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#AdaniPorts is one of the best #stocks from the #Adanigroup stable. It is a semi-monopolistic company in the Ports space and can be considered for longterm #portfolio.

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Adani Ports & SEZ: Getting stronger

Major jump in market share expected due to acquisition of new ports.

Operations of Adani Ports and SEZ, India's largest private port and special economic zone, are moving from strength to strength. This was demonstrated once again during the first quarter of 2021-22. For instance, its first quarter cargo volume grew by 83% y-o-y compared to 33% aggregate growth by all Indian ports and helped it to corner further market share. While its cargo market share increased by 310 basis points to 28.6%, its container market share increased by 163 basis points to 43%.

Improvement is visible in the financial numbers as well. Base effect played a role in its 99% and 120% y-o-y increase in revenues and adjusted net profit. However, strength is visible if one compares the results with April-June 2019 period and its revenues and adjusted net profit grew by 28% and 24% respectively on two-year CAGR basis. Adani Port's Ebitda margin also improved to 71% due to cost cutting and price increases.

Despite being a dominant player, Adani Ports plans to grow faster and analysts believe that its cargo market share will increase further to 42% by 2024-25 from 28.6% now. This market share increase will come both through organic and inorganic routes. News reports suggest that Adani Ports are now eyeing Karaikal and Gopalpur Ports for acquisitions. After acquiring Gangavaram Port, Adani Ports now aims to get 100% stake in it and once this is done, merge it with Adani Ports. Adani Ports plans to maintain its net debts around 3-3.5 times its Ebitda and merger of Gangavaram Port, a zero debt company with a cash balance of ₹565 crore, will be of help.

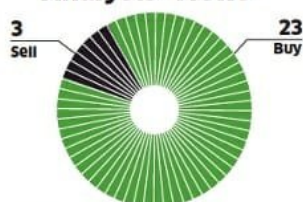
Increasing efficiency of acquired ports is its next strategy. Mundra Ports has increased market share under Adani leadership and analysts hope that the same will be repeated with other ports. While Gangavaram Port is expected to corner market share from neighbouring Vishakapatnam port, Krishnapatanam Port is expected to gain share from its neighbouring Machilipatnam and Kakinada ports. To augment its international presence, Adani Ports plans to develop

a container terminal at Colombo Port and its construction is expected to start from January 2022. Due to these organic and inorganic growth, Adani Ports is expected to report a 2.5 times jump in its net profit between 2020-21 and 2024-25.

Analysts also say that the recent share price crash due to negative news flow (see chart for details) and the resultant fall in valuation also gives an opportunity for long investors to buy into Adani Ports.

Selection Methodology: We pick up the stock that has shown maximum increase in "consensus analyst rating" during the last 1 month. Consensus rating is arrived at by averaging all analyst recommendations after attributing weights to each of them (10 for strong buy, 4 for buy, 3 for hold, 2 for sell and 1 for strong sell) and any improvement in consensus analyst rating indicates that the analysts are getting more bullish on the stock. To make sure that we pick only companies with decent analyst coverage, this search will be restricted to stocks with at least 10 analysts covering it. You can see similar consensus analyst rating changes during the last one week in ETW 50 table. — Narendra Nathan

Analysts' views



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Fundamentals

	ACTUAL		CONSENSUS ESTIMATE	
	2020	2021	2022	2023
Revenue (₹ cr)	8,787.86	5,248.92	7,665.41	10,138.44
Oper. Income (₹ cr)	1,211.83	554.75	1,106.68	1,558.91
PAT (₹ cr)	-163.01	-672.51	-112.48	210.53
Basic EPS (₹)	-2.08	-8.52	-0.75	2.75

Valuations

	PBV	PE	DIVIDEND YIELD (%)
Adani Ports and SEZ	4.65	25.54	0.72
Gujarat Pipavav Port	2.26	22.78	4.30
Mazagon Dock Shipbuilders	1.62	9.69	4.36
Cochin Shipyard	1.31	8.00	4.49

Brokerage calls

RECO DATE	RESEARCH HOUSE	ADVICE	TARGET PRICE (₹)
8/4/2021	Nomura	Buy	915
8/4/2021	Elara Securities	Buy	880
8/3/2021	Jefferies	Buy	950
8/3/2021	HSBC	Buy	900
8/3/2021	Phillip Securities	Buy	850

Relative performance



Adani Ports is compared with ET Logistics. Stock price and index values normalised to a base of 100. Source: ETIG and Bloomberg