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Rating	BUY
Price	Rs130
Target Price	Rs160
Implied Upside	23.1%
Sensex	17,404
Nifty	5,296

(Prices as on March 30, 2012)

Trading data

Market Cap. (Rs bn)	259.4
Shares o/s (m)	2,003.4
3M Avg. Daily value (Rs m)	243.5

Major shareholders

Promoters	77.50%
Foreign	10.64%
Domestic Inst.	4.87%
Public & Other	6.99%

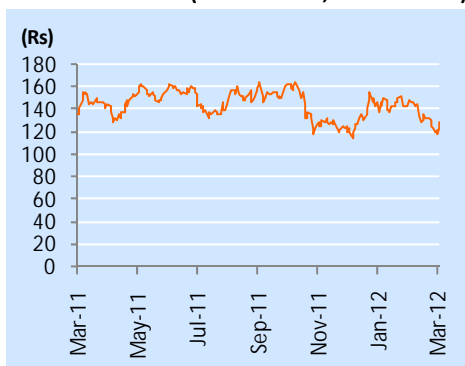
Stock Performance

(%)	1M	6M	12M
Absolute	(12.9)	(21.2)	(5.1)
Relative	(10.9)	(27.0)	4.7

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	7.0	7.6	-7.5
2014	9.6	9.9	-2.9

Price Performance (RIC:APSE.BO, BB:ADSEZ IN)



Source: Bloomberg

■ **Overhang of Abbot Point loan financing out of the way:** Adani port has refinanced the US\$2bn bridge loan that it had taken for Abbot Point coal terminal in Australia in May 2011. The refinancing has been done using a combination of an AUD1.1bn and US\$0.8bn loan at an interest rate of BBSW+270bps for the AUD loan and 3month US LIBOR+330bps for the USD loan which is largely in line with expectations.

■ **HMEL commissioning to aid volume pick-up:** The ~9mt *HPCL-Mittal Energy* refinery in Bhatinda, which has been awaited for a while, has been fully operationalized in the last week of March 2012. This refinery is expected to aid crude volumes at Mundra, as crude will be transported through the 1,017 km cross country pipeline connecting Mundra and Bhatinda. We expect this refinery to contribute ~5mt of additional crude volumes at Mundra in FY13.

■ **Fundamentals on track:** Adani is expected to witness strong volume pick-up over the next few years, largely aided by higher coal volumes on account of the commissioning of additional phases at Tata UMPP and Adani's Mundra Power plants as well as scale-up in crude volumes. The company's volumes are expected to increase from 66m tonnes in FY12 to 115m tonnes in FY15.

■ **Negative news flow has kept stock under pressure, valuations attractive:** The company's stock price has been under pressure on account of negative news flow regarding its probable involvement in a money laundering issue which has been categorically denied by the management. On account of this negative news flow, the company's stock price has underperformed by 11% in the last one month. However, with company fundamentals in place as well as the positive news flow on the stock, we expect the overhang to clear. At CMP of Rs130, we see a potential upside of 23%. We reiterate our positive stance on the stock with a 'BUY' rating.

Key financials (Y/e March)	2011	2012E	2013E	2014E
Revenues (Rs m)	20,001	33,446	40,453	51,322
Growth (%)	33.7	67.2	21.0	26.9
EBITDA (Rs m)	12,994	22,464	27,082	34,957
PAT (Rs m)	8,342	10,887	14,049	19,313
EPS (Rs)	4.2	5.4	7.0	9.6
Growth (%)	23.4	30.5	29.1	37.5
Net DPS (Rs)	1.3	1.5	2.0	2.5

Profitability & Valuation	2011	2012E	2013E	2014E
EBITDA margin (%)	65.0	67.2	66.9	68.1
RoE (%)	21.8	23.7	25.6	28.8
RoCE (%)	10.9	10.1	8.4	9.9
EV / sales (x)	14.6	12.0	10.4	8.2
EV / EBITDA (x)	22.5	17.9	15.6	12.0
PE (x)	31.1	23.8	18.5	13.4
P / BV (x)	6.2	5.2	4.3	3.5
Net dividend yield (%)	1.0	1.2	1.5	1.9

Source: Company Data; PL Research

Refinancing of Abbot Point loan complete

The overhang of the Abbot Point loan refinancing is behind us as the same has been completed last week. Adani port has refinanced the US\$2bn bridge loan that it had taken for Abbot Point coal terminal in Australia in May 2011. The refinancing has been done using a combination of an AUD1.1bn and US\$0.8bn loan.

The AUD loan is for a term of 5 years at a rate of BBSW+270bps and the USD loan is for 7 years at 3month US LIBOR+330bps which works out to an average of ~6.6%; this is pretty much in line with expectations. The earlier bridge loan was a USD loan at a rate of LIBOR+3.25%. The repayment of the loan is largely back-ended and hence, structured based on the volume scale-up that is expected at the port based on the 'Take or Pay' contracts.

Exhibit 1: Terms of Loans

Part A	
Currency	AUD
Quantum	1100
Interest Rate	BBSW+270bps
Tenure	5 Years
Part B	
Currency	USD
Quantum	800
Interest Rate	3M US LIBOR+330bps
Tenure	7 Years

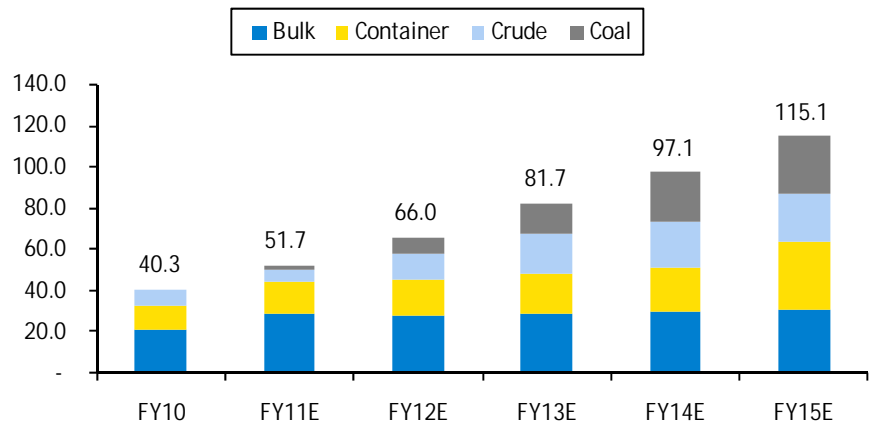
Source: Company Data, PL Research

HMEL commissioning to aid crude volume uptick at Mundra

The ~9 mt HPCL-Mittal Energy refinery in Bhatinda, which has been on hold for a while, has been fully operational in the last week of March 2012. This refinery is expected to aid crude volumes at Mundra, as crude will be transported through the 1,017 km cross country pipeline connecting Mundra and Bhatinda. We expect this refinery to contribute ~5mt of additional crude volume at Mundra in FY13 (in line with our previous expectations).

Volume scale-up on account of coal & crude

We expect strong volume growth of 24% in FY13, followed by 19% growth in FY14 & 15 which shall largely be on account of higher coal volumes on account of the commissioning of additional phases at Tata UMPP and Adani's Mundra Power plants as well as scale-up in crude volumes. The company's volumes are expected to increase from 66m tonnes in FY12 to 115m tonnes in FY15.

Exhibit 2: Adani Port Volumes (mt)


Source: Company Data, PL Research

Stock under pressure due to the money laundering issue

The company's stock price has been under pressure on account of the negative news flow regarding its probable involvement in a money laundering issue which has been categorically denied by the management. On account of this negative news flow, the company's stock price has underperformed by 11% in the last one month. However, with company fundamentals in place as well as the positive news flow on the stock, we expect the overhang to clear. AT CMP of Rs130, we see a potential upside of 23%. We reiterate our positive stance on the stock with a **'BUY'** rating.

Income Statement (Rs m)

Y/e March	2011	2012E	2013E	2014E
Net Revenue	20,001	33,446	40,453	51,322
Raw Material Expenses	5,321	6,656	8,632	10,368
Gross Profit	14,680	26,790	31,821	40,954
Employee Cost	798	803	971	1,232
Other Expenses	888	3,523	3,769	4,766
EBITDA	12,994	22,464	27,082	34,957
Depr. & Amortization	2,388	4,465	5,226	6,933
Net Interest	880	6,304	7,393	7,928
Other Income	309	160	452	760
Profit before Tax	10,036	11,856	14,914	20,856
Total Tax	874	918	865	1,543
Profit after Tax	9,162	10,938	14,049	19,313
Ex-Od items / Min. Int.	820	51	—	—
Adj. PAT	8,342	10,887	14,049	19,313
Avg. Shares O/S (m)	2,003.4	2,003.4	2,003.4	2,003.4
EPS (Rs.)	4.2	5.4	7.0	9.6

Cash Flow Abstract (Rs m)

Y/e March	2011	2012E	2013E	2014E
C/F from Operations	13,998	17,145	25,812	32,627
C/F from Investing	(18,314)	(117,755)	(34,708)	(15,685)
C/F from Financing	(3,665)	113,406	727	(4,399)
Inc. / Dec. in Cash	(7,980)	12,796	(8,170)	12,543
Opening Cash	9,997	2,515	15,766	7,597
Closing Cash	2,515	15,766	7,597	20,139
FCFF	(5,576)	(90,889)	5,460	8,013
FCFE	(6,714)	31,825	17,587	16,551

Key Financial Metrics

Y/e March	2011	2012E	2013E	2014E
Growth				
Revenue (%)	33.7	67.2	21.0	26.9
EBITDA (%)	37.6	72.9	20.6	29.1
PAT (%)	23.4	30.5	29.1	37.5
EPS (%)	23.4	30.5	29.1	37.5
Profitability				
EBITDA Margin (%)	65.0	67.2	66.9	68.1
PAT Margin (%)	41.7	32.5	34.7	37.6
RoCE (%)	10.9	10.1	8.4	9.9
RoE (%)	21.8	23.7	25.6	28.8
Balance Sheet				
Net Debt : Equity	0.8	2.9	2.7	2.1
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	31.1	23.8	18.5	13.4
P / B (x)	6.2	5.2	4.3	3.5
EV / EBITDA (x)	22.5	17.9	15.6	12.0
EV / Sales (x)	14.6	12.0	10.4	8.2
Earnings Quality				
Eff. Tax Rate	8.7	7.7	5.8	7.4
Other Inc / PBT	3.1	1.3	3.0	3.6
Eff. Depr. Rate (%)	3.2	2.5	2.8	3.4
FCFE / PAT	(80.5)	292.3	125.2	85.7

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2011	2012E	2013E	2014E
Shareholder's Funds	41,871	49,855	59,897	74,202
Total Debt	35,925	158,639	170,766	179,304
Other Liabilities	10,604	10,604	10,604	10,604
Total Liabilities	88,400	219,098	241,268	264,110
Net Fixed Assets	84,683	196,473	223,455	228,207
Goodwill	404	—	—	—
Investments	666	2,166	4,666	8,666
Net Current Assets	2,647	20,459	13,146	27,236
<i>Cash & Equivalents</i>	<i>2,515</i>	<i>15,766</i>	<i>7,597</i>	<i>20,139</i>
<i>Other Current Assets</i>	<i>6,918</i>	<i>13,068</i>	<i>15,176</i>	<i>20,029</i>
<i>Current Liabilities</i>	<i>6,786</i>	<i>8,375</i>	<i>9,627</i>	<i>12,933</i>
Other Assets	—	—	—	—
Total Assets	88,400	219,098	241,268	264,110

Quarterly Financials (Rs m)

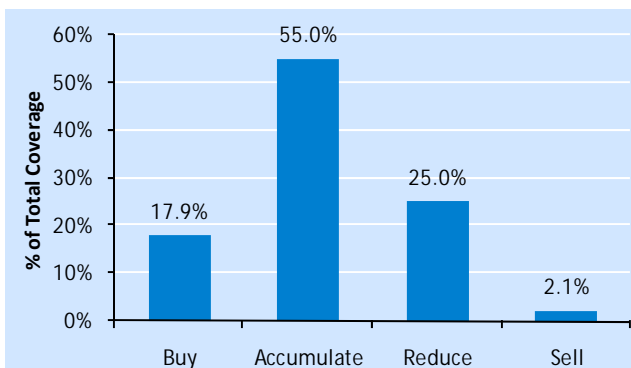
Y/e March	Q1FY12	Q2FY12	Q3FY12	Q4FY12E
Net Revenue	5,296	6,197	6,906	6,638
EBITDA	3,629	4,106	4,814	4,375
<i>% of revenue</i>	<i>68.5</i>	<i>66.3</i>	<i>69.7</i>	<i>65.9</i>
Depr. & Amortization	587	678	702	789
Net Interest	331	464	783	677
Other Income	4	67	28	61
Profit before Tax	2,714	3,030	3,357	2,971
Total Tax	171	296	251	200
Profit after Tax	2,544	2,734	3,106	2,771
Adj. PAT	2,544	2,734	3,106	2,771

Key Operating Metrics

Y/e March	2011	2012E	2013E	2014E
Port volumes	52	66	82	97
Rev/Tonne	338	343	404	484
SEZ Land Sales (acres)	27	15	80	150

Source: Company Data, PL Research.

Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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