

May 14, 2012

Kejal Mehta
kejalmehta@plindia.com
+91-22-66322246

Dhrushil Jhaveri
dhrushiljhaveri@plindia.com
+91-22-66322232

Rating	BUY
Price	Rs115
Target Price	Rs156
Implied Upside	35.7%
Sensex	16,216
Nifty	4,908

(Prices as on May 14, 2012)

Trading data

Market Cap. (Rs bn)	230.2
Shares o/s (m)	2,003.4
3M Avg. Daily value (Rs m)	196.4

Major shareholders

Promoters	77.50%
Foreign	10.23%
Domestic Inst.	4.92%
Public & Other	7.35%

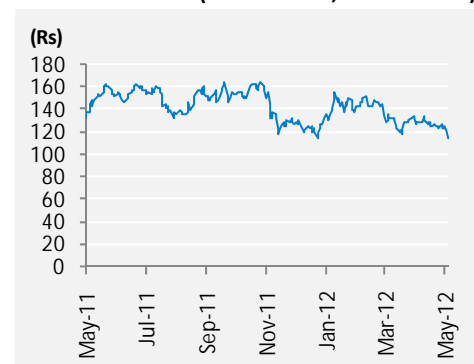
Stock Performance

(%)	1M	6M	12M
Absolute	(11.5)	(25.9)	(16.9)
Relative	(6.4)	(20.7)	(4.4)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	6.2	7.4	-16.2
2014	9.2	9.8	-6.0

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



Source: Bloomberg

- Volumes witness a sequential decline:** Volumes declined 6% sequentially to 15.5m tonnes led by a drop in volumes from Tata UMPP. However on account of the Take or Pay contract with Tata UMPP, earnings for Q4 FY12 were largely in-line with expectations. The company reported revenues of RsRs6.4bn, representing a 24% YoY growth and 7% QoQ decline. Margins were strong at 71.3% as the costs associated with Take or Pay revenues are marginal if the cargo volumes do not take place. PAT for the quarter stood at Rs3.38bn, 1% YoY growth and 9% QoQ growth.

On a positive note, container volumes continued its upward trajectory: clocking volumes of 5.09m tonnes as against 4.7m tonnes in Q3 FY12.

- Volumes and financials at Abbot Point disappoint:** As against a Take or Pay commitment of 18m tonnes, volumes at Abbot Point stood at 11.5m tonnes. Further with the Take or Pay structured for a June year ending, the Take or Pay fees do not get captured in FY12 numbers (Jun'11-Mar'12) leading to an earnings disappointment. Revenues stood at Rs6.1bn, margins at 54% and a post tax loss of Rs50mn. Going forward, with the entire 12 months getting captured next year, we expect earnings & margins to improve.

- The 3 C's to contribute to incremental growth:** From 64m tonnes in FY12, we expect volumes to scale up to 80.3m tonnes in FY13. The major contributors to growth are expected to be a) crude-on account of the new HMEL refinery commencing operations, b) coal-on account of incremental phases commencing operations at the Adani and Tata power plants and c) container-on account of Mundra gradually increasing market share.

- Valuations:** Notwithstanding near term volume challenges, we remain positive on the increasing long term volume trajectory at Mundra as well as the subsidiary ports. We reiterate **BUY** with our SOTP based target price of Rs156.

Key financials (Y/e March)	2011	2012	2013E	2014E
Revenues (Rs m)	20,001	32,708	40,142	51,509
Growth (%)	33.7	63.5	22.7	28.3
EBITDA (Rs m)	12,994	20,653	26,499	35,086
PAT (Rs m)	8,342	10,833	12,466	18,366
EPS (Rs)	4.2	5.4	6.2	9.2
Growth (%)	23.4	29.9	15.1	47.3
Net DPS (Rs)	1.3	1.5	2.0	2.5

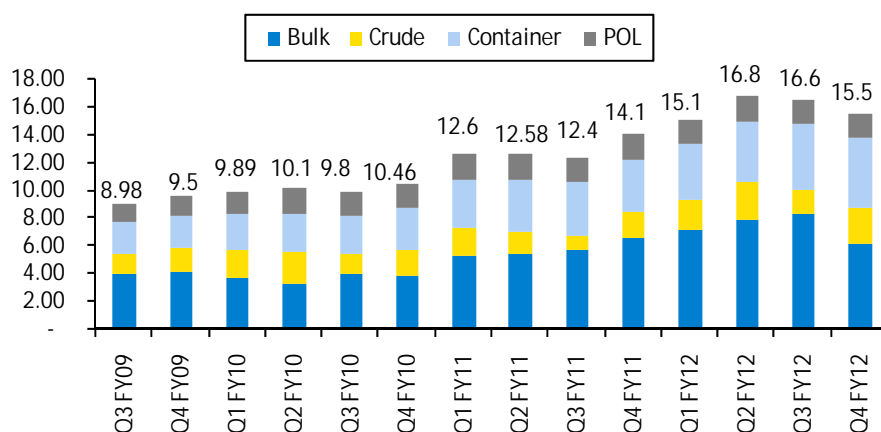
Profitability & Valuation	2011	2012	2013E	2014E
EBITDA margin (%)	65.0	63.1	66.0	68.1
RoE (%)	21.8	23.6	23.0	28.2
RoCE (%)	10.9	9.4	7.8	9.4
EV / sales (x)	13.2	11.4	9.8	7.6
EV / EBITDA (x)	20.3	18.1	14.9	11.2
PE (x)	27.6	21.2	18.5	12.5
P / BV (x)	5.5	4.6	3.9	3.2
Net dividend yield (%)	1.1	1.3	1.7	2.2

Source: Company Data; PL Research

Exhibit 1: Q4FY12 Result Overview (Rs m)

Y/e March	Q4FY12	Q4FY11	YoY gr. (%)	Q3FY12	FY12	FY11	YoY gr. (%)
Net Sales	6,419	5,176	24.0	6,906	24,819	20,001	24.1
Expenses							
Administration & other exp	338	268	26.0	448	1,439	888	62.0
Operating exp	1,289	1,237	4.2	1,413	5,368	5,321	0.9
<i>% of Sales</i>	<i>20.1</i>	<i>23.9</i>		<i>20.5</i>	<i>21.6</i>	<i>26.6</i>	
Personnel exp	217	177	22.2	230	893	798	11.9
<i>% of Sales</i>	<i>3.4</i>	<i>3.4</i>		<i>3.3</i>	<i>3.6</i>	<i>4.0</i>	
Total Expenses	1,843	1,682	9.6	2,092	7,700	7,007	9.9
EBITDA	4,575	3,494	30.9	4,814	17,119	12,994	31.7
<i>Margins (%)</i>	<i>71.3</i>	<i>67.5</i>		<i>69.7</i>	<i>69.0</i>	<i>65.0</i>	
Depreciation	767	586	30.9	702	2,735	2,388	14.6
EBIT	3,808	2,908	31.0	4,112	14,384	10,606	35.6
Interest	297	279	6.6	783	2,115	880	140.5
Other Income	84	386	(78.4)	28	427	309	38.2
Extraordinary	-	875		-	-	875	
PBT	3,594	3,890	(7.6)	3,357	12,696	10,036	26.5
Tax	205	543	(62.2)	251	923	874	5.6
<i>Effective tax rate (%)</i>	<i>5.7</i>	<i>14.0</i>		<i>7.5</i>	<i>7.3</i>	<i>8.7</i>	
PAT	3,389	3,347	1.3	3,106	11,773	9,162	28.5
Adj PAT	3,389	2,508	35.1	3,106	11,773	8,342	41.1

Source: Company Data, PL Research

Exhibit 2: Port Volumes (mt)


Source: Company Data, PL Research

**Exhibit 3: SOTP**

	NAV/Share (Rs)
Mundra Port	99
Concession extension	21
Dahej Port (75% Stake)	4
Mormogao Port	2
Hazira Port	4
SEZ (40% discount to NAV)	13
Abbot Point	13
Total NAV	156

Source: PL Research

Income Statement (Rs m)

Y/e March	2011	2012	2013E	2014E
Net Revenue	20,001	32,708	40,142	51,509
Raw Material Expenses	5,321	9,015	8,940	10,404
Gross Profit	14,680	23,693	31,203	41,105
Employee Cost	798	1,243	963	1,236
Other Expenses	888	1,797	3,741	4,783
EBITDA	12,994	20,653	26,499	35,086
Depr. & Amortization	2,388	4,630	5,237	6,944
Net Interest	880	4,796	8,326	8,861
Other Income	309	596	452	760
Profit before Tax	10,036	11,822	13,387	20,041
Total Tax	874	896	921	1,675
Profit after Tax	9,162	10,927	12,466	18,366
Ex-Od items / Min. Int.	820	94	—	—
Adj. PAT	8,342	10,833	12,466	18,366
Avg. Shares O/S (m)	2,003.4	2,003.4	2,003.4	2,003.4
EPS (Rs.)	4.2	5.4	6.2	9.2

Cash Flow Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
C/F from Operations	13,998	16,266	24,809	32,181
C/F from Investing	(18,314)	(118,875)	(34,708)	(15,685)
C/F from Financing	(3,665)	116,173	10,044	(5,332)
Inc. / Dec. in Cash	(7,980)	13,565	145	11,163
Opening Cash	9,997	2,515	17,023	17,167
Closing Cash	2,515	17,023	17,167	28,331
FCFF	(5,576)	(91,423)	3,525	6,634
FCFE	(6,714)	32,551	25,902	15,172

Key Financial Metrics

Y/e March	2011	2012	2013E	2014E
Growth				
Revenue (%)	33.7	63.5	22.7	28.3
EBITDA (%)	37.6	58.9	28.3	32.4
PAT (%)	23.4	29.9	15.1	47.3
EPS (%)	23.4	29.9	15.1	47.3
Profitability				
EBITDA Margin (%)	65.0	63.1	66.0	68.1
PAT Margin (%)	41.7	33.1	31.1	35.7
RoCE (%)	10.9	9.4	7.8	9.4
RoE (%)	21.8	23.6	23.0	28.2
Balance Sheet				
Net Debt : Equity	0.8	2.9	2.8	2.3
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	27.6	21.2	18.5	12.5
P / B (x)	5.5	4.6	3.9	3.2
EV / EBITDA (x)	20.3	18.1	14.9	11.2
EV / Sales (x)	13.2	11.4	9.8	7.6
Earnings Quality				
Eff. Tax Rate	8.7	7.6	6.9	8.4
Other Inc / PBT	3.1	5.0	3.4	3.8
Eff. Depr. Rate (%)	3.2	2.6	2.8	3.4
FCFE / PAT	(80.5)	300.5	207.8	82.6

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
Shareholder's Funds	41,871	49,886	58,345	71,702
Total Debt	35,925	159,899	182,276	190,814
Other Liabilities	10,604	10,604	10,604	10,604
Total Liabilities	88,400	220,390	251,225	273,120
Net Fixed Assets	84,683	196,982	223,953	228,694
Goodwill	404	—	—	—
Investments	666	2,166	4,666	8,666
Net Current Assets	2,647	21,242	22,606	35,760
<i>Cash & Equivalents</i>	<i>2,515</i>	<i>17,023</i>	<i>17,167</i>	<i>28,331</i>
<i>Other Current Assets</i>	<i>6,918</i>	<i>12,367</i>	<i>15,233</i>	<i>20,236</i>
<i>Current Liabilities</i>	<i>6,786</i>	<i>8,148</i>	<i>9,794</i>	<i>12,807</i>
Other Assets	—	—	—	—
Total Assets	88,400	220,390	251,225	273,120

Quarterly Financials (Rs m)

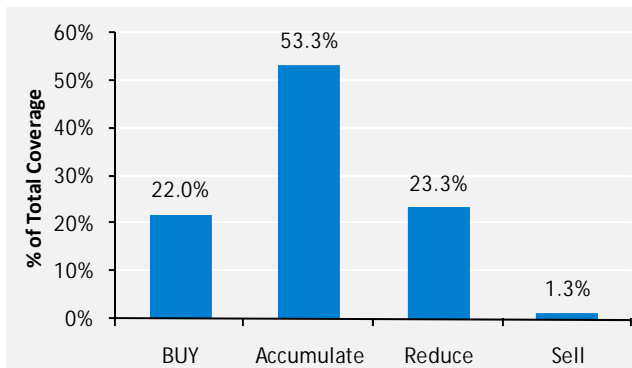
Y/e March	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Net Revenue	5,296	6,197	6,906	6,419
EBITDA	3,629	4,106	4,814	4,575
<i>% of revenue</i>	<i>68.5</i>	<i>66.3</i>	<i>69.7</i>	<i>71.3</i>
Depr. & Amortization	587	678	702	767
Net Interest	331	464	783	297
Other Income	4	67	28	84
Profit before Tax	2,714	3,030	3,357	3,594
Total Tax	171	296	251	205
Profit after Tax	2,544	2,734	3,106	3,389
Adj. PAT	2,544	2,734	3,106	3,389

Key Operating Metrics

Y/e March	2011	2012	2013E	2014E
Volumes (m MT)				
Bulk	22	21	21	22
Container	15	18	21	22
Crude	7	9	18	22
POL	7	7	8	8
Coal	1	9	13	24
Port volumes	52	64	80	97

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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