

ADANI PORTS AND SEZ

Strong quarter; encouraging guidance

India Equity Research | Infrastructure - Ports

Adani Ports & SEZ's (APSEZ) Q4FY18 revenues were 20% ahead of consensus mainly due to higher than expected SEZ revenues. Three key highlights were: 1) FCF for FY18 at INR12.5bn missed our estimate of INR19bn due to higher working capital requirement of INR15.7bn on account of CT3 extension and CT4 port development (which should prop up FY19 FCF); 2) management aims to achieve 200MT cargo in FY19 (ex-Adani Power 10MT volumes) in line with our estimates through broad based growth across ports; 3) announcement of new dividend policy which links the dividend pay-out ratio with max 15% PAT (at least 40% higher pay out), could bolster shareholders' confidence in APSEZ. We believe APSEZ's strong fundamentals will help accelerate volume growth and cement strategic customer relations. Maintain 'BUY'.

SEZ biz the main driver for revenues; port volumes healthy

APSEZ reported 43% growth in revenue mainly driven by 20x growth in the SEZ business on receipt of development proceeds from CT3 extension and CT4 terminal, which is fully concluded now. For FY18, SEZ business reported INR24bn revenue (3.5x from FY17), but we expect the same to get moderated going forward. Port business reported volume of 46MT (6% growth YoY) supported by container volumes. Logistics business reverted to growth track, registering 13% growth. EBITDA at INR19.3bn (ex-forex loss) registered 40% growth. Port margins were healthy at ~70% and management expects the same to improve to 71% in FY19.

Training focus on growth & efficiencies; FCF trajectory to improve

APSEZ's FY19 strategy is well oriented for growth. It focuses on developing a culture of efficiency improvement through better asset utilisation, higher cargo growth through long term contracts-cargo diversification and new tie ups with shipping lines. The company targets to provide full scale logistics solution in an asset light manner. Management is targeting INR75bn capex over next three years with FCF improving to ~INR20bn. We believe this is conservative and APSEZ could see FCF of INR25bn in FY19.

Outlook and valuations: On growth trajectory; maintain 'BUY'

We are sanguine on APSEZ's long-term growth prospects led by new businesses - logistics, SEZ and expansion at ports. With the new dividend policy, at least a beginning has been made that FCF belongs to shareholders. We maintain 'BUY/SO' with a revised SoTP-based TP of INR465 (INR483 earlier) as we factor in higher risk-free rate of 7.25%.

Financials (Consolidated)						(INR mn)		
Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Net revenues	31,829	22,315	42.6	26,889	18.4	113,230	116,423	137,230
EBITDA	17,116	13,335	28.4	19,675	(13.0)	70,621	73,329	84,908
Adj. Net profit	9,291	8,629	7.7	10,003	(7.1)	35,185	41,358	49,744
Dil. EPS (INR)	4.5	4.2	7.7	4.8	(7.1)	17.0	20.0	24.0
EV/EBITDA (x)						14.5	13.8	11.7
ROAE (%)						18.2	17.7	18.4

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Outperform
Risk Rating Relative to Sector	Low
Sector Relative to Market	Overweight

MARKET DATA (R: APSE.BO, B: ADSEZ IN)

CMP	: INR 397
Target Price	: INR 465
52-week range (INR)	: 452 / 324
Share in issue (mn)	: 2,071.0
M cap (INR bn/USD mn)	: 822 / 12,460
Avg. Daily Vol.BSE/NSE('000)	: 3,972.1

SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	65.8	65.8	63.3
MF's, FI's & BK's	11.9	11.9	10.3
FII's	18.3	18.3	22.0
Others	4.0	4.0	4.3
* Promoters pledged shares (% of share in issue)	:	NIL	

PRICE PERFORMANCE (%)

	Stock	Nifty	#N/A
1 month	8.4	4.2	(1.0)
3 months	(5.0)	(0.8)	(5.0)
12 months	21.2	14.7	2.7

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Key takeaways from the analyst meet

- **Guidance & Outlook:** Looking at overall volumes of 200MT without Adani Power's 10.5MT coal handling at Mundra
 - **Container:** To grow 2x of pan-India container growth (expect industry container volume to register growth of at least 10% in FY19)
 - **Cargo:** To grow 1.5x of India cargo growth (expect industry cargo growth of 5.8%)
 - **Ports growth:** Mundra would grow in high single digits, Hazira and Dahej 20%, Kattupalli 25-30% and Dhamra 20-25%.
 - **Port margins:** Port EBITDA margins would improve from 70% to 71% in FY19 following change in cargo mix, operational efficiency and use of technology
 - **Capex** of INR25bn would be incurred every year for the next three years
 - **FCF** to increase to INR17.5-20bn in FY19 from INR12.5bn in FY18

SEZ business: Management mentioned it has clear visibility of INR45-50bn revenues over next four-five years. For FY19, it expects SEZ revenues to be ~INR10bn with higher margins (FY18 margins were lower due to higher proportion of capex related revenues). Management indicated that LPG and LNG are two big avenues for the SEZ business.

Dedicated Freight Corridor: APSEZ mentioned that there is some delay in commissioning of DFC and it expects DC to be connected to the Mundra port by mid-2020, which should be at least two years prior to the connection with the JNPT port.

Diversion of cargo to continue: Management seemed unperturbed by the new PSA terminal at JNPT and reiterated that it expects the diversion of cargo to continue. While Central India cargo would go to Hazira, Northern India cargo would go to Mundra and Western (Maharashtra) would go to JNPT. Moreover, shipping liners would continue to make at least 2port of calls in near future.

Logistics business: APSEZ has started construction for PFT's in Baroda and Bengaluru, while the land acquisition is in place for Panipat and Cochin. The company has placed order for 10 rakes under long term lease.

Currently, dollar revenues are 35% of overall revenues. The company has a commensurate hedging policy in place which is long term (three-four years).

Cargo handled by JV terminal in FY18 was 2.5MT.

Performance of key businesses:

APSEZ at a glance: Healthy overall cargo volume growth of 7% YoY to 180MMTPA as against an all-India growth of 4%. Revenue grew 34% to ~ INR113bn, while EBITDA surged 32% to INR72bn. EBITDA margin stood at 64%, excluding forex gain/loss.

This was on the backdrop of strong container volume growth of 20% in ports business, crossing 5mn TEU's in FY18. Ports business EBITDA margin improved 100bps to 70%, while revenue jumped 7% to INR739bn and EBITDA improved 10% to INR52bn, adjusting for forex gain/loss.

- 1) **Mundra port:** During Q4FY18, Mundra cargo volume grew by 4% to 30MTPA. FY18 volume grew by 7% to 121MTPA, revenue grew 34% to INR63.5bn and EBITDA grew 27% to INR45bn. This was despite lower off take by HMEL- Bathinda pipeline and APL to the tune of 8MTPA for whole FY18. This is largely attributable to strong container growth of 18% YoY and handling more than 4mm TEU's at Mundra. This cements Mundra's position as the container hub of the West with strong operational efficiency. CT-4 terminal became operational. Management expects high single digit growth in volumes for FY19.
- 2) **Dhamra Port:** Dhamra continued to face issues with limited rake availability and shutdown due to expansion and mechanisation activities resulting in flattish volume off-take at 21.45MTPA for FY18 as against 21.41MTPA for FY17. Revenue slipped 17% to INR9.3bn and EBITDA slipped 29% to INR5.36bn YoY for FY18. EBITDA margin dropped to 58% in FY18 from 67% in FY17. With Phase-1 expansion complete and rake issue getting resolved management expects Dhamra to record strong volume growth upwards of 20% in FY19. Entire 35MTPA capacity is operational.
- 3) **Hazira Port:** For Q4FY18, the port reported 12% QoQ volume growth with handling of additional commodities like Para Xylene, Orhto Xylene, etc. Cargo volume grew 10% YoY to 16.87MTPA. Container volume particularly grew 21% YoY handling 0.5mm TEU's. EBITDA margin came in at 72%.
- 4) **Dahej Port:** Lower coal import impacted Q4FY18 with 7% volume slippage. However, overall volume grew 10% YoY to ~7MTPA for FY18. Revenue grew 3% to INR33.5 mm while EBITDA was largely flattish at INR 2.2bn. EBITDA margin came in at 66%.
- 5) **Kattupalli Port:** Volume grew 37% YoY for FY18 and 47% QoQ for Q4FY18 .

Table 1: SOTP valuation

	Method	CoE (%)	Value (INR mn)	Stake (%)	Value of stake (INR mn)	Price per share (INR)	% age of SOTP (%)
Mundra Port	DCF	11.1	413,572	100.0	413,572	200	43.0
CT3/4/5....	DCF	11.3	96,531	50.0	48,266	23	5.0
SEZ	DCF	11.1	86,028	100.0	86,028	42	8.9
Dahej Port	DCF	11.3	26,230	74.0	19,410	9	2.0
Mormugao Terminal	DCF	11.3	1,321	74.0	978	0	0.1
Hazira Port	DCF	11.1	105,754	100.0	105,754	51	11.0
Ennore Cont. Terminal	DCF	11.3	(1,850)	100.0	(1,850)	(1)	(0.2)
Kandla Bulk Terminal	DCF	11.3	3,345	74.0	2,476	1	0.3
Dhamra Port	DCF	11.1	165,879	100.0	165,879	80	17.2
Katupalli Port	DCF	11.1	32,123	100.0	32,123	16	3.3
ALL	P/E	26x	35,524	100.0	35,524	17	3.7
Vizhinjam port	2x Equity		18,750	100.0	18,750	9	
Cash & Investments	BV	FY18	29,676	100.0	29,676	15	3.3
Total			1,012,882		956,583	465	100.0

Source: Edelweiss research

Infrastructure - Ports

Financial snapshot

(INR mn)

Year to March	Q4FY18	Q4FY17	% change	Q3FY18	% change	FY18	FY19E	FY20E
Net revenues	31,829	22,315	42.6	26,889	18.4	113,230	116,423	137,230
Cost of operations	9,669	6,067	59.4	6,839	41.4	33,151	33,946	42,218
Staff costs	1,196	1,135	5.3	1,070	11.7	4,473	3,997	4,380
Other operating expenses	3,848	1,778	116.4	(695)	(653.6)	4,984	5,150	5,724
Total expenditure	14,713	8,979	63.8	7,214	103.9	42,608	43,093	52,322
EBITDA	17,116	13,335	28.4	19,675	(13.0)	70,621	73,329	84,908
Depreciation	2,989	2,959	1.0	2,937	1.8	11,884	13,950	15,259
EBIT	14,127	10,376	36.1	16,738	(15.6)	58,738	59,379	69,649
Other income	3,044	3,233	(5.8)	2,360	29.0	10,109	9,548	9,167
Interest	3,919	4,918	(20.3)	3,185	23.0	14,954	13,465	12,163
Add: Exceptional items				(1,532)	(100.0)	(1,552)		
Profit before tax	13,252	8,691	52.5	14,381	(7.9)	52,341	55,462	66,652
Provision for taxes	3,961	119	3,239.7	4,378	(9.5)	15,442	14,975	17,996
Minority interest	-	(28)	(100.0)	-		163	(868)	(1,085)
Associate profit share	-	28	(100.0)	-		-	-	-
Reported net profit	9,291	8,629	7.7	10,003	(7.1)	36,737	41,358	49,744
Adjustments	-	-		-		1,552	-	-
Adjusted Profit	9,291	8,629	7.7	10,003	(7.1)	35,185	41,358	49,744
Diluted shares (mn)	2,071	2,071		2,071		2,071	2,071	2,071
Adjusted Diluted EPS	4.5	4.2	7.7	4.8	(7.1)	17.0	20.0	24.0

As a % of sales

Direct costs	30.4	27.2		25.4		29.3	29.2	30.8
Employee cost	3.8	5.1		4.0		4.0	3.4	3.2
Other operating expenses	12.1	8.0		(2.6)		4.4	4.4	4.2
EBITDA	53.8	59.8		73.2		62.4	63.0	61.9
Reported net profit	29.2	38.7		37.2		32.4	35.5	36.2
Tax rate	29.9	1.4		30.4		29.5	27.0	27.0

Company Description

APSEZ is the seamless integration of 3 verticals consisting of Ports, Logistics and Special Economic Zone. The company has pan India presence in ten locations (nine are operational) with the flagship Mundra port in the Gulf of Kachchh, also India's largest commercial port.. APSEZ has both the capacity and ability to handle multiple cargo at its ports. APSEZ has a large land bank of 8,481 hectares of contiguous land at Mundra, with requisite approvals and clearances in place and provides a diversified revenue stream. APSEZ has been investing in tightly integrated assets, with an objective of reducing bottlenecks in the overall logistics value chain - saving time and cost for its customer.

Investment Theme

Sound business fundamentals

Sustainable market share gains at Mundra (Containers particularly), expansion of LPG, LNG terminals at Mundra & Dhamra Port and upcoming Vizhinham port is likely to keep volume growth ticking in double digits for the next 3-4 years. Further, we see Dhamra port as the next Mundra Port (aligning to tremendous potential in Bulk Cargo and Gs potential).

APSEZ to benefit from consolidation of volumes: As shipping lines deploy larger vessels and consolidate routes, the focus will move to ports with O&D demand over transshipment. Thus this consolidation will help APSEZ given its scale, pan India presence and existing strong relationships with container liner companies.

Logistics, the dark horse - 70% CAGR over next three-four years

Leveraging its relationships with shipping liners and its ability to offer end-to-end solutions can make ALL's business sizable (targeting 5x revenues over next four years). Management aims to achieve this with an asset light model and roadmap including Railway transportation, Private Freight terminals, trucking and Warehousing.

Key Risks

Uncertainty in traffic at ports: Since cargo at ports is contingent on international trade, any slowdown in it could affect Mundra Port as well.

Regulatory changes regarding SEZs: The existing SEZ policies and benefits outlined by the government to promote exports are relatively new and are being continuously reviewed. Any changes in the form of reversal of current tax benefits to units under the SEZ umbrella will significantly undermine incentives for industries to setup units in the SEZ, hampering current plans of land sale. Land parcel sale at the SEZ is yet to pick up.

Financial Statements

Key Assumptions

Year to March	FY17	FY18	FY19E	FY20E
Macro				
GDP(Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	65.0	66.0
Company				
Mundra cargo (MT)	114.2	121.4	132.5	141.8
Avg. realisation (INR/t)	336	392	398	403
Avg realisation (INR/t)	526	520	520	551
Capex (INR mn)	32,479	26,940	26,818	26,921
Net borrowings (INR mn)	206,410	198,654	191,680	175,606
Avg. Interest rate (%)	5.1	5.6	5.3	4.8
Depreciation rate (%)	4.6	4.2	4.5	4.5
Dividend payout (%)	6.9	11.3	15.0	15.0
Tax rate (%)	6.9	29.5	27.0	27.0

Income statement

(INR mn)

Year to March	FY17	FY18	FY19E	FY20E
Net revenue	84,394	113,230	116,423	137,230
Cost of Operations	18,905	33,151	33,946	42,218
Other operating expenses	4,736	4,984	5,150	5,724
Employee costs	3,831	4,473	3,997	4,380
Total operating expenses	27,472	42,608	43,093	52,322
EBITDA	56,921	70,621	73,329	84,908
Depreciation	11,602	11,884	13,950	15,259
EBIT	45,319	58,738	59,379	69,649
Add: Other income	10,401.1	10,109.29	9,547.61	9,166.51
Less: Interest Expense	13,932	14,954	13,465	12,163
Add: Exceptional items	-	(1,552)	-	-
Profit Before Tax	41,789	52,341	55,462	66,652
Less: Provision for Tax	2,866	15,442	14,975	17,996
Less: Minority Interest	(100)	163	(868)	(1,085)
Associate profit share	93	-	-	-
Reported Profit	39,115	36,736	41,356	49,741
Exceptional Items	-	1,552	-	-
Adjusted Profit	39,115	35,184	41,356	49,741
Shares o /s (mn)	2,070	2,070	2,070	2,071
Adjusted Basic EPS	18.9	17.0	20.0	24.0
Diluted shares o/s (mn)	2,070	2,070	2,070	2,071
Adjusted Diluted EPS	18.9	17.0	20.0	24.0
Adjusted Cash EPS	24.5	22.7	26.7	31.4
Dividend per share (DPS)	1.3	2.0	3.0	3.6
Dividend Payout Ratio(%)	8.3	13.5	18.0	18.0

Common size metrics

Year to March	FY17	FY18	FY19E	FY20E
Operating expenses	32.6	37.6	37.0	38.1
Depreciation	13.7	10.5	12.0	11.1
Interest Expense	16.5	13.2	11.6	8.9
EBITDA margins	67.4	62.4	63.0	61.9
Net Profit margins	46.2	31.2	34.8	35.5

Growth ratios (%)

Year to March	FY17	FY18	FY19E	FY20E
Revenues	18.7	34.2	2.8	17.9
EBITDA	24.4	24.1	3.8	15.8
PBT	34.0	25.3	6.0	20.2
Adjusted Profit	35.0	(10.0)	17.5	20.3
EPS	35.0	(10.0)	17.5	20.2

Adani Ports and Special Economic Zone

Balance sheet		(INR mn)			
As on 31st March	FY17	FY18	FY19E	FY20E	
Share capital	4,142	4,142	4,142	4,142	
Reserves & Surplus	171,118	206,546	240,458	281,246	
Shareholders' funds	175,260	210,688	244,600	285,388	
Minority Interest	1,392	1,496	628	(458)	
Short term borrowings	45,316	20,950	20,950	20,950	
Long term borrowings	180,863	207,380	192,023	192,023	
Total Borrowings	226,178	228,330	212,973	212,973	
Long Term Liabilities	10,620	12,320	12,320	12,320	
Def. Tax Liability (net)	(17,759)	(11,681)	(11,681)	(11,681)	
Sources of funds	395,692	441,152	458,839	498,541	
Gross Block	252,940	282,929	309,554	336,375	
Net Block	165,693	184,441	245,366	256,928	
Capital work in progress	45,140	45,455	5,011	5,111	
Intangible Assets	44,842	42,260	42,260	42,260	
Total Fixed Assets	255,675	272,155	292,636	304,298	
Non current investments	2,523	5,591	5,591	5,591	
Cash and Equivalents	19,768	29,676	21,293	37,367	
Inventories	6,571	5,203	5,328	6,626	
Sundry Debtors	19,784	35,401	31,604	36,093	
Loans & Advances	41,110	49,276	52,878	59,279	
Other Current Assets	70,505	63,345	69,329	70,447	
Current Assets (ex cash)	137,969	153,224	159,139	172,444	
Trade payable	4,937	4,897	4,953	6,014	
Other Current Liab	15,306	14,597	14,869	15,147	
Total Current Liab	20,244	19,494	19,822	21,160	
Net Curr Assets-ex cash	117,726	133,730	139,318	151,284	
Uses of funds	395,692	441,152	458,839	498,541	
BVPS (INR)	84.7	101.8	118.2	137.8	

Free cash flow		(INR mn)			
Year to March	FY17	FY18	FY19E	FY20E	
Reported Profit	39,115	36,736	41,356	49,741	
Add: Depreciation	11,602	11,884	13,950	15,259	
Interest (Net of Tax)	12,976	10,542	9,829	8,879	
Others	(10,805)	(7,986)	(6,780)	(6,968)	
Less: Changes in WC	(12,870)	(11,692)	(5,587)	(11,966)	
Operating cash flow	40,019	39,484	52,767	54,945	
Less: Capex	32,479	26,940	26,818	26,921	
Free Cash Flow	7,540	12,544	25,949	28,024	

Peer comparison valuation

Name	Market cap (USD mn)	EV / EBITDA (X)		P/B (X)		ROAE (%)	
		FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
Adani Ports and Special Economic Zone	12,460	13.8	11.7	3.4	2.9	17.7	18.4
Gujarat Pipavav Port	1,060	14.1	12.3	3.3	4.0	12.7	16.9
Median	-	14.0	12.0	3.3	3.4	15.2	17.6
AVERAGE	-	14.0	12.0	3.3	3.4	15.2	17.6

Source: Edelweiss research

Cash flow metrics		FY17	FY18	FY19E	FY20E
Year to March					
Operating cash flow		40,019	39,484	52,767	54,945
Investing cash flow		(25,794)	(16,831)	(17,270)	(17,755)
Financing cash flow		(13,247)	(27,422)	(36,265)	(21,117)
Net cash Flow		978	(4,769)	(768)	16,074
Capex		(32,479)	(25,578)	(26,818)	(26,921)
Dividend paid		(7)	(4,968)	(7,444)	(8,953)

Profitability and efficiency ratios

Year to March	FY17	FY18	FY19E	FY20E
ROAE (%)	24.9	18.2	17.7	18.4
ROACE (%)	14.6	16.3	15.3	16.5
Debtors Days	85	89	105	90
Payable Days	87	54	53	47
Cash Conversion Cycle	82	100	109	94
Current Ratio	7.8	9.4	9.1	9.9
Gross Debt/EBITDA	4.0	3.2	2.9	2.5
Gross Debt/Equity	1.3	1.1	0.9	0.7
Adjusted Debt/Equity	1.3	1.1	0.9	0.7
Interest Coverage Ratio	3.3	3.9	4.4	5.7

Operating ratios

Year to March	FY17	FY18	FY19E	FY20E
Total Asset Turnover	0.2	0.3	0.3	0.3
Fixed Asset Turnover	0.4	0.5	0.5	0.5
Equity Turnover	0.5	0.6	0.5	0.5

Valuation parameters

Year to March	FY17	FY18	FY19E	FY20E
Adj. Diluted EPS (INR)	18.9	17.0	20.0	24.0
Y-o-Y growth (%)	35.0	(10.0)	17.5	20.2
Adjusted Cash EPS (INR)	24.5	22.7	26.7	31.4
Diluted P/E (x)	21.0	23.4	19.9	16.5
P/B (x)	4.7	3.9	3.4	2.9
EV / Sales (x)	12.2	9.0	8.7	7.3
EV / EBITDA (x)	18.1	14.5	13.8	11.7
Dividend Yield (%)	0.3	0.5	0.8	0.9

Additional Data

Directors Data

Mr. Gautam S. Adani	CMD, Promoter & Executive Director	Mr. Rajesh S. Adani	Promoter & Non-Independent Director
Dr. Malay Mahadevia	Executive Director	Prof. G. Raghuram	Independent & Non Executive Director
Mr. G.K. Pillai	Independent & Non Executive Director	Mr. Sanjay Lalbhai	Independent & Non Executive Director
Mr. A. K. Rakesh	GMB Nominee	Ms. Radhika Haribhakti	Independent & Non Executive Director

Auditors - M/s. S. R. Batliboi & Associates

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Adani gautam s	42.97	Life insurance corp	7.59
Adani tradeline	6.78	Afro asia trade & in	4.42
Emerging market inv	4.13	Universal trading co	3.9
Worldwide emerge mkt	3.82	Fmr llc	1.59
Vanguard group	1.42	Blackrock	1.35

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
05 Feb 2018	Emerging Market Investment DMCC	Buy	150000.00
29 Jan 2018	Emerging Market Investment DMCC	Buy	8250000.00
25 Jan 2018	Emerging Market Investment DMCC	Buy	2200000.00
24 Jan 2018	Emerging Market Investment DMCC	Buy	1750000.00
03 Jan 2018	Emerging Market Investment DMCC	Buy	950000.00

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Adani Ports and Special Economic Zone	BUY	SO	L	Gujarat Pipavav Port	BUY	None	None

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s): Infrastructure - Ports

Adani Ports and Special Economic Zone, Gujarat Pipavav Port

Recent Research

Date	Company	Title	Price (INR)	Recos
20-Feb-18	Adani Ports and SEZ	Leagues ahead; Visit Note	395	Buy
02-Feb-18	Gujarat Pipavav Port	Realisation pressure continues; Result Update	141	Buy
18-Jan-18	Adani Ports and SEZ	Volume rebounds; robust growth potential; Result Update	416	Buy

Distribution of Ratings / Market Cap

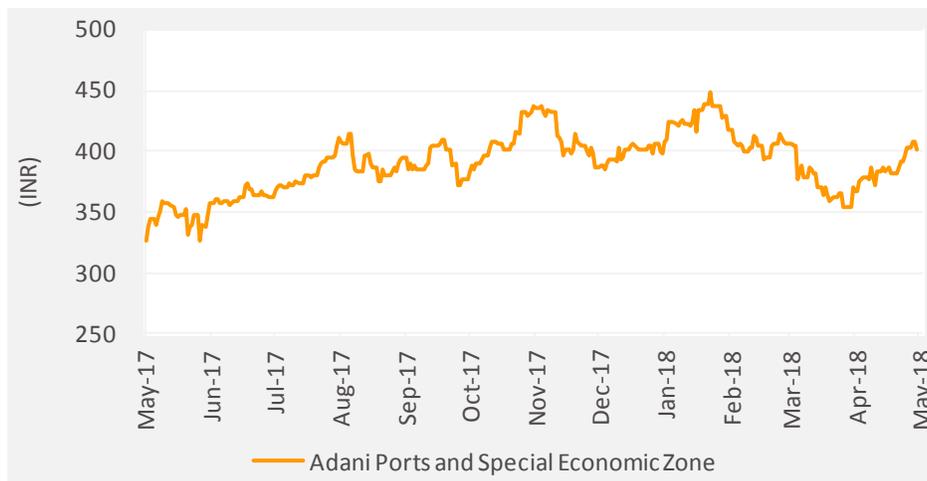
Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240
* 1stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	156	62	11	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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