

adani

Ports and
Logistics

Ref No: APSEZL/SECT/2018-19/120

February 28, 2019

BSE Limited
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Mumbai – 400 001

National Stock Exchange of India Limited
Exchange Plaza,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

Scrip Code: 532921

Scrip Code: ADANIPORTS

Sub: Presentation - Acquisition of Agri Logistics Business

Dear Sir,

This in reference to our letter no APSEZL/SECT/2018-19/119 dated February 24, 2019 on the captioned matter.

In this connection, we are enclosing herewith the presentation which is being shared with investors ahead of today's conference call. The same is being uploaded on our website.

Kindly take the same on your record.

Thanking you,

Yours faithfully,

For Adani Ports and Special Economic Zone Limited



Kamlesh Bhagia
Company Secretary



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Acquisition of Adani Agri Logistics Business (AALL)

APSEZ

28 February 2019



Discussion Topics

1. Transaction background and context
2. Adani Agri Logistics Limited (AALL) – Strategic Fit for Adani Logistics
3. AALL – Geographical Presence and Concession Structure
4. Agri Logistics – Business Potential
5. AALL – Business Potential and Strategic Synergies
6. Financial and Value Creation Potential

Transaction Context

- **2016:** Initial Evaluation by APSEZ of AALL
- **2017/18:** APSEZ Strategic Business Plan on Logistics finalized
- **2017/18:** AALL becomes a sizeable business with new contracts
- **2017/18:** ALL review of strategy and identification of potential sites for logistics businesses
- **Target 2020:** ALL target for 7 logistics parks, 900,000 sq. ft warehousing space and 30 rakes
- **H2 2018:** Overlap of locations and business model – synergies vs competition analysis
- **2019:** Strategic decision in lieu of synergies and business plan acceleration for ALL

AALL - A good fit into ALL Logistics Strategy

Target fits well into Adani Logistics strategy

- Adani Logistics Limited (“ALL”) is a leading player in India providing infrastructure and services across **Container, Bulk, Break-bulk & Liquids**
- AALL is India’s largest player with **45% market share in modern agri storage infrastructure**

AALL –Leadership with Long Term Contracts and High Margins

- AALL is the **pioneer** in providing **efficient storage** through silos and **transportation** by rail
- Agri losses of 0.25% vs India average of 7-8%
- **1.58 MMT fully contracted capacity** (55% operational, 45% under development)
- **7 trains & 28 storage & handling infrastructure facilities** (14 operational) across 10 States
- Long term (**20-30 year**) **contracts** on use or pay basis with **70%+ EBITDA margins**

AALL - Target to double infrastructure capacity in the next 3 years

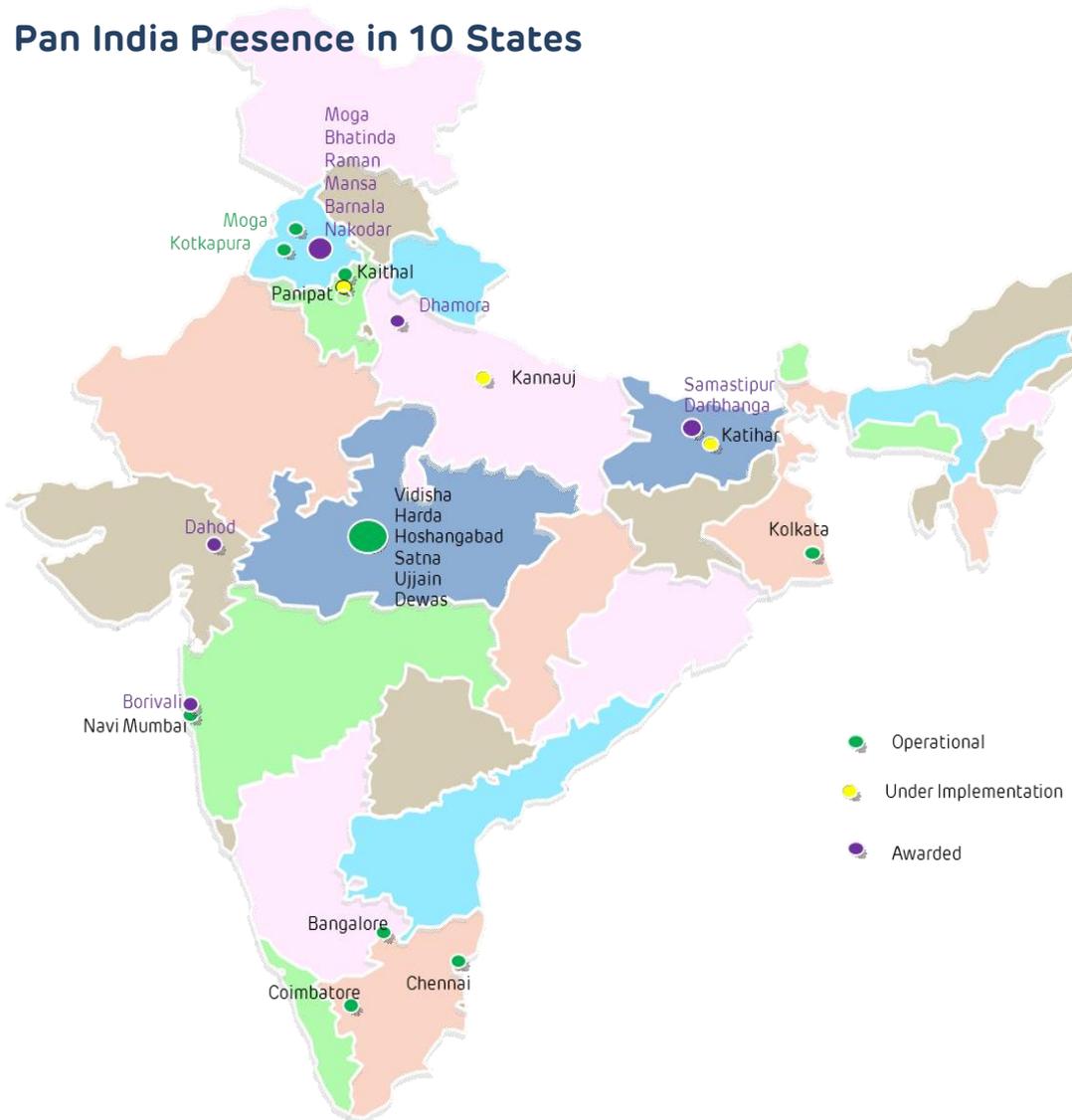
- **~12.5 MMT** infrastructure opportunity; 6.5 MMT is to awarded in the next 3-4 years
- Long term opportunities from i) Conventional storage conversion ii) Silos at consumption / production centres and iii) conversion of transport mode provides sustainable high growth

Adani Logistics – Combined Business Potential

- Significant opportunity to **leverage** combined **infrastructure for handling multiple commodities and transportation and further enhance hinterland connectivity**
- **Enhanced** scalability of businesss
- **Speedier** implementation and **quick ramp up** of logistic footprint

AALL- Brief Overview

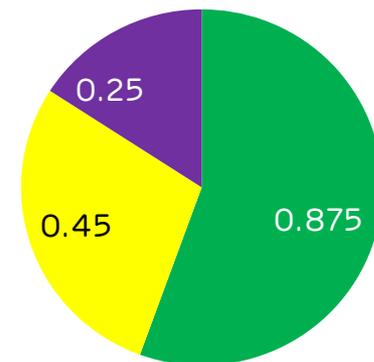
Pan India Presence in 10 States



Strong Contractual Framework

Highlights	Notes
Volume	• Guaranteed tonnage from FCI / States
Offtake	• Ultimate off-taker being FCI (Government of India Entity)
Revenue	• INR / Ton based on minimum guaranteed tonnage
Escalation	• Inflation linked formula (WPI & CPI)
Tenor	• 30 years (new) • 20 years (legacy)
Structure	• Build own operate (70% of contract)

Contracted Capacity (MMT)



Agri Logistics Opportunity in India

Significant opportunity on account of supply – demand gap in agri logistics infrastructure

Near Term Infrastructure Growth Potential

- Current agri losses of 7-8% and government target to bring this down to global average of <0.5%
- Efficient infrastructure required to reduce agri losses - Infrastructure gap of ~12.5 MMT



Long Term Potential

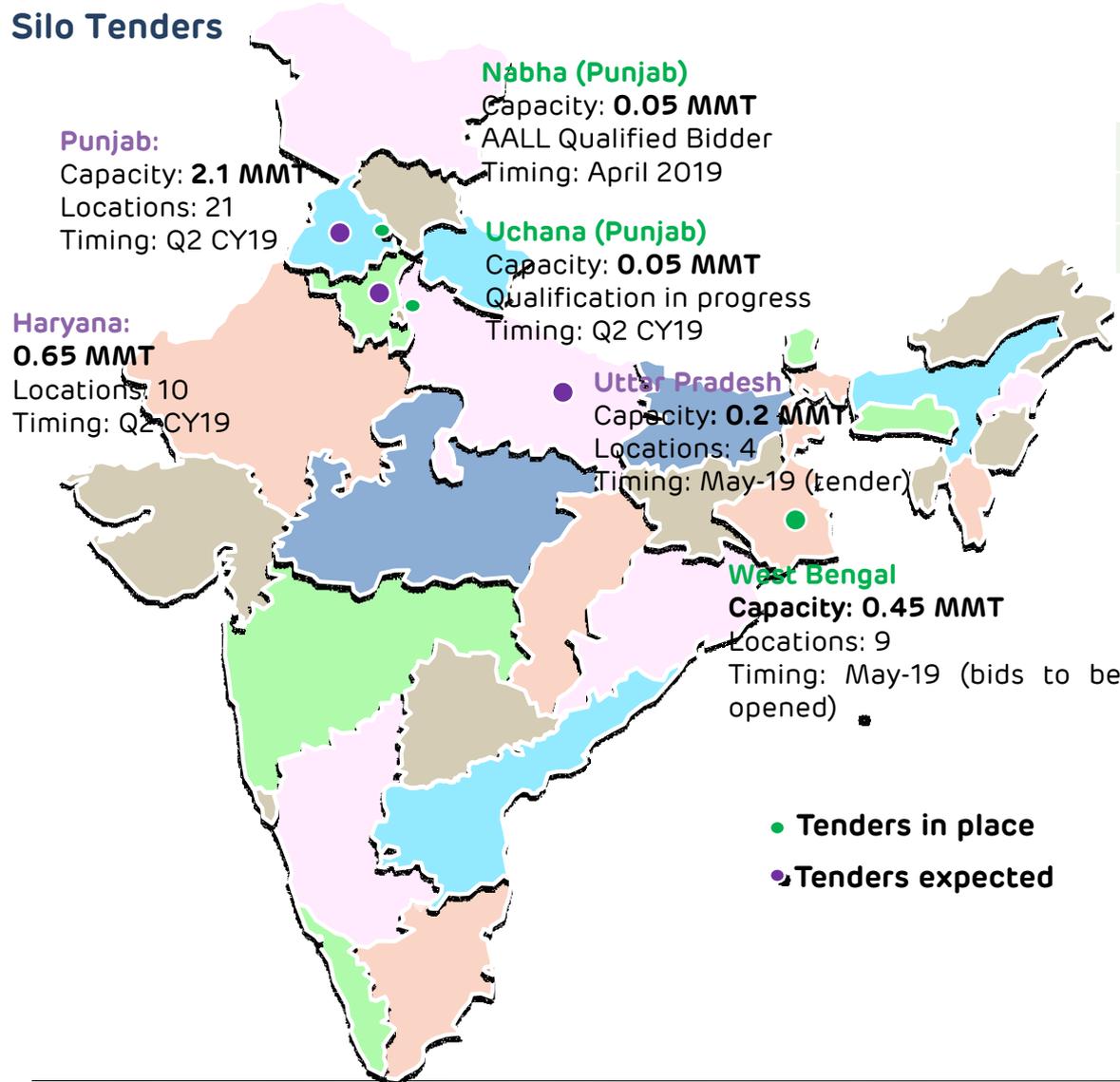
Conversion from conventional storage to Silos (85 MMT)

Silos at Ports, Logistics Parks at production and consumption centres

Conversion of transport mode (road to rail) – leading to investments in new grain rakes

India Agri Logistics – Visible Pipeline of Opportunities

Silo Tenders



Tenders in Place	0.55 MMT
Tenders expected by Q2 CY 19	2.95 MMT
Total	3.50 MMT

FCI study underway for storage deficit in consumption states and identification of silo locations to come up with next round of tenders

Bulk Rakes Tenders

- Tendering Agency: FCI
- Rakes: 6 (Initial)
- Rakes: 21 (Phased)
- Objective: Facilitate bulk movement from Procuring States Silos to Consuming states
- Timing: March 2019

AALL – Adding Value to Adani Logistics



Business Potential for Combined Logistics Business

Complementary Logistics Business

- Doubles size and scale
- Increase addressable market
- Enhance network and market penetration



Growth Opportunity

- Silos at Ports, Logistics Parks at production and consumption centres
- Conversion of conventional storage to efficient infrastructure storage

Asset Utilization and Efficiencies

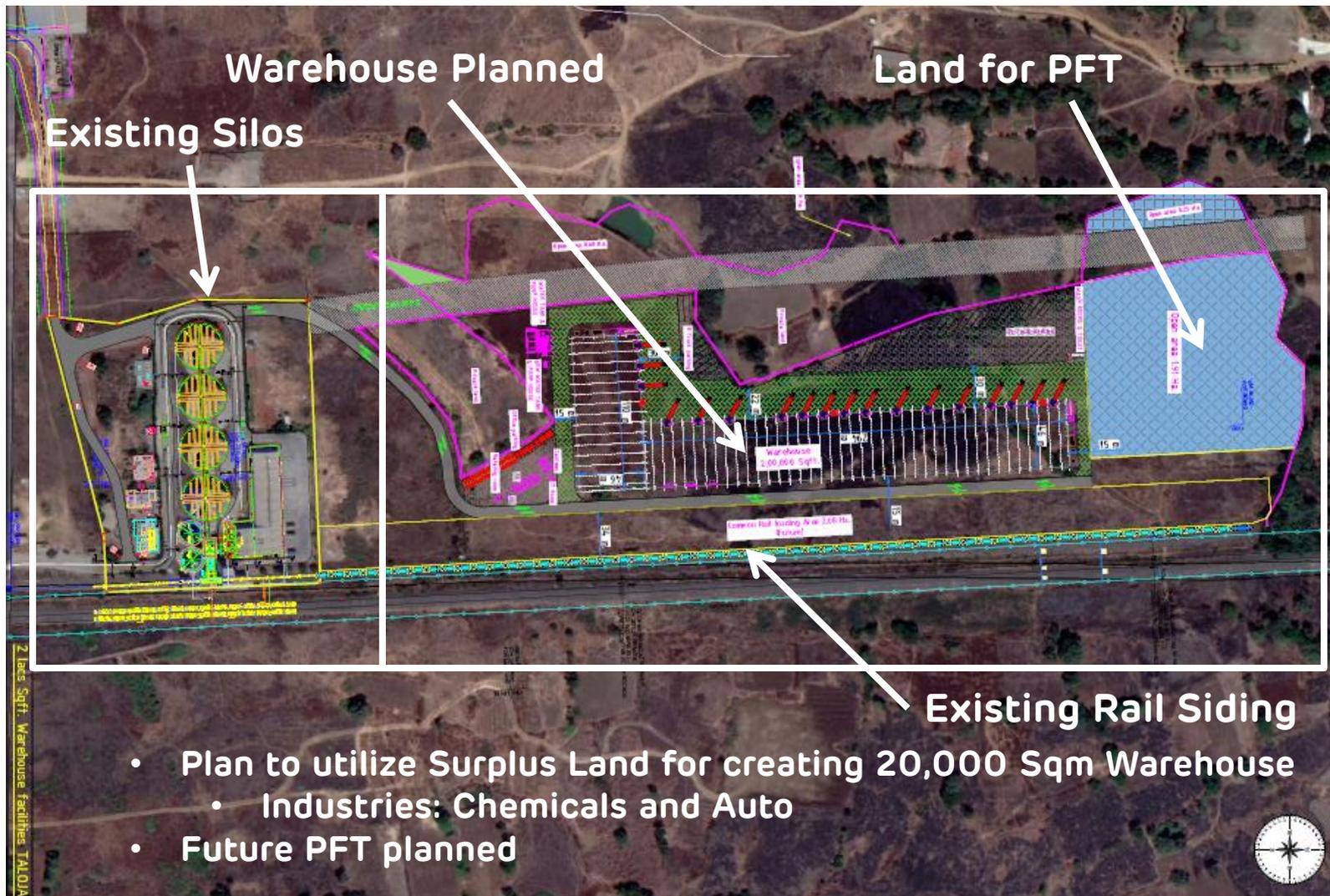
- Leverage infrastructure
- Handling multiple commodities
- Rail transportation
- First mile – last mile road transportation

Near Term Synergy Potential for next 2-3 years

		FY21/FY22 Capex Savings	Incremental FY21 EBITDA
Leverage Rail Sidings for PFT	<ul style="list-style-type: none"> • ALL to leverage rail sidings for PFTs# • 5 potential sites identified – 20% of ALL’s target for next few years • Use sidings to handle 3rd party cargo 	75-100 Cr	
Utilize Land for New Business	<ul style="list-style-type: none"> • Additionally Land at AALL to be utilized for Logistics Parks / warehousing • Existing Logistics Park facilities to be utilized for grain silos (e.g. Kilaraipur) 	125 -150 Cr\$	
Leverage Combined Capabilities	<ul style="list-style-type: none"> • Bring forward PFTs / Silos Cash flows by leveraging existing sites by 2 years • Enhance ALL business by adding 10 grain rakes 		15-20 Cr
Growth Synergies	<ul style="list-style-type: none"> • Utilize future sites for all product offerings (20+ under evaluation) • New silos for private sector / farms • Port based grain silos • Expansion at existing site a lower cost 	✓	✓

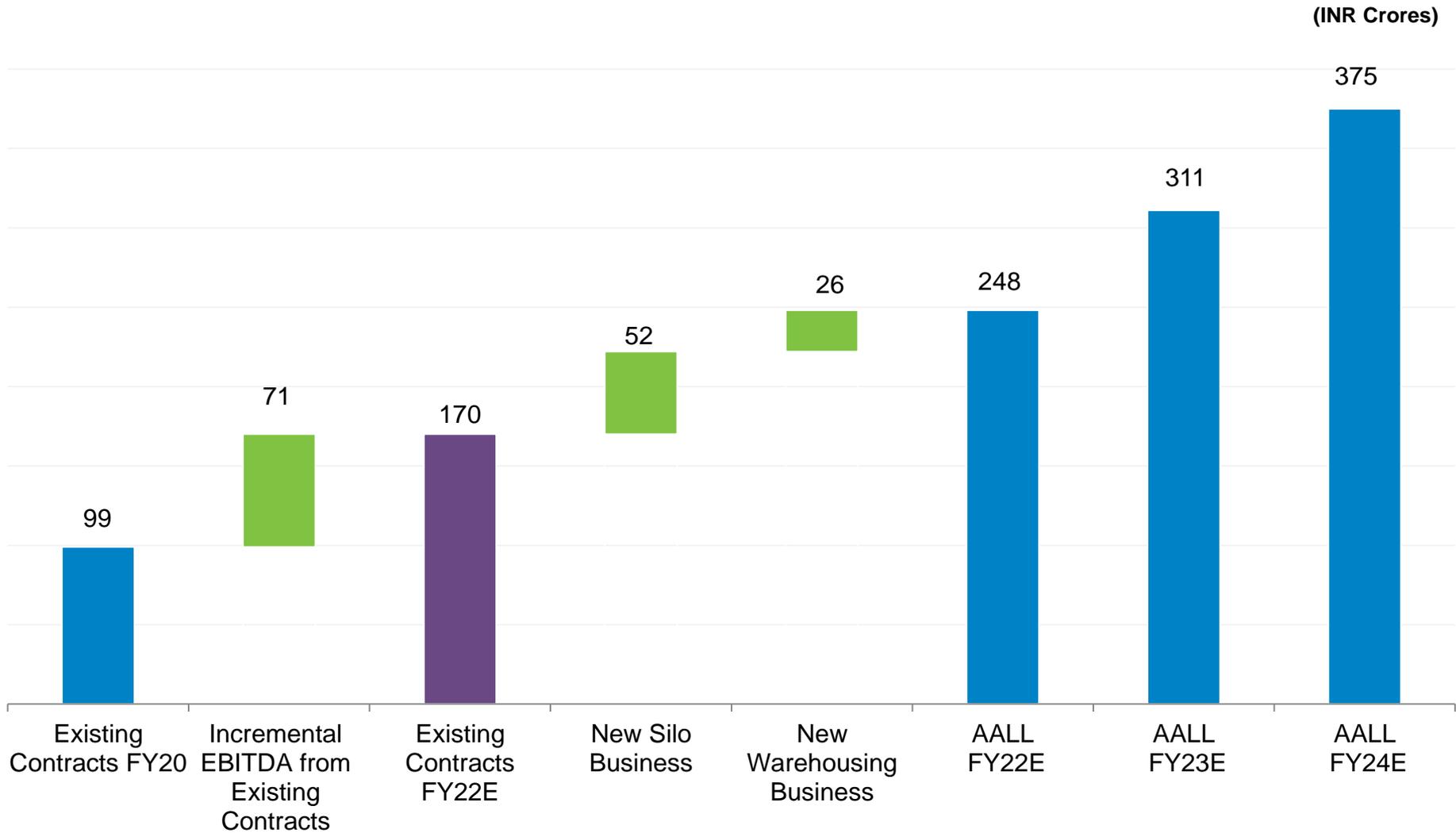
Above savings are for next 2-3 years only – additional synergy with new expansions not considered

Realizing Synergies – Taloja (Navi Mumbai)



- Plan to utilize Surplus Land for creating 20,000 Sqm Warehouse
 - Industries: Chemicals and Auto
- Future PFT planned

Combined Business Potential – EBITDA Progression



Valuation and Financial Highlights



AALL – Valuation Methodology

Independent Valuer	<ul style="list-style-type: none"> Ernst and Young Merchant Banking Services LLP
Transaction	<ul style="list-style-type: none"> 100% stake in AALL from Adani Enterprises Limited (AEL) for a cash consideration of INR 946 Cr Acquisition targeted to be completed by March end, 2019
Valuation Methodology	<ul style="list-style-type: none"> Discounted cash Flow method (“DCF”) for valuation of AALL assets till life of concession Cash flows based on the minimum guaranteed tonnage from off-taker Terminal value for Build Own and Operate assets based on cash flows basis renewal of concession / new contracts with third parties post concession expiry Fair value of surplus land (~96 acres of 355 acres) based on market benchmarks WACC of ~9.5% for assets based (risk premium for off-takers, status of project)
Factors not Considered in Valuation	<ul style="list-style-type: none"> No cash flows assumed from surplus land available at AALL of 96 acres New Silo Businesses – 1.5 MMT potential in next 3 years Synergies from Warehousing due to co-location Capex synergies on utilization of combined business land and rail sidings Benefit from APSEZ balance sheet strength – Interest cost savings

Key Metrics	INR Crs
Equity Valuation	946
Total Debt (FY19)	716
Enterprise Value	1,662

Delivering Value Accretion over the next 3 years by Realizing Synergies

Illustrative Accretion to Enterprise Value

INR Crores



Notes:

1. Surplus land is vacant and not currently utilized area of ~96 acres valued at INR ~ 110 Crs.
2. New Silo business – Based on indicative financials for 1.5 MMT contracts with concession life of 30 years to be won over 2-3 years. Indicative Valuation based on similar tariff, capex and margin profiles and on 10% WACC, 2% terminal growth
3. Warehousing Business – 600,000 pallets capacity at 2 locations based on current market realizations. Land cost not included given AALL land to be utilized. Valuation based on 10.5% WACC and 3% terminal growth rate
4. CAPEX saving of INR 130 Crs. consists of INR 75-100 Crs. savings due to leveraging of existing Rail Sidings for PFT and INR 55 – 80 Crs. (after adjusting INR 70 Crs. for Taloja & Deoli land) due to readily available land
5. Interest saving is considering saving of 1% (net of tax) interest cost being discounted @ 9%

Combined Indicative Financials – Including Identified Synergies

Year	INR Crores					
	2020E	2021E	2022E	2023E	2024E	2025E
Capacity – Silo - MT	1,025,000	1,425,000	2,075,000	2,575,000	3,075,000	3,075,000
Capacity Warehouse – No. of Pallets		600,000	600,000	600,000	600,000	600,000
Revenue	137	221	328	412	499	514
EBIDTA	99	166	248	311	375	386
EBIDTA Margin	72%	75%	76%	75%	75%	75%
Depreciation	40	59	83	109	130	130
EBIT	59	107	166	202	246	257
Investments for the year	420	529	412	330		
Capital Invested	2,082	2,611	3,023	3,353	3,353	3,353
EBITDA / Capital Invested	4.7%	6.4%	8.2%	9.3%	11.2%	11.5%
EBITDA / Capital Invested with Capex Synergy of INR 130 Crs.	5.1%	6.7%	8.6%	9.7%	11.6%	12.0%

Contracted Capacity – Key Financial Highlights (Excluding Synergies)

Year	INR Crores					
	2020E	2021E	2022E	2023E	2024E	2025E
Capacity - MT	1,025,000	1,425,000	1,575,000	1,575,000	1,575,000	1,575,000
Volume Handled - MT	1,025,000	1,425,000	1,575,000	1,575,000	1,575,000	1,575,000
Revenue	137	193	225	232	239	246
EBIDTA	99	143	170	175	180	186
EBIDTA Margin	72%	74%	76%	76%	75%	75%
Depreciation	40	55	58	63	63	63
EBIT	59	88	113	112	117	122
Investments for the year	330	103				
Capital Invested	1,992	2,096	2,096	2,096	2,096	2,096
EBITDA / Capital Invested	5.0%	6.8%	8.1%	8.4%	8.6%	8.9%

New Silo Business – Indicative Financials

Year	INR Crores					
	2020E	2021E	2022E	2023E	2024E	2025E
Capacity - MT			500,000	1,000,000	1,500,000	1,500,000
Volume Handled - MT			500,000	1,000,000	1,500,000	1,500,000
Revenue			70	143	222	228
EBIDTA			52	107	165	170
EBIDTA Margin			74%	74%	74%	74%
Depreciation			21	42	63	63
EBIT			31	65	102	107
Investments for the year		425	412	330		
Capital Invested		425	838	1,168	1,168	1,168
EBITDA / Capital Invested			6.2%	9.1%	14.1%	14.5%

Co-location of Warehousing at AALL Sites – Indicative Financials

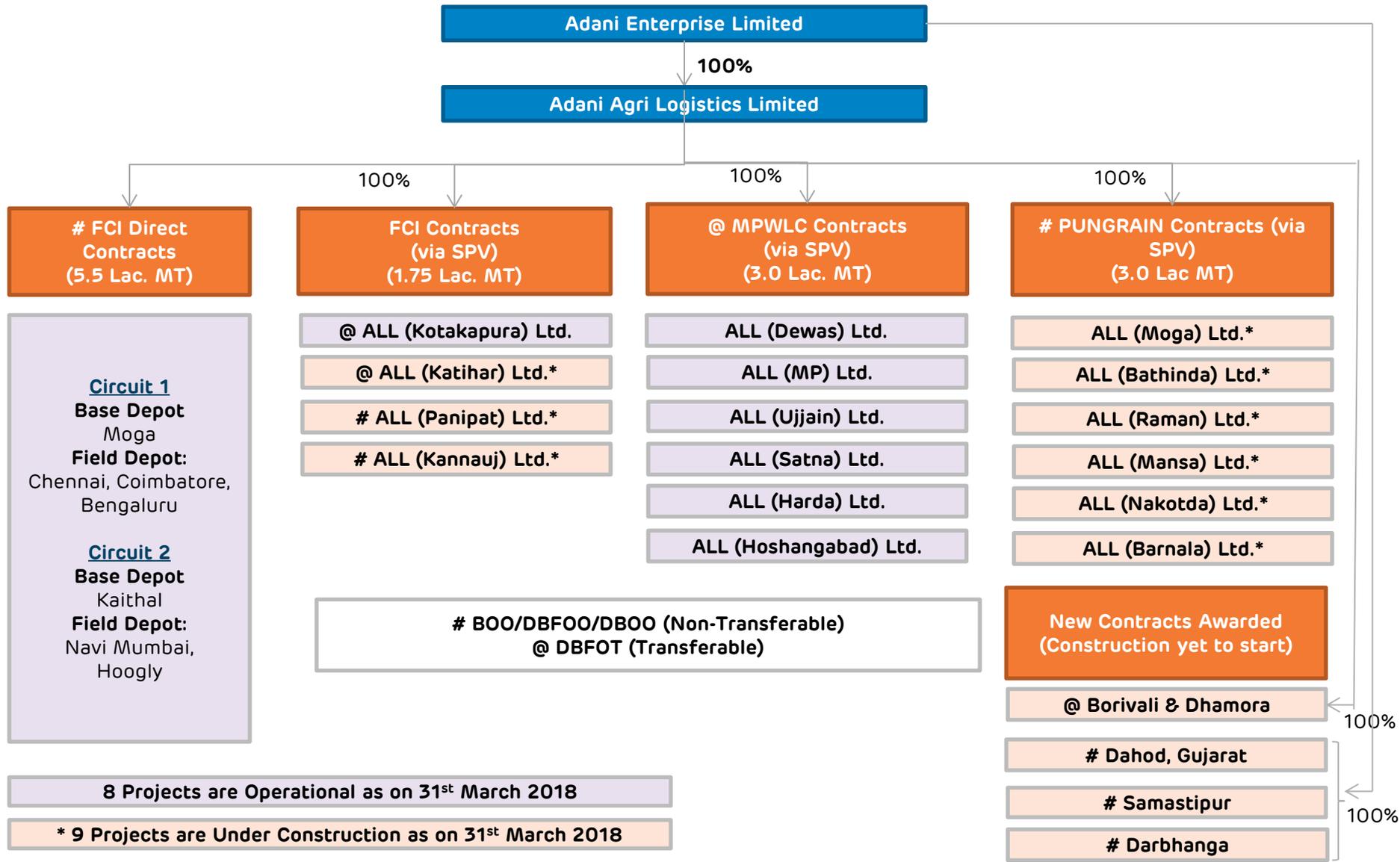
Among the 6 identified locations, detailed analysis has been conducted on 2 locations (Taloja and Deoli) and its potential has been dimensioned below.

Year	INR Crores					
	2020E	2021E	2022E	2023E	2024E	2025E
Capacity – Pallets		600,000	600,000	600,000	600,000	600,000
Volume Handled - Pallets		480,000	480,000	528,000	580,800	580,800
Revenue		29	33	37	38	39
EBIDTA		23	26	29	30	31
EBIDTA Margin		79%	80%	79%	79%	79%
Depreciation		4	4	4	4	4
EBIT		19	22	25	26	27
Investments for the year	90					
Capital Invested	90	90	90	90	90	90
EBITDA / Capital Invested		25.3%	29.1%	32.6%	33.6%	34.4%

Annexure



AALL: Current Holding Structure



Operational Assets - Overview

Location	User (Contracting Party)	Land Area Acres	Capacity In MT	Take or Pay MGT (FY19) In MT	Concession Period
Total (a+b+c)		355	15,75,000	16,10,500	
a) Operational Project		268	8,75,000	9,18,500	
Moga	FCI	46.52	200,000	150,000	2007-27
Chennai	FCI	33.64	25,000	50,000	2007-27
Bengaluru	FCI	27.48	25,000	50,000	2007-27
Coimbatore	FCI	26.75	25,000	50,000	2007-27
Kaithal	FCI	40.99	200,000	150,000	2007-27
Navi Mumbai	FCI	55.55	50,000	100,000	2007-27
Hoogly	FCI	Railway land	25,000	50,000	2007-27
Deoli		37.04	-	-	TDB
Kotkapura	FCI	FCI land	25,000	24,500	2017-47
Dewas	MPWLC	MPWLC land	50,000	49,000	2015-45
Vidisha	MPWLC	MPWLC land	50,000	49,000	2015-45
Ujjain	MPWLC	MPWLC land	50,000	49,000	2015-45
Satna	MPWLC	MPWLC land	50,000	49,000	2016-46
Harda	MPWLC	MPWLC land	50,000	49,000	2016-46
Hoshangabad	MPWLC	MPWLC land	50,000	49,000	2016-46
b) Under Implementation		87	4,50,000	4,47,000	
Katihar	FCI	FCI land	50,000	49,000	2020-50
Panipat	FCI	24.00	50,000	49,000	2020-50
Kannauj	FCI	12.15	50,000	49,000	2020-50
Moga	Pungrain	11.53	50,000	50,000	2021-51
Raman	Pungrain	10.76	50,000	50,000	2021-51
Mansa	Pungrain	7.10	50,000	50,000	2021-51
Nakotda	Pungrain	13.70	50,000	50,000	2021-51
Barnala	Pungrain	8.12	50,000	50,000	2021-51
Bhatinda	Pungrain	NA	50,000	50,000	2021-51
c) Newly Awarded			2,50,000	2,45,000	
Dahod	FCI	Acq. in process	50,000	49,000	2022-52
Borivali	FCI	FCI land	50,000	49,000	2021-51
Dhamora	FCI	FCI land	50,000	49,000	2021-51
Samastipur #LOA Stage	FCI	Acq. in process	50,000	49,000	2022-52
Darbhanga #LOA Stage	FCI	Acq. in process	50,000	49,000	2022-52

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