

India

Neutral (no change)**Highlighted Companies****Adani Ports & Special Economic Zone****HOLD, TP Rs868, Rs820 close**

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

Container Corp of India**ADD, TP Rs940, Rs705 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**ADD, TP Rs148, Rs132 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	35.91	32.97	20.08
Container Corp of India	40.81	34.96	27.23
Gujarat Pipavav Port	32.94	19.55	15.89
P/BV (x)	Mar22-A	Mar23-A	Mar24-F
Adani Ports & Special Economic Zone	4.53	3.88	3.27
Container Corp of India	3.98	3.69	3.37
Gujarat Pipavav Port	3.13	3.04	2.91
Dividend Yield	Mar22-A	Mar23-A	Mar24-F
Adani Ports & Special Economic Zone	0.74%	0.74%	0.11%
Container Corp of India	1.28%	0.86%	1.1%
Gujarat Pipavav Port	3.66%	4.17%	4.76%

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Transport Infra - Overall

2QFY24 results preview

- In 2QFY24F, we expect a 17% yoy EBITDA growth for Container Corporation of India (Concor) and a 14% yoy EBITDA growth for Adani Ports (ADSEZ).
- We expect weak numbers for InterGlobe Aviation (IndiGo) due to weak tariffs. We expect tepid growth for VRL Logistics due to a 7% yoy volume growth.

Strong railway EXIM container growth in 2QFY24

In 2QFY24, rail cargo (tkm) rose by just 0.9% yoy but container cargo increased 16.5% yoy driven by a 20.7% yoy rise in export-import (EXIM) container cargo. The growth in EXIM container cargo was significantly higher than the average growth in the previous five quarters (5%). We believe this is due to a sharp pick-up in rail cargo from Mundra and Pipavav ports after the completion of the Rewari to Dadri stretch (127km) in North India on the western Dedicated Freight Corridor or DFC. We expect a 17% yoy growth in Concor's EBITDA, driven by a 14.5% yoy rise in originating volume. We expect BlueDart's EBITDA to rise 21% qoq because of higher utilization of the new aircraft fleet. We expect a 6% yoy rise in VRL Logistics' EBITDA, driven by similar volume growth.

Ports: Steady growth, despite a high base, driven by container cargo

In 2QFY24, major ports (MPs) + APSEZ grew 6% yoy (MPs/ APSEZ cargo grew 3%/13% yoy, respectively). For MPs+APSEZ, the growth is on a high base (2QFY23 cargo grew 13% yoy). At MPs, coal cargo declined by 13% yoy as thermal coal fell 21% yoy. The decline is on a very high base (2QFY23 coal cargo rose 47% yoy). The decline in coal cargo was offset by container cargo (up 14% yoy). Among ports, JNPT grew 9% yoy. APSEZ reported 101mt of cargo volume in 2QFY24. Ex-Haifa port volume, we estimate 97mt of cargo, in line with APSEZ's guidance for FY24F (370-390mt). We expect ADSEZ's EBITDA (excluding SEZ) to rise 14% yoy, driven by 16% yoy cargo growth. We expect GPPV's EBITDA to rise 13% yoy, driven by an improvement in the volume mix.

Aviation: We expect weak results due to tariff decline

IndiGo's domestic PLF in Jul-Aug 2023 was at 83.6%, lower than the average over Jul-Aug 2017, 2018, 2019 (84.8%). PLF in Jul-Aug 2023 dipped by 725bp vs. Jun 2023, more than the average decline over Jul-Aug 2017, 2018, 2019 (393bp). The stoppage of GoAir in May 2023 boosted IndiGo's 1QFY24 performance. However, the history of Indian aviation reveals that supernormal profits are short-lived. During the exits of Jet Airways and Kingfisher with a market share of 15% each (2x of Go First), the supernormal profits were short-lived. In IndiGo's 1QFY24 con-call, management stated that yields dropped 13-19% between 1QFY24 to Jul 2023. We believe the sharp dip in tariff in 2QFY24 signals a rise in competition. We feel IndiGo's EBITDA will dip 70% qoq due to the fall in tariff & lower PLF.

ADD Concor; HOLD Adani Ports; REDUCE IndiGo & VRL Logistics

We have an ADD rating on Concor because of the likely boost to its volume after the commissioning of the DFC. We have a HOLD rating on Adani Ports as the stock is trading at a fair valuation. We have a REDUCE rating on IndiGo, valuing the stock at 9.5x FY25F EV/EBITDAR and a similar rating on VRL Logistics as we expect disappointment in its volume and margins in FY24F. Any sharp economic downturn is the key downside risk because it could negatively impact the volume for ports and logistics operators.

Figure 1: 2QFY24F earnings for companies under our coverage universe

(Rs m)	Revenue	yoy %	qoq %	EBITDA	yoy %	qoq %	Adj. PAT	yoy %	qoq %
Adani Ports	61,256	18	(2)	36,980	13	(1)	19,638	0	(7)
Gujarat Pipavav	2,467	9	15	1,361	12	21	912	22	22
Concor	22,309	13	16	5,835	17	45	3,873	28	54
VRL Logistics	6,843	(6)	1	1,049	6	3	353	12	4
BlueDart Express	13,915	5	12	2,305	(5)	21	894	(4)	46
IndiGo	1,43,474	15	(14)	14,262	16	(71)	(4,544)	na	na
SpiceJet	16,538	(15)	(17)	(1,016)	na	na	(1,694)	na	na

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QFY24 results preview

Figure 2: Detailed 2QFY24F earnings of companies under our coverage universe

Company	2QFY24F	2QFY23	yoy %	1QFY24	qoq %	Comments
Adani Ports (Consolidated)						
Sales (Rs m)	61,256	52,108	17.6	62,476	(2.0)	We expect ADSEZ's EBITDA (excluding SEZ income) to rise 14% yoy, similar to volume growth.
SEZ Income (Rs m)	500	1,940		490		
EBITDA (Rs m)	36,980	32,603	13.4	37,537	(1.5)	
EBITDA excluding SEZ (Rs m)	36,480	31,876	14.4	37,047	(1.5)	
EBITDA margin %	60.4	62.6		60.1		
Cargo volume (mt)	101	87	16.6	101	(0.4)	
Adj. PAT (Rs m)	19,638	19,602	0.2	21,056	(6.7)	
Concor (Standalone)						
Sales (Rs m)	22,309	19,707	13.2	19,193	16.2	We expect 17% yoy growth in Concor's EBITDA driven by 15% yoy growth in originating cargo.
EBITDA (Rs m)	5,835	4,987	17.0	4,016	45.3	
EBITDA margin %	26.2	25.3		20.9		
Volume handled (kTEU)	1,231	1,144	7.6	1,094	12.5	
Adj. PAT (Rs m)	3,873	3,028	27.9	2,517	53.9	
Gujarat Pipavav (Standalone)						
Sales (Rs m)	2,467	2,272	8.6	2,149	14.8	We expect GPPV's EBITDA to rise 13% yoy due to improvement in volume mix.
EBITDA (Rs m)	1,361	1,210	12.5	1,128	20.7	
EBITDA margin %	55.2	53.3		52.5		
Cargo volume (mt)	4.3	4.3	-	3.8	10.4	
Adj. PAT (Rs m)	912	747	22.1	746	22.3	
VRL Logistics (Standalone)						
Sales (Rs m)	6,843	7,307	(6.4)	6,742	1.5	We estimate 6% yoy rise in EBITDA driven by similar volume growth.
EBITDA (Rs m)	1,049	992	5.7	1,019	2.9	
EBITDA margin %	15.3	13.6		15.1		
Adj. PAT (Rs m)	353	315	12.1	339	4.1	
BlueDart Express (Consolidated)						
Sales (Rs m)	13,915	13,253	5.0	12,376	12.4	We estimate 21% qoq rise in EBITDA due to ramp-up in utilisation of new planes.
EBITDA (Rs m)	2,305	2,430	(5.1)	1,907	20.9	
EBITDA margin %	16.6	18.3		15.4		
Adj. PAT (Rs m)	894	936	(4.5)	613	45.8	
IndiGo (Standalone)						
Sales (Rs m)	1,43,474	1,24,976	14.8	1,66,831	(14.0)	We expect IndiGo's EBITDAR to decline 44% qoq due to lower tariff and PLF.
EBITDAR (Rs m)	41,952	31,147	34.7	74,715	(43.9)	
EBITDA (Rs m)	14,262	12,269	16.2	48,518	(70.6)	
EBITDA margin %	9.9	9.8		29.1		
Adj. PAT (Rs m)	(4,544)	(3,840)	na	29,712	na	
SpiceJet (Standalone)						
Sales (Rs m)	16,538	19,526	(15.3)	20,036	(17.5)	We expect SpiceJet's revenue to decline 17% qoq due to 15% qoq decline in tariff.
EBITDAR (Rs m)	118	(2,799)	na	3,894	(97.0)	
EBITDA (Rs m)	(1,016)	(3,056)	na	2,690	na	
EBITDA margin %	(6.1)	(15.7)		13.4		
Adj. PAT (Rs m)	(1,694)	(5,777)	na	1,976	na	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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