CRC)

Customer – Tata Steel Plant

2x Port income

2x Warehousing income

2x Rail income

Import

Warehousing

Rail - GPWIS

Customer
APSEZ: Largest network of ports in India

West Coast Capacity 335 MMT

East Coast Capacity 163 MMT

Mundra - India's Largest Commercial Port by Volume

Mundra
264 MMT

Dhamra
18 MMT

Kattupalli
14 MMT

Ennore
12 MMT

Vizhinjam
18 MMT

Mundra
264 MMT

Tuna
14 MMT

Dahej
14 MMT

Mormugao
5 MMT

Hazira
30 MMT

Dighi
8 MMT

Kattupalli
18 MMT

Vizag
6 MMT

Krishnapatnam
64 MMT

Ennore
12 MMT

Mundra
264 MMT

Mundra - India's Largest Commercial Port by Volume

Evolution of APSEZ

FY06
FY21

1 Port
12*

10 MMT Capacity 498 MMT

*Ports in India | In addition Myanmar under construction | Does not include Gangavaram Port

12 ports serving vast economic hinterland of the country
APSEZ to acquire 31.5% stake from Warburg Pincus in Gangavaram Port Ltd (GPL) for INR 1,954 Cr

High growth potential through increase in capacity utilization and enhancement in cargo basket

Strong balance sheet (zero debt, AAA rated) with high cash flow generation and targets 100% dividend payout
Gangavaram Port Limited (GPL) - Overview
APSEZ: Gangavaram Port (GPL) - Overview

Concession Overview

- **Long term Concession:**
  - Commenced operations in 2009 (BOOT model)
  - **50 Year concession till 2059**
- **Concession Fee:**
  - 2.1% of Gross Income till 2039
  - 4.2% of Gross Income till 2049
  - 8.4% of Gross Income till 2059

Strategic Location

(Indicates shortest road distance between Gangavaram port and other Port)

- APSEZ Port
- APSEZ Terminal

Shareholding Pattern

- 58.1%
- 31.5%
- 10.4%

- DVS Raju & Family
- Warburg Pincus
- GoAP

1. APSEZ through its subsidiary operates a coal terminal at Vizag Port and container terminal at Ennore Port
APSEZ:GPL - Port Infrastructure

- All weather, **deep water multipurpose port**, located at Vizag
- Operational capacity of **64 MMTPA**
- **19.5 m draft**
- **9 berths**
- Freehold land: **1,800 acres** of which **800 acres** available for future development
- Additional Leased land: **1,052 acres**
- Excellent **road and rail connectivity**
- Master plan capacity of **250 MMTPA** with **31 berths**

Port has significant expansion potential in the long term
APSEZ: GPL - Stable and growing Cargo Volumes

**Cargo Volume (MMT)**

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>8MFY21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Coking Coal</td>
<td>8.9</td>
<td>5.7</td>
<td>5.6</td>
<td>5.8</td>
<td>6.1</td>
<td>2.7</td>
</tr>
<tr>
<td>Coking Coal</td>
<td>2.4</td>
<td>1.9</td>
<td>2.9</td>
<td>2.3</td>
<td>2.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Iron Ore</td>
<td>0.7</td>
<td>0.3</td>
<td>2.1</td>
<td>1.1</td>
<td>2.8</td>
<td>2.7</td>
</tr>
<tr>
<td>Limestone</td>
<td>1.1</td>
<td>0.7</td>
<td>1.1</td>
<td>1.2</td>
<td>4.8</td>
<td>4.6</td>
</tr>
<tr>
<td>Minerals</td>
<td>1.9</td>
<td>1.9</td>
<td>2.9</td>
<td>2.3</td>
<td>5.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Steel</td>
<td>0.3</td>
<td>0.7</td>
<td>0.3</td>
<td>0.3</td>
<td>7.7</td>
<td>7.7</td>
</tr>
<tr>
<td>Others</td>
<td>6.0</td>
<td>5.7</td>
<td>5.6</td>
<td>6.1</td>
<td>15.8</td>
<td>20.1</td>
</tr>
</tbody>
</table>

**Cargo Segment FY20**

- Non-Coking Coal: 46%
- Coking Coal: 15%
- Iron Ore: 14%
- Limestone: 6%
- Minerals: 7%
- Steel: 2%
- Others: 10%

**Customer Spread FY20**

- Customer 1-5: 44%
- Customer 15-20: 24%
- Customer 5-10: 16%
- Others: 16%

**Strong cargo growth of over 10%**
## APSEZ: GPL - Historical Financial Performance (Profit & Loss)

<table>
<thead>
<tr>
<th>Particulars (INR Cr)</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21E</th>
<th>CAGR (5 Yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenue</td>
<td>571</td>
<td>766</td>
<td>964</td>
<td>1,082</td>
<td>1,008</td>
<td>6%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>325</td>
<td>454</td>
<td>559</td>
<td>634</td>
<td>609</td>
<td>6%</td>
</tr>
<tr>
<td>EBITDA %</td>
<td>57%</td>
<td>59%</td>
<td>58%</td>
<td>59%</td>
<td>60%</td>
<td></td>
</tr>
<tr>
<td>Less: D&amp;A</td>
<td>171</td>
<td>175</td>
<td>179</td>
<td>138</td>
<td>139</td>
<td></td>
</tr>
<tr>
<td>EBIT %</td>
<td>27%</td>
<td>36%</td>
<td>39%</td>
<td>46%</td>
<td>47%</td>
<td>10%</td>
</tr>
<tr>
<td>Less: Finance Cost</td>
<td>104</td>
<td>52</td>
<td>17</td>
<td>32</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Add: Other Income</td>
<td>56</td>
<td>47</td>
<td>40</td>
<td>72</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>PBT</td>
<td>107</td>
<td>274</td>
<td>403</td>
<td>535</td>
<td>512</td>
<td></td>
</tr>
<tr>
<td>Less: Taxes</td>
<td>15</td>
<td>3</td>
<td>(7)</td>
<td>19</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>PAT</td>
<td>92</td>
<td>271</td>
<td>409</td>
<td>516</td>
<td>496</td>
<td>20%</td>
</tr>
<tr>
<td>PAT %</td>
<td>16%</td>
<td>35%</td>
<td>42%</td>
<td>48%</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>Dividend as a % of PAT</td>
<td>68%</td>
<td>35%</td>
<td>30%</td>
<td>36%</td>
<td>97%²</td>
<td></td>
</tr>
</tbody>
</table>

1. Figures are 9MFY21 annualized for representation purposes.
2. Dividend declared for 9MFY21 as a % of 9MFY21 profit

- **6%+ growth revenue and profitability**
- **Stable margin profile**
- **Reduced finance cost due to deleveraging**
- **Dividend policy to maximize distribution upto 100% of profits**

Robust growth and margin profile with high dividend payout
**APSEZ : GPL - Historical Financial Performance (Balance Sheet & Cash Flow)**

<table>
<thead>
<tr>
<th>Particulars (INR Cr)</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21E¹</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Fixed Assets</td>
<td>1,825</td>
<td>1,685</td>
<td>1,545</td>
<td>1,431</td>
<td>1,401</td>
</tr>
<tr>
<td>Gross Debt²</td>
<td>605</td>
<td>258</td>
<td>26</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Cash &amp; cash Equivalent</td>
<td>319</td>
<td>344</td>
<td>412</td>
<td>424</td>
<td>570</td>
</tr>
<tr>
<td>Net Debt</td>
<td>286</td>
<td>(87)</td>
<td>(386)</td>
<td>(422)</td>
<td>(570)</td>
</tr>
<tr>
<td>Net Worth</td>
<td>1,484</td>
<td>1,691</td>
<td>2,009</td>
<td>2,214</td>
<td>2,393</td>
</tr>
<tr>
<td><strong>Ratio</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoCE</td>
<td>7.4%</td>
<td>14.3%</td>
<td>18.7%</td>
<td>22.4%</td>
<td>19.7%</td>
</tr>
<tr>
<td>RoE</td>
<td>6.2%</td>
<td>16.0%</td>
<td>20.4%</td>
<td>23.3%</td>
<td>20.7%</td>
</tr>
<tr>
<td><strong>Free Cash Flow</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PBT</td>
<td>107</td>
<td>274</td>
<td>403</td>
<td>535</td>
<td>512</td>
</tr>
<tr>
<td>Less: Tax Paid</td>
<td>(32)</td>
<td>(62)</td>
<td>(85)</td>
<td>(95)</td>
<td>(82)</td>
</tr>
<tr>
<td>Add: D&amp;A</td>
<td>171</td>
<td>175</td>
<td>179</td>
<td>138</td>
<td>139</td>
</tr>
<tr>
<td>Less: Capex</td>
<td>(21)</td>
<td>(33)</td>
<td>(43)</td>
<td>(44)</td>
<td>(69)</td>
</tr>
<tr>
<td>Free Cash Flow²</td>
<td><strong>224</strong></td>
<td><strong>355</strong></td>
<td><strong>454</strong></td>
<td><strong>534</strong></td>
<td><strong>499</strong></td>
</tr>
</tbody>
</table>

- **Significant de leveraging with strong free cash flow generation**

1. FY21E figures are representing 9mFY21 numbers and cash flow elements are annualized for comparative purpose. Capex is estimated for FY21.
2. Free cash flow is excluding working capital.
3. Gross Debt excludes lease liabilities

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Zero debt, AAA Rated (CARE)

20%+ ROE and ROCE

Strong free Cash flow of INR 534 Cr in FY20
Transaction Overview and Investment Rationale
**APSEZ : Transaction Overview**

**Proposed Transaction Structure**

- APSEZ to acquire 31.5% stake from Warburg Pincus at INR 1,954 Cr
- Transaction is subject to CCI approval

**Implied Valuation**

- **Transaction Value**: 1,954
- **Target Share**: 31.5%
- **Total Equity Value**: 6,203
- **Net Debt (Dec’20)**: (557)
- **Enterprise Value**: 5,647

**Investor Rights**

**Board**
- Right to appoint 3 out of 9 directors
- In proportion to shareholding, minimum of one director

**Rights**
- Restructuring, sale of assets, corporate actions (Eg: IPO/charter amendments)
- Approval of business plan and Information rights

**Transfer**
- Free right to transfer shares

**Implied Transaction Multiple**

- **EV/EBITDA**: 8.9x
- **P/E**: 12.0x

**GPL**

- DVS Raju & Family 58.1%
- GoAP 10.4%
- Warburg Pincus 31.5%
- APSEZ Stake Sale

**Stake Sale**

- **Target Share**: 31.5%
APSEZ: GPL - A Value Accretive Transaction for APSEZ

- **Strategic Location**: Deep draft port in India with seamless connectivity with rich Eastern, Central and Southern markets of India.

- **Growth Potential**: 
  - Sticky cargo base and long term customers.
  - Growth potential through expansion, new cargo types and enhanced logistics solutions.

- **Robust Financials**: 
  - Company with one of the lowest operating cost.
  - Deleveraged balance sheet (AAA Rated).
  - High cash flow generation.

- **Value Creation**: 
  - Transaction at meaningful discount to traded valuation of APSEZ.
  - Return on investment meeting APSEZ thresholds.
Annexures
APSEZ: GPL - Location & Hinterland Connectivity

GPL's Customer Reach

Port is located near the richest **mineral and metal industrial belt ensuring steady increase in cargo flow.**

**Key Industries:** Metal, Fertilizers, Paper, Cement, Pharma, Power, Seafood, Chemicals, Agro Products.

Road Connectivity

4 lane expressway of 3.8 km connecting the port with the NH5 (Chennai - Kolkata), to be widened to 6 lane under BharatMala Project (BMP).

Rail Connectivity

**Twin Railway line connectivity** to the main broad gauge national network of “Chennai-Visakhapatnam-Howrah”

Gangavaram Port

Chennai-Visakhapatnam-Howrah

NH5 (Chennai-Kolkata)

Gangavaram Port

**GPL has excellent connectivity to service states which contribute ~43% of India's GDP**
APSEZ : GPL - Port Infrastructure

Infrastructure Highlights

- **Mechanical Handling** – 3 fully mechanized berths for capesize and 6 berths for Panamax size vessel.

- **Single Window Clearance** – End to end services from stevedoring to custom documentation.

- **Nil Demurrage** – **Fast turnaround time**.

- **Rail**: Independent "Railway Sidings" at port with
  - 2 R&D yards with 10 interchangeable lines & 14 sidings for receipt and dispatch of rakes
  - Dedicated mechanized coal & iron ore sidings
  - 4 in-motion weighbridges
  - 5 locomotives for shunting of rakes.

- **Road**: Four weighbridges for weighment of trucks.

Equipment Details

**Equipment Name** | **No** | **Specification**
--- | --- | ---

**For Coal Terminal**
- Ship - Unloaders: 4, 2400 TPH (each)
- Stackers: 3, 4000 TPH
- Reclaimers: 3, 1500 TPH/3000 TPH
- Stacker cum Reclaimer: 1, 4000 TPH /1500 TPH
- Wagon Loader: 1, 1500 TPH
- Conveyor to Stack Yard: 4000 TPH
- Stackyard Capacity: 6 MMT
- Silo: 1, 800 TONS BIN
- Telestackers: 2, 800 TPH

**For Iron Ore Terminal**
- Ship Loader: 1, 4500 TPH
- Stacker: 1, 1500 TPH
- Reclaimer: 1, 4500 TPH
- Wagon - Tippler: 24 TIPS/ HOUR
- Conveyor: 4500 TPH
- Stackyard Capacity: 1 MMT

**Multipurpose Berths**
- Mobile Harbor Cranes: 5, 1400 TPH

**Mechanical Handling, Single Window Clearance, Nil Demurrage & evacuation infrastructure leading to efficient operations**
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