

India

Neutral (no change)**Highlighted Companies****Adani Ports & Special Economic Zone Ltd****ADD, TP Rs823, Rs791 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, Rs699 close**

We expect a sharp volume growth for Concor over FY23-25F, driven by the shift of 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 | 34.68 | 23.22 | 19.28 |
| Container Corp of India Ltd | 40.48 | 34.67 | 27.01 |
| Gujarat Pipavav Port Ltd | 30.55 | 18.13 | 14.73 |
| P/BV (x) | Mar22-A | Mar23-A | Mar24-F |
| Adani Ports & Special Economic Zone Ltd | 4.37 | 3.75 | 3.15 |
| Container Corp of India Ltd | 3.95 | 3.66 | 3.34 |
| Gujarat Pipavav Port Ltd | 2.9 | 2.82 | 2.7 |
| Dividend Yield | Mar22-A | Mar23-A | Mar24-F |
| Adani Ports & Special Economic Zone Ltd | 0.77% | 0.54% | 0.13% |
| Container Corp of India Ltd | 1.29% | 0.87% | 1.11% |
| Gujarat Pipavav Port Ltd | 3.95% | 4.5% | 5.13% |

Transport Infra - Overall

Sector pulse: Railways & Ports – Jul 2023

- Rail cargo (tonne km or tkm) declined by 3.5% yoy but rail EXIM container cargo grew 11.8% yoy.
- Major ports (MPs) + Adani Ports (APSEZ) cargo grew 5% yoy (vs. 5% yoy growth in 1QFY24) as weak coal cargo was offset by strong container cargo.

Railways (Jul 2023): Surge in EXIM container cargo by 11.8% yoy

- Rail cargo (tkm) declined by 3.5% yoy (vs. 3.5% yoy decline in 1QFY24) but container cargo (tkm) rose by 9.6% yoy (vs. 1% yoy growth in 1QFY24).
- 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 Jul 2023 was 24% higher than the 4QFY20 run rate, despite the normalization in passenger train operations.
- EXIM (export-import) container cargo rose 11.8% yoy (vs. 3.7% yoy growth in 1QFY24). We believe this is due to commissioning of the Dadri-to-Rewari stretch of Indian Railways' Dedicated Freight Corridor or DFC in May 2023. This augurs well for Concor's volume growth in 2QFY24F.

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

- Jul 2023 cargo at major ports (MPs) + Adani Ports or APSEZ (ex-Gangavaram) grew 5% yoy (vs. a 5% yoy rise in 1QFY24).
- Jul 2023 MPs' cargo** grew 4% yoy (vs. a 2% yoy rise in 1QFY24). The 4% yoy rise was on a high base as Jul 2022 MPs' cargo was up 15.1% yoy. Further, MPs' cargo in FY23 was 9.5% higher than in FY22.
- Coal cargo at MPs** fell by 21% yoy as thermal coal declined by 35% yoy. The decline was on a high base as Jul 2022 coal cargo rose by 53% 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 rose by 11% yoy and the volume at JNPT (key container port among MPs) rose by 3.8% yoy (vs. a 1.4% yoy growth in 1QFY24). Petroleum, oil and lubricants cargo rose by 4% yoy.
- APSEZ's Jul 2023 volume was at 34mt (including Gangavaram and Haifa). Its Jul 2023 volume rose by 5% yoy and was 23% higher than the run-rate in 2HFY23 (26.9mt).

Analyst(s)**Rajarshi MAITRA**

T (91) 22 4161 1546

E rajarshi.maitra@incredcapital.com

Parth THAKKAR

T (022) 22 4161 0000

E parth.thakkar@incredcapital.com

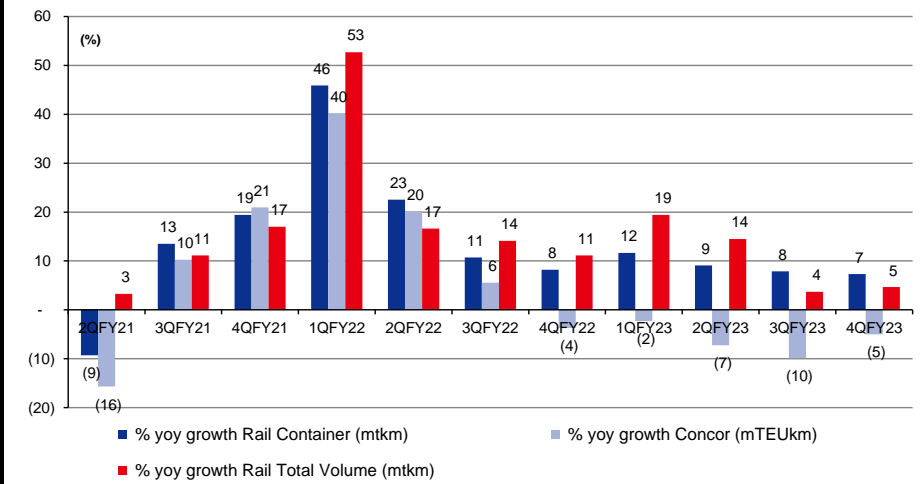
Sector pulse: Railways and Ports – Jul 2023

Figure 1: Railway cargo volume – Jul 2023

| | 1QFY24 | qoq growth % | Jul 23 | Jul 23 mom growth % |
|--------------------------------|-----------------|--------------|---------------|---------------------|
| Total Rail Cargo (mt) | 384 | (4.7) | 124 | 0.7 |
| yoy growth % | 1.1 | | 1.5 | |
| Total Rail Cargo (mtkm) | 2,20,509 | (6.5) | 71,791 | 2.9 |
| yoy growth % | (3.5) | | (3.5) | |
| Rail Container (mt) | 20 | (8.0) | 7.2 | 20.1 |
| yoy growth % | 0.6 | | 8.5 | |
| Rail Container - EXIM (mt) | 15 | (6.9) | 5.6 | 24.9 |
| yoy growth % | 1.7 | | 10.6 | |
| Rail Container (mtkm) | 16,610 | (9.8) | 6,082 | 18.5 |
| yoy growth % | 0.9 | | 9.6 | |
| Rail Container - EXIM (mtkm) | 10,887 | (6.7) | 4,064 | 23.5 |
| yoy growth % | 3.7 | | 11.8 | |

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 – Jul 2023

| | Volume (mt) | | Growth % | | |
|----------------------------------|-------------|-----------|--------------|--------------|------------|
| | 1QFY24 | Jul 23 | 1QFY24 (yoy) | Jul 23 (yoy) | (mom) |
| Major Ports | 200 | 66 | 2 | 4 | (0) |
| POL | 59 | 21 | (1) | 4 | 1 |
| Iron Ore | 14 | 4 | 18 | 90 | 2 |
| Fertilizer | 5 | 2 | 37 | 41 | 5 |
| Coal-Thermal | 35 | 9 | 10 | (35) | (19) |
| Coal-Coking | 15 | 5 | 7 | 22 | 6 |
| Container | 44 | 15 | 2 | 11 | 9 |
| Others | 29 | 11 | (13) | 18 | 0 |
| Adani Ports (ex-GPL) | 93 | 30 | 13 | 5 | (0) |
| Major Ports + Adani Ports | 293 | 96 | 5 | 5 | (0) |

SOURCE: INDIAN PORTS ASSOCIATION, INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000007793. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

| | Analyst/ Relative | Entity/ Associates |
|---|----------------------|-----------------------|
| any financial interests in the company covered in this report (subject company) and nature of such financial interest | NO | NO |
| actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance; | NO | NO |
| any other material conflict of interest at the time of publication of the research report or at the time of public appearance | NO | NO |
| received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months | NO | NO |
| managed or co-managed public offering of securities for the subject company in the last twelve months | NO | NO |
| received any compensation or other benefits from the subject company or third party in connection with the research report | NO | NO |
| served as an officer, director or employee of the subject company | NO | NO |
| been engaged in market making activity for the subject company | NO | NO |

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.