

India

Neutral (no change)**Highlighted Companies****Adani Ports & Special Economic Zone Ltd****ADD, TP Rs823, Rs739 close**

Ex-acquisitions, we expect a 12% EBITDA CAGR for Adani Ports over FY20-24F. Our target price implies a 11.6x FY25F EV/EBITDA (10% discount to five-year average).

Container Corp of India Ltd**ADD, TP Rs940, Rs671 close**

We expect a sharp volume growth for Concor over FY23-25F, driven by the shift in cargo from road to rail after the commissioning of the Dedicated Freight Corridor.

Gujarat Pipavav Port Ltd**ADD, TP Rs148, Rs122 close**

Going ahead, connectivity to the Dedicated Freight Corridor or DFC is likely to boost Gujarat Pipavav Port in FY24F-25F, while JNPT could be connected to the DFC in one-to-two years.

Summary Valuation Metrics

P/E (x)	Mar22-A	Mar23-A	Mar24-F
Adani Ports & Special Economic Zone Ltd	32.4	21.69	18.01
Container Corp of India Ltd	38.85	33.28	25.93
Gujarat Pipavav Port Ltd	30.56	18.14	14.74

P/BV (x)	Mar22-A	Mar23-A	Mar24-F
Adani Ports & Special Economic Zone Ltd	4.08	3.51	2.95
Container Corp of India Ltd	3.79	3.51	3.21
Gujarat Pipavav Port Ltd	2.91	2.82	2.7

Dividend Yield	Mar22-A	Mar23-A	Mar24-F
Adani Ports & Special Economic Zone Ltd	0.83%	0.58%	0.14%
Container Corp of India Ltd	1.34%	0.9%	1.16%
Gujarat Pipavav Port Ltd	3.95%	4.5%	5.13%



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Transport Infra - Overall

Sector pulse: Railways & Ports – Jun 2023

- Rail cargo (tonne km or tkm) declined by 7.6% yoy, most likely due to precautions and procedures after the train accident in Odisha on 2 Jun 2023.
- Major ports (MPs) + Adani Ports (APSEZ) cargo grew just 1% yoy (vs. 5% yoy growth in 1QFY24) due to weak coal and container cargo at MPs.

Railways (Jun 2023): 7.6% yoy dip in overall cargo most likely due to precautions and procedures after the recent train accident in Odisha

- Rail cargo (tkm) declined by 7.6% yoy {vs. (-)3.5%/ 5% yoy growth in 1QFY24/ 4QFY23, respectively} and container cargo (tkm) declined by 6.5% yoy (vs. 1%/ 7% yoy growth in 1QFY24/ 4QFY23, respectively).
- **We believe the sudden sharp decline in rail cargo in Jun 2023 could be due to precautions and procedures undertaken after the horrific train accident in Odisha on 2 Jun 2023. Secondly, we note that the decline was on a high base as Jun 2022 cargo rose 19% yoy.**
- Due to the Covid-19 pandemic, passenger traffic in FY21/22 stood at 84%/60%, respectively, below FY20 (pre-Covid) levels. The sudden spare capacity on the rail network boosted rail cargo – FY22 rail cargo was 17% higher than in FY20. However, rail cargo in Jun 2023 was 21% higher than the 4QFY20 run rate, despite the normalization in passenger train operations.
- EXIM (export-import) container cargo declined by 8.5% yoy (vs. 3.7%/ 9% yoy growth in 1QFY24/ 4QFY23, respectively).

Ports (Jun 2023): yoy decline in coal and container volume at major ports was partly due to the high base

- Jun 2023 cargo at major ports (MPs) + Adani Ports or APSEZ (ex-Gangavaram) grew 1% yoy (vs. a 5% yoy rise in 1QFY24).
- **Jun 2023 MP cargo was flat yoy (vs. a 2% yoy rise in 1QFY24). The flat volume yoy was on a high base as Jun 2022 MP cargo was up 12.4% yoy. Further, MP cargo in FY23 was 9.5% higher than in FY22.**
- **While Cyclone Biparjoy occurred in Jun 2023 (impacting the west coast), we believe this did not have a significant impact on west coast MPs. Cargo at west coast MPs grew 2.5% yoy, like the yoy growth in May 2023.**
- **Coal cargo at MPs fell 10% yoy as thermal coal declined by 7% yoy and coking coal fell 16% yoy. The decline was on a high base as Jun 2022 cargo rose 42% yoy. Further, cargo in FY23 was ~30% higher than in FY22. This was in line with our thesis (link to the report: [Port sector report 11 Jun 2022](#)).**
- Container cargo at MPs declined by 7% yoy and volume at JNPT (key container port among MPs) fell 8.5% yoy (vs. a 1.4% yoy growth in 1QFY24). Petroleum, oil and lubricants cargo rose 3% yoy.
- APSEZ's Jun 2023 volume stood at 33.1mt (including Gangavaram). Its Jun 2023 volume rose 3% yoy and was 23% higher than the run rate in 2HFY23 (26.9mt).

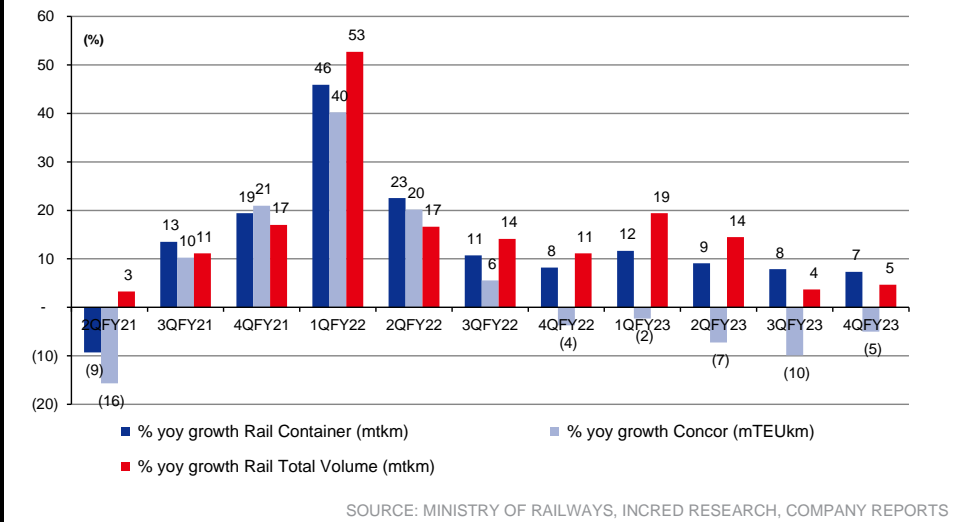
Sector pulse: Railways and Ports – Jun 2023

Figure 1: Railway cargo volume – Jun 2023

	1QFY24	qoq growth %	Jun 23	Jun 23 mom growth %
Total Rail Cargo (mt)	384	(4.7)	123	(8.3)
yoy growth %	1.1		(1.9)	
Total Rail Cargo (mtkm)	2,20,509	(6.5)	69,770	(9.9)
yoy growth %	(3.5)		(7.6)	
Rail Container (mt)	20	(8.0)	6.0	(12.4)
yoy growth %	0.6		(10.1)	
Rail Container - EXIM (mt)	15	(6.9)	4.5	(12.7)
yoy growth %	1.7		(11.2)	
Rail Container (mtkm)	16,610	(9.8)	5,132	(12.2)
yoy growth %	0.9		(6.5)	
Rail Container - EXIM (mtkm)	10,887	(6.7)	3,290	(13.0)
yoy growth %	3.7		(8.5)	

SOURCE: MINISTRY OF RAILWAYS, INCRED RESEARCH, COMPANY REPORTS

Figure 2: Comparison of Concor's volume performance vs. that of Indian Railways



SOURCE: MINISTRY OF RAILWAYS, INCRED RESEARCH, COMPANY REPORTS

Figure 3: Volume of major ports and Adani Ports – Jun 2023

	Volume (mt)		Growth %		
	1QFY24	Jun 23	1QFY24 (yoy)	Jun 23 (yoy)	Jun 23 (mom)
Major Ports	200	66	2	0	(3)
POL	59	20	(1)	3	3
Iron Ore	14	4	18	113	(10)
Fertilizer	5	2	37	54	(9)
Coal-Thermal	35	11	10	(7)	(10)
Coal-Coking	15	5	7	(16)	(12)
Container	44	14	2	(7)	(10)
Others	29	10	(13)	(4)	15
Adani Ports (ex-GPL)	93	30	13	3	(9)
Major Ports + Adani Ports	293	96	5	1	(5)

SOURCE: INDIAN PORTS ASSOCIATION, INCRED RESEARCH, COMPANY REPORTS

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