

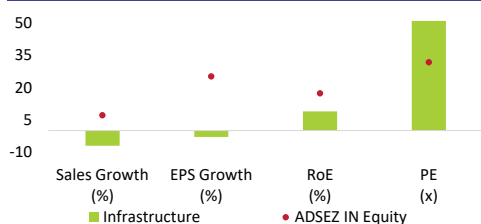
ADANI PORTS & SEZ

COMPANY UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	748
12 month price target (INR)	875
Market cap (INR bn/USD bn)	1,521/20.8
Free float/Foreign ownership (%)	36.3/17.0
What's Changed	
Target Price	↑
Rating/Risk Rating	—

INVESTMENT METRICS

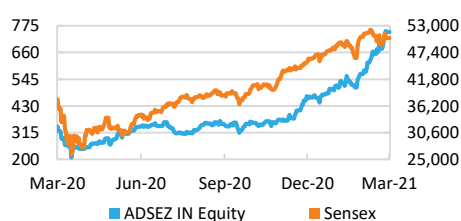


FINANCIALS

(INR mn)

Year to March	FY20A	FY21E	FY22E	FY23E
Revenue	1,18,731	1,27,106	1,74,122	1,98,267
EBITDA	59,390	86,981	1,18,952	1,35,911
Adjusted profit	38,218	47,855	63,521	74,396
Diluted EPS (INR)	18.8	23.6	31.3	36.6
EPS growth (%)	(4.1)	25.2	32.7	17.1
RoAE (%)	15.0	17.3	19.8	19.8
P/E (x)	39.8	31.8	23.9	20.4
EV/EBITDA (x)	29.6	17.1	12.3	10.6
Dividend yield (%)	0.4	0.5	0.8	1.0

PRICE PERFORMANCE



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CG rudder calls for perception rethink

Focus on Corporate Governance (CG) at Adani Ports & SEZ (APSEZ), a hitherto missing spark, is more than a flare-up and is evident from: i) a 30% cut in promoter pledge (18% now and likely to be immaterial over next 6M); and ii) formulation of related-party transaction framework that it is adhering to, thereby protecting minority shareholder rights.

In our view, the trinity of strong macros, robust financials and improving CG makes APSEZ a solid infra play. We are reducing its CoE by 100bps as we normalise beta due to reduced risk stemming from promoter pledge. We are also raising terminal growth to 6% (from 4%) to factor in growth prospects. Separately, the GPL and SRCPL takeovers could add INR110–130 to SoTP. Retain 'BUY' with a TP of INR875.

Improving corporate governance – A new port of call

APSEZ always had a strong focus on: i) consolidating its positioning in domestic markets (market share up by 10%, 20% volume CAGR in last 5Y); bottom-line-centric approach (port margins up 300bps); and FCF profile. We believe volume momentum will sustain driven by: i) external factors such as global & local trade momentum; and ii) importantly, internal factors such as market share gains, cargo diversification, improved hinterland and cargo stickiness, among others. The value-add acquisitions further bolster volume growth for the company. APSEZ has stepped up its focus on further strengthening its CG through new policies and reduced promoter pledge across group companies. A case in point is that APSEZ's promoter pledge is the lowest in five years.

GPL a solid growth play; new funding avenues add credibility

Currently, APSEZ is only a financial investor in GPL (after acquiring 31%). We expect it to be a majority owner (taking promoters' 58% stake) by spending another INR40–45bn so it can be the operational port owner as well. GPL is an excellent port with robust financials, providing access to new hinterland. Growth potential is huge thereof as the businesses are yet to mature. As an aside, Warburg Pincus's investment of INR8bn in APSEZ at NR800/share shows its ability to raise equity.

Outlook and valuations: A solid infra play; maintain 'BUY'

As argued in our earlier reports ([read Jan21 report](#)) while APSEZ's long-term growth seemed to be compelling anyway, its heightened focus on CG (sustainability a key variable) implies a new rudder of sorts than can further reinforce its re-rating in our view. On the operational front, APSEZ is extending port gate operations and taking steps to broaden its services via a pan-India multi-modal logistics network.

While we reckon GPL would add INR75/share (90% stake) and Surguja INR45/share to APSEZ's SoTP, we haven't incorporated these in our TP or earnings, pending regulatory approvals (4% EPS accretion in FY23E). That said, we have increased the terminal value to incorporate these growth opportunities. Our revised CoE stands at 11.5% (beta now at 0.9x). We maintain 'BUY/SO' with a revised TP of INR875 (up from INR600), implying an exit EV/EBITDA of 15x FY23E earnings.

Financial Statements

Income Statement (INR mn)

Year to March	FY20A	FY21E	FY22E	FY23E
Total operating income	1,18,731	1,27,106	1,74,122	1,98,267
Gross profit	87,758	99,075	1,33,320	1,52,745
Employee costs	5,465	5,991	6,821	7,702
Other expenses	22,903	6,103	7,547	9,132
EBITDA	59,390	86,981	1,18,952	1,35,911
Depreciation	16,803	19,556	22,389	22,808
Less: Interest expense	18,131	22,739	27,086	27,284
Add: Other income	18,614	20,680	18,668	18,461
Profit before tax	43,026	65,366	88,144	1,04,280
Prov for tax	4,594	16,995	22,917	27,113
Less: Other adj	(586)	0	0	0
Reported profit	37,631	47,855	63,521	74,396
Less: Excp.item (net)	586	0	0	0
Adjusted profit	38,218	47,855	63,521	74,396
Diluted shares o/s	2,032	2,032	2,032	2,032
Adjusted diluted EPS	18.8	23.6	31.3	36.6
DPS (INR)	3.2	4.1	6.3	7.3
Tax rate (%)	10.7	26.0	26.0	26.0

Important Ratios (%)

Year to March	FY20A	FY21E	FY22E	FY23E
Operating cost (% of rev)	26.1	22.1	23.4	23.0
Employee cost (% of rev)	4.6	4.7	3.9	3.9
Oth. expenses (% of rev)	19.3	4.8	4.3	4.6
EBITDA margin (%)	50.0	68.4	68.3	68.5
Net profit margin (%)	32.2	37.6	36.5	37.5
Revenue growth (% YoY)	8.7	7.1	37.0	13.9
EBITDA growth (% YoY)	(9.9)	46.5	36.8	14.3
Adj. profit growth (%)	(5.8)	25.2	32.7	17.1

Assumptions (%)

Year to March	FY20A	FY21E	FY22E	FY23E
GDP (YoY %)	4.8	(6.0)	7.0	6.0
Repo rate (%)	4.4	3.5	3.5	4.0
USD/INR (average)	70.7	75.0	73.0	72.0
Totl cargo (ex KPCL; MT)	222.7	229.8	257.1	284.6
Avg realisation (INR/t)	293.5	341.3	360.5	367.9
Ports EBITDA margin (%)	53.8	72.9	72.6	72.5
SEZ revenues (INR mn)	9,010.6	1,055.2	10,748.2	9,012.7
ALL revenues (INR mn)	9,641.3	9,841.5	12,491.4	14,756.2
ABPO revenues (INR mn)	5,161.8	5,265.1	5,370.4	5,477.8

Valuation Metrics

Year to March	FY20A	FY21E	FY22E	FY23E
Diluted P/E (x)	39.8	31.8	23.9	20.4
Price/BV (x)	5.9	5.1	4.4	3.7
EV/EBITDA (x)	29.6	17.1	12.3	10.6
Dividend yield (%)	0.4	0.5	0.8	1.0

Source: Company and Edelweiss estimates

Balance Sheet (INR mn)

Year to March	FY20A	FY21E	FY22E	FY23E
Share capital	4,064	4,064	4,064	4,064
Reserves	2,52,171	2,91,758	3,42,575	4,02,092
Shareholders funds	2,56,235	2,95,822	3,46,638	4,06,155
Minority interest	2,196	2,713	4,418	7,189
Borrowings	3,10,616	3,78,988	3,71,044	3,54,336
Trade payables	7,287	4,928	6,775	7,658
Other liabs & prov	23,744	24,735	25,775	26,867
Total liabilities	6,22,037	7,29,143	7,76,609	8,24,164
Net block	2,74,879	3,73,314	3,70,928	3,92,699
Intangible assets	19,404	19,404	19,404	19,404
Capital WIP	32,163	16,253	21,477	1,386
Total fixed assets	3,26,446	4,08,971	4,11,809	4,13,488
Non current inv	11,661	40,411	50,411	60,411
Cash/cash equivalent	73,139	72,562	88,894	1,02,560
Sundry debtors	25,891	25,257	35,075	48,462
Loans & advances	18,529	19,455	22,374	25,730
Other assets	42,737	43,851	49,412	54,879
Total assets	6,22,037	7,29,143	7,76,609	8,24,164

Free Cash Flow (INR mn)

Year to March	FY20A	FY21E	FY22E	FY23E
Reported profit	37,631	47,855	63,521	74,396
Add: Depreciation	16,803	19,556	22,389	22,808
Interest (net of tax)	16,195	16,827	20,044	20,190
Others	(2,621)	(14,251)	(9,920)	(8,596)
Less: Changes in WC	6,009	2,224	(15,408)	(20,235)
Operating cash flow	74,018	72,210	80,626	88,563
Less: Capex	(36,149)	(1,02,081)	(25,227)	(24,488)
Free cash flow	37,869	(29,871)	55,399	64,075

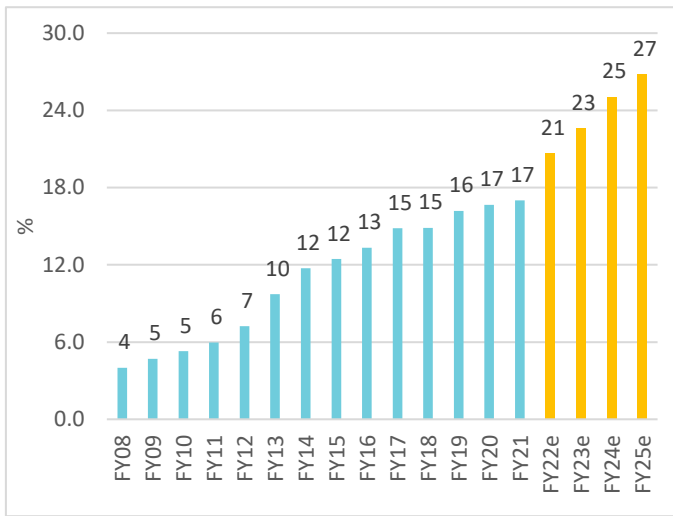
Key Ratios

Year to March	FY20A	FY21E	FY22E	FY23E
RoE (%)	15.0	17.3	19.8	19.8
RoCE (%)	11.1	14.1	16.5	17.7
Inventory days	65	36	29	32
Receivable days	77	73	63	77
Payable days	77	80	52	58
Working cap (% sales)	39.5	39.1	37.4	43.0
Gross debt/equity (x)	1.2	1.3	1.1	0.9
Net debt/equity (x)	0.9	1.0	0.8	0.6
Interest coverage (x)	2.3	3.0	3.6	4.1

Valuation Drivers

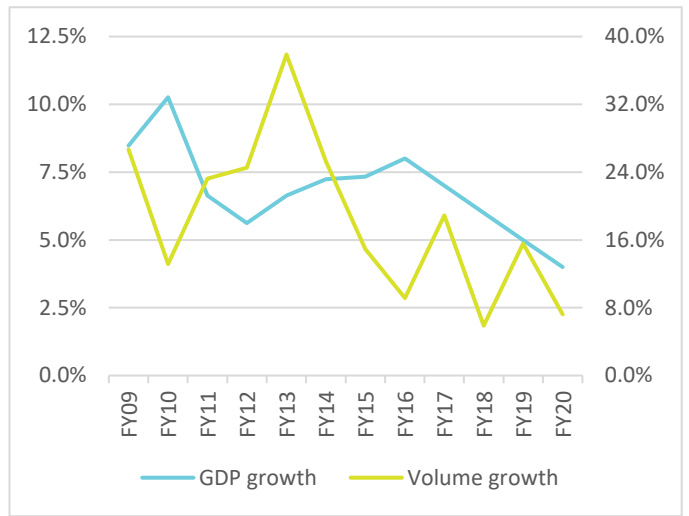
Year to March	FY20A	FY21E	FY22E	FY23E
EPS growth (%)	(4.1)	25.2	32.7	17.1
RoE (%)	15.0	17.3	19.8	19.8
EBITDA growth (%)	(9.9)	46.5	36.8	14.3
Payout ratio (%)	17.3	17.3	20.0	20.0

Exhibit 1: APSEZ's market share has increased 5x in last 10Y



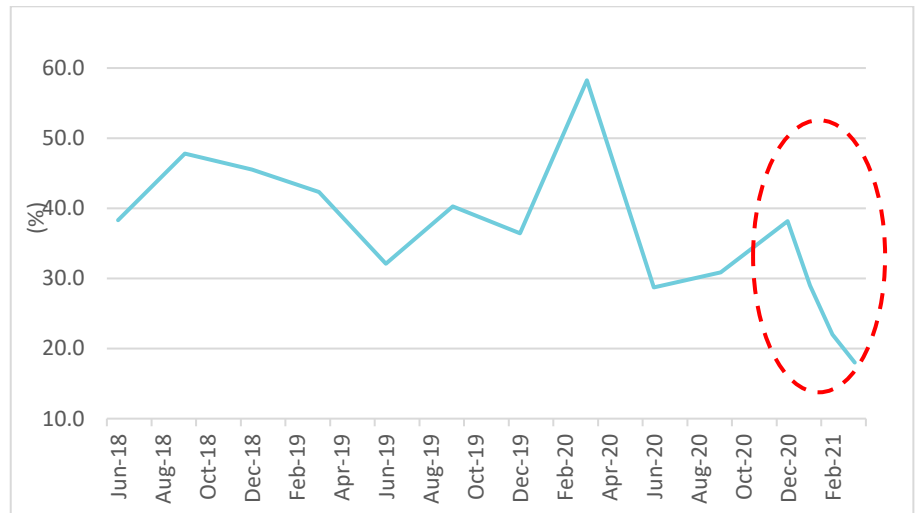
Source: IPA, Company, Edelweiss Research

Exhibit 2: APSEZ growth has been higher than GDP growth



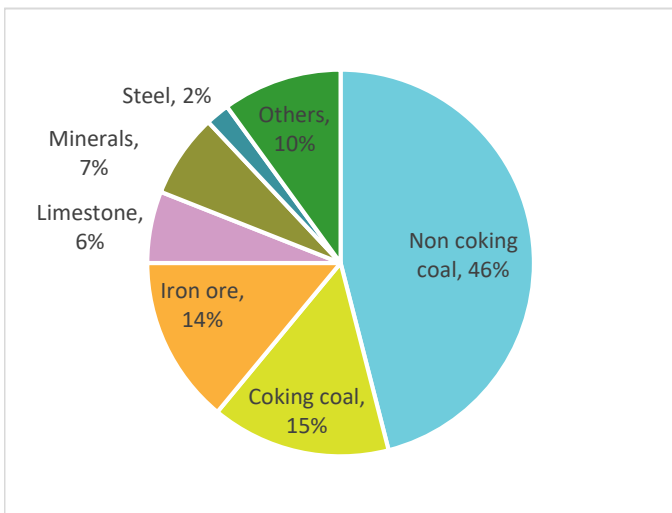
Source: Company, Edelweiss Research

Exhibit 3: Promoter pledge is at all-time low in last 5Y



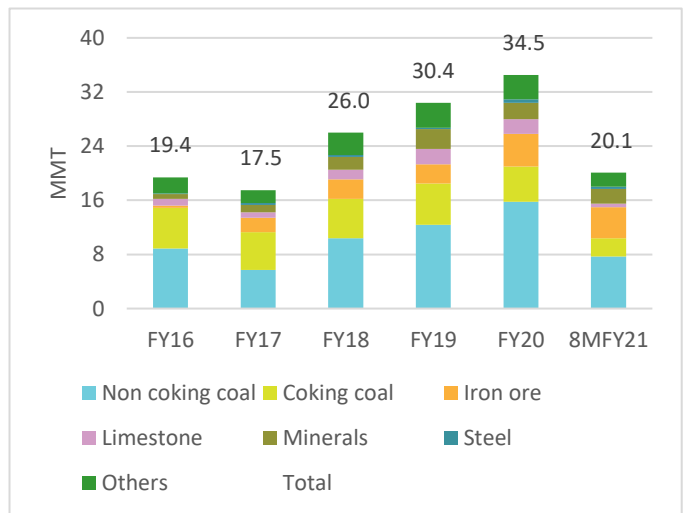
Source: Company, Edelweiss Research

Exhibit 4: Segment wise cargo share in FY20



Source: Company, Edelweiss Research

Exhibit 5: Non-coking coal driving cargo growth



Source: Company, Edelweiss Research

Exhibit 6: Overview of the GPL deal

Key details of the deal (INR bn)	
Transaction value	19.54
Target share %	31.50%
Total Equity value	62.03
Net debt (Dec '20)	-5.57
Enterprise value	56.47
Implied transaction multiple	
EV/EBITDA	8.9x
PE	12x
GPL	
Location	Vizag
Capacity	64 MMTPA
Berths	9
Master plan	
-Capacity	250 MMTPA
-Berths	31
Land bank	1,800 acres*
Additional leased land	1,052 acres
*800 acres available for future development	

Source: Company, Edelweiss Research

Exhibit 7: GPL volume growth trajectory

Cargo Profile (MMT)	FY20	FY21E	FY22E	FY23E	FY24E	FY25E
Non Coking coal	15.8	11.5	13.8	15.9	17.8	19.9
Coking coal	5.2	3.9	4.9	5.6	6.3	7.0
Iron Ore	4.8	6.1	7.6	8.8	10.1	11.6
Minerals	2.4	3.0	3.6	4.1	4.8	5.5
Limestone	2.2	3.8	4.8	5.5	6.3	7.2
Others	4.1	3.0	3.6	4.1	4.8	5.5
Total Volumes	34.5	31.3	38.3	44.0	49.9	56.7
Realisations (INR/tonne)	313.6	330.6	340.5	350.7	361.2	372.0

Source: Company, Edelweiss Research

Exhibit 8: GPL EPS growth trajectory

	FY20	FY21E	FY22E	FY23E	FY24E	FY25E
Income from operations	10,820	10,346	13,023	15,426	18,039	21,099
Direct costs	3,571	3,414	3,646	3,548	3,969	4,431
Employee costs	541	517	651	617	722	844
Other expenses	325	310	391	463	541	633
Total operating expenses	4,436	4,242	4,688	4,628	5,231	5,908
EBITDA	6,384	6,104	8,335	10,798	12,808	15,191
EBITDA Margins (%)	59	59	64	70	71	72
Depreciation and amortisation	1,380	1,364	1,536	1,632	1,752	1,872
EBIT	5,004	4,740	6,799	9,166	11,056	13,319
Interest expenses	320	30	3,760	4,016	4,256	4,496
Other income	720	440	462	485	509	535
Profit before tax	5,404	5,150	3,501	5,635	7,309	9,358
Provision for tax	190	150	875	1,420	1,842	2,358
Reported Profit	5,214	5,000	2,626	4,215	5,467	7,000

Source: Company, Edelweiss Research

Note: This calculation is done at 89% stake in GPL assuming INR44bn debt

Exhibit 9: Our calculations suggest INR75/share* addition to SoTP led by GPL

NPV calculations (INR mn)	FY22	FY23	FY24	FY25
EBIT excl other Income	6,799	9,166	11,056	13,319
Less: Tax	875	1,420	1,842	2,358
Add: Depreciation	1,536	1,632	1,752	1,872
Cash flow	7,460	9,378	10,966	12,833
Less Change in WC	1,877	1,252	1,237	1,399
Less Capex	2,000	4,000	5,000	5,000
Free cash Flow	3,582	4,126	4,729	6,434
Discounting factor	0.115			
Value of firm	2,27,202			
Less: Acquisition value at 100%	60,000			
Total accretion	1,67,202			
Accretion per share	82			

Source: Edelweiss Research

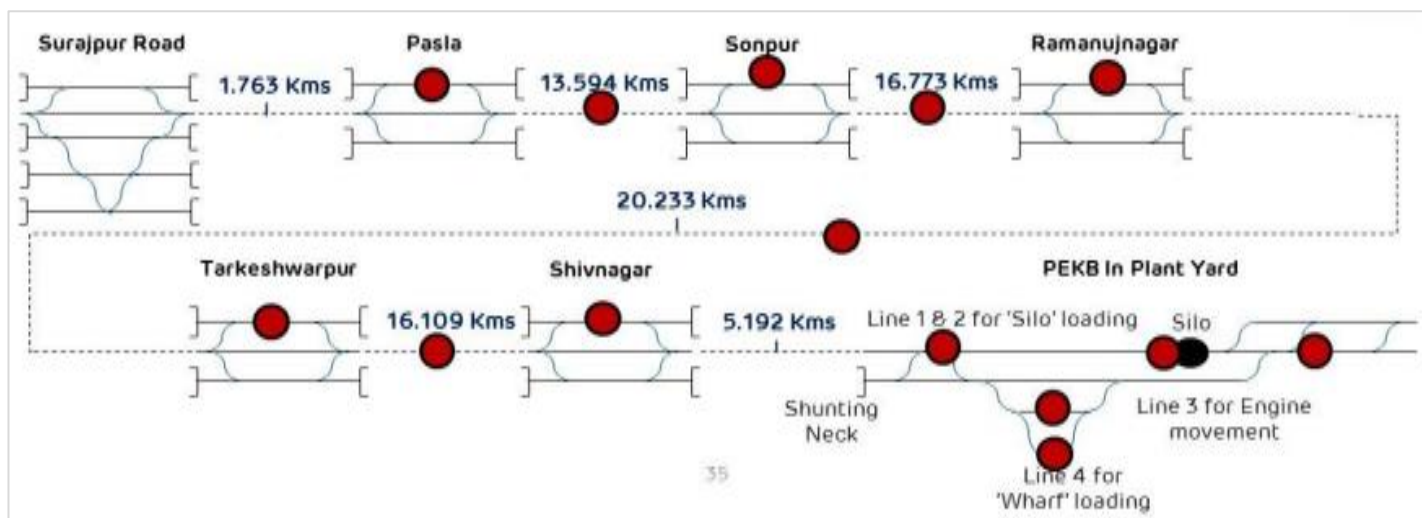
*Note: Assuming 89% stake acquisition

Exhibit 10: SRCPL key details

Key details of the deal (INR bn)	
Enterprise Value (DCF)	59.77
Net debt at SRCPL	9.34
Equity value of SRCPL	50.43
BTMSPL debt	2.78
BTMSPL equity	47.65
Per share value (BTMSPL)	95
APSEZ VWAP	675
No. of shares to be issued	7.06 crore
Implied EV/EBITDA	11.49x
SRCPL	
Track length	70 KM
Rake capacity	16 per day
Land lease	till 2065
Potential throughput	~100 MMT
Near to mid term visibility	40 MMT p.a.

Source: Company, Edelweiss Research

Exhibit 11: Sarguja rail corridor track capacity



Source: Company, Edelweiss Research

Exhibit 12: Sarguja Financial growth trajectory

Particulars (INR mn)	FY18	FY19	FY20	FY21E	FY22E	FY23E
Cargo (MMT)	3.6	10.6	14.4	15.4	18.48	24.02
Operating revenue	500	3,680	4,170	4,560	5,472.0	7,113.60
EBITDA	340	3,250	3,570	3,950	4,760.64	6,188.83
EBITDA %	68%	88%	86%	87%	87%	87%
PAT	-25	680	820	1,210	1,477	1,921

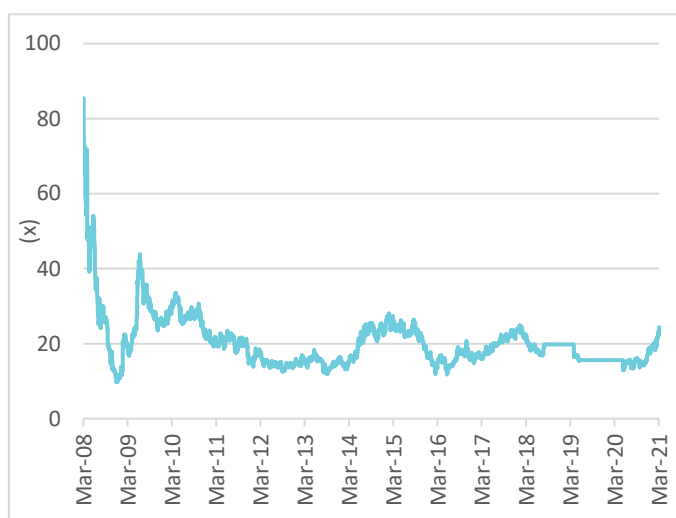
Source: Company, Edelweiss Research

Exhibit 13: Our analysis suggest 8% PAT accretion and 4% EPS accretion in FY23 post GPL and SRCPL

Particulars (INR mn)	Existing		Post consolidation		Accretion	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Volume	257	285	299	349	16%	22%
Revenue	1,74,122	1,98,267	1,87,505	2,19,264	8%	11%
EBITDA	1,18,952	1,35,911	1,28,776	1,51,889	8%	12%
Margin %	68.3	68.5	68.7	69.3	50bps	110 bps
PAT	63,521	74,396	66,648	80,253	5%	8%
No. of shares	2,032	2,032	2,112	2,112	4%	4%
EPS	31.3	36.6	31.6	38.0	1%	4%

Source: Edelweiss Research Note: Assuming 89% stake acquisition in GPL

Exhibit 14: 1 year forward PE



Source: Bloomberg, Edelweiss Research

Exhibit 15: 1 year forward EV/EBITDA



Source: Bloomberg, Edelweiss Research

Exhibit 16: Global comparison

	Mcap (USD)	Revenue growth %		EBITDA growth %		EPS growth %	
	Current	CY21/FY22	CY22/FY23	CY21/FY22	CY22/FY23	CY21/FY22	CY22/FY23
Adani Ports	21,083	29.8	14.3	29.0	15.6	28.3	17.2
Gujarat Pipavav	731	14.6	11.2	18.5	12.9	27.8	20.9
Westports Holding Bhd	3,524	4.3	7.1	5.6	5.0	7.2	6.3
International Container Terminal	4,992	9.4	6.0	9.1	8.3	26.9	20.3
Qingdao Port International Co	6,238	7.5	2.9	10.3	4.4	10.3	4.7
Shanghai International Port gr	17,127	13.0	9.7	29.6	-0.2	9.9	7.3
Cosco Shipping Ports	2,521	10.8	1.4	21.9	7.3	4.3	7.3
Hutchison Port Holdings	1,960	2.8	1.4	4.0	1.4	52.6	6.9
Marsa Maroc	1,758	5.7	-7.5	8.6	-7.6	28.6	-6.4

Source: Bloomberg, Edelweiss Research

Exhibit 17: Global comparison

	ROE (%)			PE (x)			PB (x)		
	CY20/FY21	CY21/FY22	CY22/FY23	CY20/FY21	CY21/FY22	CY22/FY23	CY20/FY21	CY21/FY22	CY22/FY23
Adani Ports	17.7	19.3	19.3	31.2	24.3	20.8	5.2	4.4	3.7
Gujarat Pipavav	10.6	13.6	16.0	23.3	18.2	15.1	2.5	2.5	2.4
Westports Holidng Bhd	24.5	24.0	23.5	21.6	20.1	19.0	4.8	4.2	3.8
International Container Terminal	28.3	28.9	28.2	26.3	20.7	17.2	5.3	4.7	3.8
Qingdao Port International Co	11.8	12.1	11.8	6.5	5.8	5.6	0.7	0.7	0.6
Shanghai International Port gr	9.3	10.3	10.4	12.8	11.7	10.9	1.3	1.2	1.1
Cosco Shipping Ports	5.5	5.8	6.1	8.3	7.9	7.4	0.5	0.5	0.4
Hutchison Port Holdings	1.9	3.2	3.4	30.6	20.1	18.8	0.6	0.6	0.6

Source: Bloomberg, Edelweiss Research

Exhibit 18: Global comparison

	EV/EBITDA (x)			Net debt/EBITDA		
	CY20/FY21	CY21/FY22	CY22/FY23	CY20/FY21	CY21/FY22	CY22/FY23
Adani Ports	21.6	16.5	13.8	3.3	2.2	1.5
Gujarat Pipavav	10.7	9.0	8.0	-1.6	-1.4	-1.2
Westports Holidng Bhd	12.6	11.8	11.2	0.5	0.5	0.4
International Container Terminal	8.9	8.0	7.1	2.7	2.5	2.1
Qingdao Port International Co	9.2	8.4	8.0	-0.1	-0.1	-0.1
Shanghai International Port gr	14.7	10.6	10.1	1.8	1.4	0.9
Cosco Shipping Ports	17.7	15.0	14.1	7.4	6.1	5.8
Hutchison Port Holdings	9.2	8.6	8.2	3.2	3.1	2.9

Source: Bloomberg, Edelweiss Research

Exhibit 19: SoTP table

	Method	CoE	Value	Stake	Value of stake	Price per	% age of SOTP
		(%)	(INR mn)	(%)	(INR mn)	share (INR)	(%)
Mundra Port	DCF	11.4	5,01,420	100.0	5,01,420	247	28.2
CT3/4/5....	DCF	11.4	1,74,448	50.0	87,224	42	4.9
Harbour busniess	DCF	11.4	3,23,224	100.0	3,23,224	159	18.2
SEZ	DCF	12.0	68,989	100.0	68,989	34	3.9
Hazira Port	DCF	11.4	90,345	100.0	90,345	44	5.1
Dhamra Port	DCF	11.4	3,14,610	100.0	3,14,610	155	17.7
Katupalli Port	DCF	11.4	20,316	100.0	20,316	10	1.1
Myanmar port	DCF	12.0	16,104	100.0	16,104	8	0.9
Krishnapatnam port	NPV	11.4	1,98,745	75.0	1,49,059	73	8.4
Other ports	DCF	12.0	65,134		65,134	32	3.7
ALL	P/E	15x	49,364	100.0	49,364	24	2.8
Cash & Investments	BV	H1FY21	92,000	100.0	92,000	45	5.2
Total			19,61,832		18,13,350	875	100.0

Source: Edelweiss Research

Company Description

APSEZ's business is classified into three verticals consisting of Ports, Logistics and Special Economic Zone. The company has a pan-India presence in ten locations (nine are operational) with the flagship Mundra port, India's largest commercial port, in the Gulf of Kutch. APSEZ has the capacity as well as ability to handle multiple cargo at its ports. It has a large land bank of 8,481 hectares of contiguous land at Mundra with requisite approvals and clearances in place. The company has been investing in tightly integrated assets with the objective of reducing bottlenecks in the overall logistics value chain, thereby saving time and costs for its customer. It continues to grow both organically and inorganically with several acquisitions like Dhamra and recently the Krishnapatnam Port. It has expanded its presence in logistics as well inorganically, acquiring Adani Agri Logistics and B2B logistics in the recent past.

Investment Theme

Sound business fundamentals: Sustainable market share gains at Mundra (containers particularly), expansion of LPG, LNG terminals at Mundra and Dhamra and the upcoming Vizhingham port are likely to keep volume growth ticking in double digits for the next 3-4 years.

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 be a boost for APSEZ given its scale, pan-India presence and existing strong relationships with container liner companies.

High cargo volume targets: Post acquisition of Krishnapatnam Port, the company revised upwards its cargo volume target for FY25 from 400MT to 500MT, a staggering 18% CAGR over FY20. Though this is a tall ask, we believe execution capabilities and proven track record of volume ramp up provides comfort on cargo growth visibility.

Logistics, the dark horse –potential 30% 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. 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 therein 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 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.

Currency Fluctuation: APSEZ has exposure to dollar denominated foreign currency loans and revenues faces forex risk as it does not undertake any major hedge to currency movements.

Share Pledging: High promoter share pledging at APSEZ and group level could keep stock volatile.

Additional Data

Management

CMD	Mr. Gautam S. Adani
CEO & WTD	Mr. Karan Adani
WTD	Dr. Malay Mahadevia
CFO	Deepak Maheswari
Auditor	Deloitte Haskins & Sells

Holdings – Top 10*

	% Holding		% Holding
Life Insurance	10.91	NEW WORLD FUND	2.30
Capital Group C	6.93	CAMAS INVS PTE	1.33
EMERGING MARKET	4.21	Vanguard Group	1.22
Universal Tradi	3.98	SBI Funds Manag	1.22
WORLDWIDE EMERG	3.89	BlackRock Inc	1.03

*Latest public data

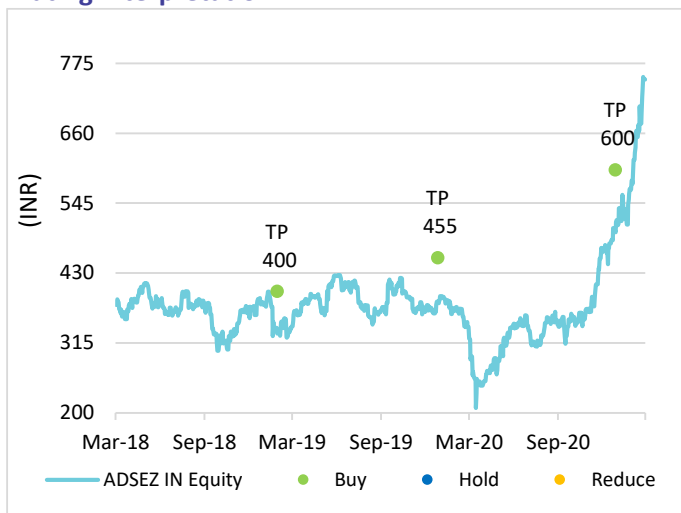
Recent Company Research

Date	Title	Price	Reco
03-Mar-21	Acquisitions extend business footprint; <i>Edel Flash</i>	730	Buy
11-Feb-21	Growth juggernaut with benefits of size; <i>Company Update</i>	590	Buy
09-Feb-21	Strong recovery; promoter pledge recedin; <i>Result Update</i>	582	Buy

Recent Sector Research

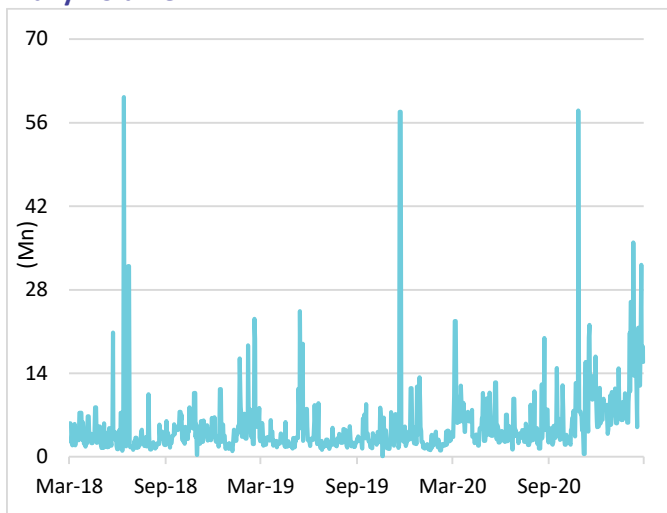
Date	Name of Co./Sector	Title
17-Feb-21	Ashoka Buildcon	All eyes on order-wins; <i>Company Update</i>
17-Feb-21	Sadbhav Engineering	Order book, execution improve; <i>Result Update</i>
16-Feb-21	Ahluwalia Contracts	Execution improves, margins soft; <i>Result Update</i>

Rating Interpretation



Source: Bloomberg, Edelweiss research

Daily Volume



Source: Bloomberg

Rating Distribution: Edelweiss Research Coverage

	Buy	Hold	Reduce	Total
Rating Distribution*	165	59	17	241
	>50bn	>10bn and <50bn	<10bn	Total
Market Cap (INR)	199	49	4	252

* stocks under review

Rating Rationale

Rating	Expected absolute returns over 12 months
Buy:	>15%
Hold:	>15% and <-5%
Reduce:	<-5%

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