

BUILDING A BETTER TOMORROW

BUILDING INDIA'S GATEWAYS FOR FASTER
SMARTER, RELIABLE & EFFICIENT TRADE

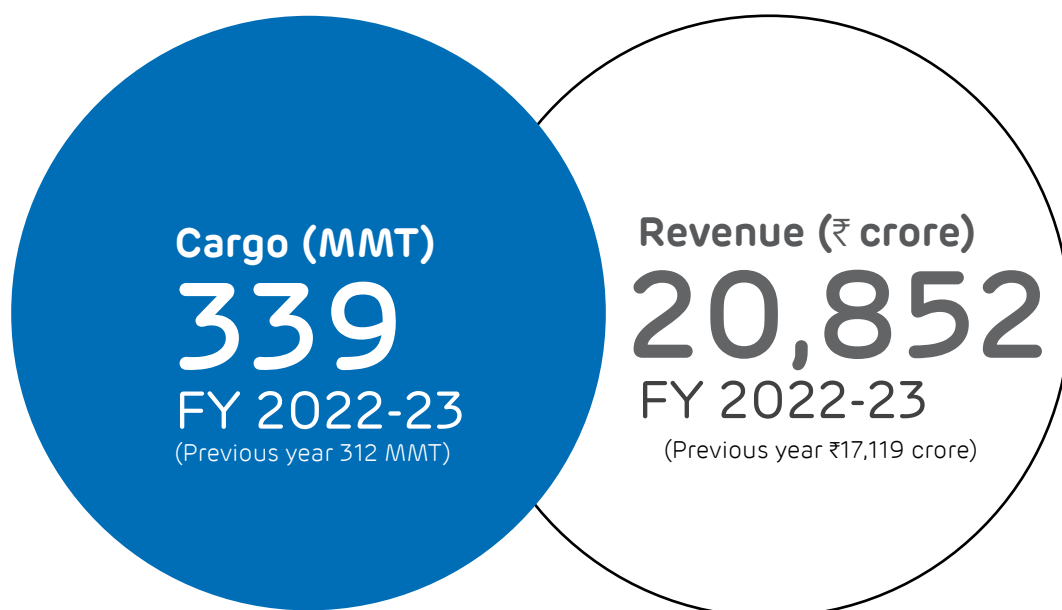


Adani Ports and Special Economic Zone Limited
Integrated Annual Report 2022-23

adani
Ports and
Logistics

Forward-looking statement

This document contains statements about expected future events and financial and operating results of Adani Ports and Special Economic Zone Limited, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Adani Ports and Special Economic Zone Limited Annual Report 2022-23.



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India is one of the most exciting
global economies.

The country is building
its infrastructure with
unprecedented capital outlays.

At the Adani Group, we have
built our various businesses
around this national priority.

At APSEZ, we are investing
in the national growth story by
extending our personality:
from port services to transport
utility services.

In doing so, we are deepening
our national presence
and proactively exploring
international opportunities.

This is what we mean by 'Building a better tomorrow'





The APSEZ vision

Vision 2025

To become the world's leading transport utility company with strategic assets across the globe, offering integrated logistics services driven by customer centricity through technology and best-in-class talent, following international standards on sustainable health, safety, environmental, financial and governance practices.

Vision 2030: Our blueprint



Environment-Social-Governance

- Deepen our governance commitment through strategic transparency
- Become a carbon-neutral company by 2025
- 100% cargo management using renewable energy
- Mangrove afforestation and focus on green belt development in and around ports
- Alignment with the Adani Group's vision of 100 million trees plantation by 2030: APSEZ to plant around 48 million trees



Business mix

- Focus on RoCE-accretive initiatives and investments
- Increase the asset-light proportion of our revenues (logistics)
- Diversify our existing cargo mix
- Focus on new growth commodities like LPG, LNG etc.
- Focus on coastal volumes growth.



Footprint

- Widen and deepen our national footprint.
- Asset development across the logistics supply value chain
- Strengthen the sub-continental ports 'necklace' (organic/inorganic initiatives)
- Increase our market share of cargo growth
- Special focus on international opportunities with a focus on Asia and Africa

Target
2030

To emerge as the world's largest port company by 2030 with strategic assets across the globe, offering integrated logistics services driven by customer-centricity through technology and best-in-class talent, following international standards on sustainable health, safety, environmental, financial and governance practices



Asset management

- Create state-of-the-art infrastructure matching global standards
- Engage in inventory cum asset tracking
- Deepen our asset lifecycle management
- Focus on enhanced asset utilisation
- Enhance asset use flexibility
- Apply technology solutions and SOPs to enhance asset life and productivity.



Customer focus

- Engage in long-term relationship-driven customer contracts
- Engage in strategic partnerships with key large customers
- Deepen a culture of customer engagement and feedback
- Focus on end-to-end solutions
- Enhance cargo visibility in the logistics supply chain
- Deepen technology-enabled solutions for enhanced customer-centricity
- Deepen supply chain dependability
- Achieve a Customer Satisfaction Score of 95+ (of 100)



Financial structure

- Engage in disciplined capital allocation
- Moderate capital expenditure; leverage existing assets
- Generate an increasing quantum of free cash flows
- Focus on deleveraging the Balance Sheet



Technology

- Invest deeper in cutting-edge technologies and cybersecurity
- Provide single-stop customer solutions through an integrated platform
- Leverage the full value of a next generation terminal operating system
- Enhance customer delight – each time in a sustainable way
- Enhance operating efficiency to match global standards
- Deepen a culture of data-based decision making
- Enhance the role of technology in port Community System Development
- Align with government initiatives to enhance supply chain efficiency
- Partner technology providers to enhance the role of digital innovation
- Deepen digitisation to enhance future-readiness



Investment in port communities

- Maximising synergies between port stakeholders
- Engagement in community development and social services



Human resource management

- Create a robust leadership pipeline
- Invest in people through Employee Development and Training
- Capability building through skill upgradation
- Active employee engagement; enhance agility and outcomes
- Develop bench strength and talent pool
- Deepen efficient and adaptable organisation design
- Accelerated integration (cultural) of acquired entities.



Frugal innovation culture

- Culture of continuous improvement through frugal innovation
- Deliver tomorrow's solutions today
- Localise solutions and learn from experience
- Scalability and adaptability
- Focus on safety, operational productivity / efficiency improvements and cost optimisation.



Highest safety standards

- Nurturing a comprehensive safety culture
- Safety Walk-Safety Talk: Extensive communication with port employees/contractors/vendors
- Ongoing safety training; perpetually enhancing standards
- Safety SOPs for every role and function
- Occupational Health Safety Excellence Center: Safety training for key stakeholders, especially port employees and contractual manpower.



The big picture of why we exist

Overview


In the world's seventh largest country by land area and fifth largest by economical scale, possibly the most critical driver of competitiveness is the capacity to move products with speed, safety and economy from one point to another.

At APSEZ, we believe that despite extensive improvements in the area of logistics across the decades, India represents one of the largest under-penetrated logistics opportunities. There is a premium on the ability to move products efficiently and effectively; there is

an urgent need to moderate India's logistical cost as a percentage of its GDP by 500 bps towards the level of some least developed countries, and then moderate it even further to deepen our competitive advantage.

There is a greater need to demonstrate that India can be as nimble as it is large; that India can be as competitive as it is diverse.

The one segment of the national logistics infrastructure positioned to play the most decisive role in this desired transformation is its ports sector.



AT APSEZ, WE BELIEVE THAT INDIA'S COMPETITIVENESS WILL BE CATALYSED BY ITS ABILITY TO MANUFACTURE COMPETITIVELY, CONSUME EFFICIENTLY AND EXPORT PROFITABLY.

Robust national fundamentals

At APSEZ, we believe that India's competitiveness will be catalysed by its ability to manufacture competitively, consume efficiently and export profitably.

These are India's attractive fundamentals.

India sits at one of the most attractive junctures. The country is marked by scale, which indicates the world's largest consumption market.

India is extensively under-consumed across most products and commodities, which indicates a

large multi-decade headroom.

India's economic growth has resisted a global slowdown; analysts predict a long-term economic growth average in excess of 6% year-on-year to deliver one of the largest prosperity shifts anywhere in the world.

Growing ports criticality

The contribution of manufacturing as a percentage of India's GDP has declined across the decades.

The time has come for this trend to reverse; the Indian government has outlined a structured plan to enhance the proportion of manufacturing in the GDP by 500 bps across the coming years.

India's ports are expected to play a decisive role in enhancing Indian competitiveness and the role of the manufacturing sector in its GDP.

The key factors likely to catalyse the growth of India's ports sector comprise:

- Continuous growth in India's export-import volumes, indicating

a national consumption appetite coupled with growing competitiveness


- Unprecedented infrastructure growth in India
- Focus on green transportation (enhancing coastal volumes)
- India's container penetration rate has traditionally remained low, with only 14 TEUs (Twenty-Foot Equivalent Units) per 1,000 population, compared to the global average of 109 TEUs per 1,000 population. When comparing with peer economies, it becomes evident that the ratio is significantly lower, indicating substantial headroom for growth.

- As the population continues to grow, so does the demand

for essential commodities such as food, energy, raw materials and manufactured goods. The expansion of industries, manufacturing sectors, and urbanisation driven by economic growth contribute to the demand for commodities and port services.

This is expected to translate into India's port-driven economic development. The scale, scope, sophistication, and sustainability of this potential is possibly the most attractive anywhere.

These realities indicate that the Indian ports sector is positioned at the bottom-end of a long J-curve with prospects of multi-decade cargo growth.



Government policies: The biggest catalyst of port-based growth in India

Overview

India has historically been an under-penetrated country related to port services for various reasons.

Inadequate connectivity:

Affected by limited last-mile connectivity (road and rail)

Inter-port competition:

Was low, but has improved following private sector participation

Eco-system absence: Absence of a port-based industrial eco-system

Historically, Indian ports were marked by high capacity utilisation (more than 90%), which translated into extended waiting days of vessels to berth, high vessel turn-around time, absence of supply chain integration and its cascading impact on costs and cargo visibility/reliability.

The result was a high cost of cargo intermediation that translated into a high cost of end

products, enhancing the high-cost nature of the Indian economy,

The result has been a greater recognition that plugging port sector constraints would possibly play a decisive role in enhancing the potential of India's industries and their position in the global trade landscape.

Some of this optimism is already translating into reality. While many countries faced economic

deceleration in FY 2022-23 due to pandemic-induced lockdowns, macroeconomic headwinds, and a weakening Chinese economy, India's port sector demonstrated resilience. Despite rising inflation and shifting consumer spending, where expenditure shifted from goods to services, India's port sector stood out as a key driver of India's economic activity, contributing to the country's growth trajectory.