

India

**Neutral** (no change)**Highlighted Companies****Adani Ports & Special Economic Zone Ltd****HOLD, TP Rs868, Rs801 close**

Ex-acquisitions, we expect a 15% EBITDA CAGR for Adani Ports over FY23-25F. Our target price implies a 12.4x FY25F EV/EBITDA (7% discount to five-year average).

**Container Corp of India****ADD, TP Rs940, Rs682 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****ADD, TP Rs148, Rs130 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)	Mar22A	Mar23A	Mar24-F
Adani Ports & Special Economic Zone Ltd	35.11	32.23	19.63
Container Corp of India	39.49	33.83	26.35
Gujarat Pipavav Port	32.49	19.29	15.67

P/BV (x)	Mar22A	Mar23A	Mar24-F
Adani Ports & Special Economic Zone Ltd	4.42	3.8	3.19
Container Corp of India	3.86	3.57	3.26
Gujarat Pipavav Port	3.09	3	2.87

Dividend Yield	Mar22A	Mar23A	Mar24-F
Adani Ports & Special Economic Zone Ltd	0.76%	0.76%	0.11%
Container Corp of India	1.32%	0.89%	1.14%
Gujarat Pipavav Port	3.71%	4.23%	4.82%

# Transport Infra - Overall

## Sector pulse: Railways & Ports – Aug 2023

- Rail cargo (tonne km or tkm) rose by 2.2% yoy, but rail EXIM container cargo grew 25.8% yoy.
- Major ports (MPs) + Adani Ports cargo grew 7% yoy (vs. 4% yoy growth in 1QFY24) as weak coal cargo was offset by strong container and POL cargo.

### Railways (Aug 2023): whopping 26% yoy rise in EXIM container cargo

- Rail cargo (tkm) rose by 2.2% yoy (vs. a 3.5% yoy decline in 1QFY24), but container cargo (tkm) rose by 17.4% 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 Aug 2023 was 28% higher than the 4QFY20 run-rate, despite the normalization in passenger train operations.
- EXIM (export-import) container cargo rose 25.8% 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 Container Corporation of India or Concor's volume growth in 2QFY24F.
- The gap between volume growth of Concor and Indian Railways (IR) narrowed from 1,511bp in FY23 to 339bp in 1QFY24. Concor's originating cargo (TEU km) dipped 2.5% yoy (vs. a 6.1% yoy decline in FY23). The IR's performance in containers in 1QFY24 was similar – cargo rose by 0.9% yoy (vs. a 9% yoy rise in FY23).
- The weak 1QFY24 of IR and Concor was because, in Jun 2023, rail container cargo (tkm) declined by 6.5% yoy due to precautions after the train accident in Odisha on 2 Jun 2023. In this context, the weak volume of Concor in 1QFY24 is understandable.

### Ports (Aug 2023): Weak coal volume at major ports offset by strong growth in containers and petroleum, oil and lubricants (POL)

- Aug 2023 cargo at major ports (MPs) + Adani Ports or APSEZ (ex-Gangavaram – GVL and international) grew by 7% yoy (vs. a 4% yoy rise in 1QFY24). The growth in 1QFY24 was driven by coal cargo (up 10% yoy).
- Aug 2023 MPs' cargo** grew 4% yoy (vs. a 2% yoy rise in 1QFY24). The 4% yoy rise was on a high base as Aug 2022 MPs' cargo was up 8.6% yoy. Further, MPs' cargo in FY23 was 9.5% higher than in FY22.
- Coal cargo at MPs** fell by 15% yoy as thermal coal declined by 24% yoy. The decline was on a high base as Aug 2022 coal cargo rose 41% yoy. Further, cargo in FY23 was ~30% higher than in FY22 (in line with our thesis: [Port sector report 11 Jun 2022](#)).
- Container cargo at MPs rose by 17% yoy and the volume at JNPT (key container port among MPs) increased by 14.8% yoy (vs. a 1.4% yoy growth in 1QFY24). POL cargo rose by 13% yoy (vs. a 1% yoy decline in 1QFY24).
- APSEZ's Aug 2023 volume was at 34.2mt (incl. GVL & Haifa ports). Its Aug 2023 volume (ex-GVL & Haifa ports) rose by 12% yoy. Excluding Haifa, we estimate APSEZ's Aug 2023 volume at 33mt, in line with its FY24F guidance of 370-390mt.

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## Sector pulse: Railways and Ports – Aug 2023

**Figure 1: Railway cargo volume – Aug 2023**

	1QFY24	qoq growth %	Aug 23	Aug 23 mom growth %
Total Rail Cargo (mt)	384	(4.7)	127	2.4
yoy growth %	1.1		6.4	
<b>Total Rail Cargo (mtkm)</b>	<b>2,20,509</b>	<b>(6.5)</b>	<b>74,784</b>	<b>4.2</b>
<b>yoy growth %</b>	<b>(3.5)</b>		<b>2.2</b>	
Rail Container (mt)	20	(8.0)	7.7	6.8
yoy growth %	0.6		15.7	
Rail Container - EXIM (mt)	15	(6.9)	6.0	6.2
yoy growth %	1.7		20.1	
<b>Rail Container (mtkm)</b>	<b>16,610</b>	<b>(9.8)</b>	<b>6,527</b>	<b>7.3</b>
<b>yoy growth %</b>	<b>0.9</b>		<b>17.4</b>	
Rail Container - EXIM (mtkm)	10,887	(6.7)	4,375	7.7
yoy growth %	3.7		25.8	
Concor (m TEU) originating	0.57	(6.2)		
YoY growth %	(5.4)			
Concor EXIM (m TEU) originating	0.5	(3.6)		
YoY growth %	(6.1)			

SOURCE: MINISTRY OF RAILWAYS, INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Growth rates (% yoy) of Indian Railways' container cargo (tkm) and Concor's cargo (TEU km)**

(%)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24
<b>Indian Railways' containers</b>	<b>19.4</b>	<b>45.9</b>	<b>22.5</b>	<b>10.7</b>	<b>8.2</b>	<b>11.6</b>	<b>9.1</b>	<b>7.9</b>	<b>7.3</b>	<b>0.9</b>
EXIM	12.4	34.1	15.0	3.6	(0.1)	2.1	5.5	6.3	8.9	3.7
Domestic	37.5	83.2	41.0	26.3	25.8	33.7	16.4	10.8	4.7	(4.2)
<b>Concor containers</b>	<b>20.9</b>	<b>40.3</b>	<b>20.2</b>	<b>5.6</b>	<b>(3.7)</b>	<b>(2.3)</b>	<b>(7.3)</b>	<b>(9.9)</b>	<b>(5.0)</b>	<b>(2.5)</b>
EXIM	17.9	31.8	13.8	(0.3)	(8.5)	(10.0)	(12.8)	(17.1)	(11.4)	(3.9)
Domestic	30.2	77.1	43.1	26.3	9.4	22.7	8.8	9.9	9.7	0.6

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

	Volume (mt)		Growth %		
	1QFY24	Aug 23	1QFY24 (yoy)	Aug 23 (yoy) (mom)	
<b>Major Ports</b>	<b>200</b>	<b>65</b>	<b>2</b>	<b>4</b>	<b>(1)</b>
POL	59	21	(1)	13	0
Iron Ore	14	4	18	36	(18)
Fertilizer	5	1	37	(0)	(18)
Coal-Thermal	35	9	10	(24)	2
Coal-Coking	15	5	7	8	3
Container	44	16	2	17	7
Others	29	9	(13)	(5)	(12)
<b>Adani Ports (ex-GPL and international)</b>	<b>89</b>	<b>30</b>	<b>9</b>	<b>12</b>	<b>1</b>
Container	34		7		
Crude	6		(34)		
Coal	34		12		
Others	16		41		
<b>Major Ports + Adani Ports</b>	<b>289</b>	<b>95</b>	<b>4</b>	<b>7</b>	<b>(1)</b>
Container	78		4		
Crude	66		(5)		
Coal	83		10		
Others	63		6		

SOURCE: INDIAN PORTS ASSOCIATION, INCRED RESEARCH, COMPANY REPORTS

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