

India

Neutral (no change)**Highlighted Companies****Adani Ports & Special Economic Zone Ltd****ADD, TP Rs823, Rs740 close**

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

Container Corp of India Ltd**ADD, TP Rs940, Rs690 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, Rs119 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	32.43	21.72	18.03
Container Corp of India Ltd	39.95	34.23	26.66
Gujarat Pipavav Port Ltd	29.75	17.66	14.35
P/BV (x)	Mar22-A	Mar23-A	Mar24-F
Adani Ports & Special Economic Zone Ltd	4.09	3.51	2.95
Container Corp of India Ltd	3.9	3.61	3.3
Gujarat Pipavav Port Ltd	2.83	2.75	2.62
Dividend Yield	Mar22-A	Mar23-A	Mar24-F
Adani Ports & Special Economic Zone Ltd	0.82%	0.58%	0.14%
Container Corp of India Ltd	1.3%	0.88%	1.13%
Gujarat Pipavav Port Ltd	4.05%	4.62%	5.27%

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Transport Infra - Overall

1QFY24 results preview

- In 1QFY24F, we expect 16% yoy EBITDA growth for Concor and 18% yoy EBITDA growth for Adani Ports (ADSEZ).
- While we expect IndiGo to report strong 1QFY24F numbers due to the stoppage of GoFirst's operations, we feel the benefit is likely to be evanescent.

Strong railway EXIM container growth in Apr-May 2023

In 1QFY24, rail cargo (tkm) declined 3.5% yoy because of the 7.6% yoy fall in Jun 2023. We believe this could be due to precautions after the horrific train accident in Odisha on 2 Jun 2023. Secondly, the decline was on a high base as 1QFY23 cargo rose 19% yoy. Rail export-import (EXIM) container cargo (tkm) rose 10.2% yoy in Apr-May 2023, significantly above the average yoy growth over the previous five quarters (3.5%). We expect 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 16% yoy growth in Container Corporation or Concor's EBITDA driven by a 13% volume growth. We expect BlueDart's EBITDA to dip 21% yoy due to intense competition in the air cargo segment and expect the losses to be similar qoq for Delhivery as well.

Ports: Growth likely, despite a high base, driven by coal cargo

In 1QFY24, major ports (MPs)/ APSEZ cargo grew 2%/13% yoy, respectively, despite a high base (1QFY23 cargo grew 8.9%/ 8.7% yoy, respectively). At MPs, coal cargo rose 9.2% yoy as thermal coal grew 10% yoy and coking coal increased 7% yoy. Among ports, JNPT grew 2% yoy. APSEZ reported 101mt of cargo in 1QFY24. We expect ADSEZ's EBITDA (excluding SEZ) to rise 18% yoy driven by a 12% yoy cargo growth and firm tariff. We expect GPPV's EBITDA to rise 25% yoy driven by improvement in the volume mix.

Aviation: Strong 1QFY24F likely on stoppage of GoFirst operations

Apr-May 2023 daily domestic traffic was 1% lower than in Feb 2023 (Feb 2023 was just 3% above Feb 2020). This is disappointing for a sector accustomed to 15% volume growth p.a. prior to the Covid-19 pandemic. The stoppage of GoAir operations in May 2023 boosted IndiGo's market share from 56.7% in Apr 2023 to 60.5% in May 2023 and is likely to boost its 1QFY24F margins. However, a look at 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 (twice that of Go First), supernormal profits for IndiGo were short-lived. We expect IndiGo's EBITDA to rise by 27% qoq as we expect the EBITDA margin to increase by 460bp qoq.

ADD Concor, GPPV, APSEZ; REDUCE IndiGo, VRL, Delhivery

We have an ADD rating on (a) Concor because of the likely boost to its volume after the commissioning of the DFC, (b) on Gujarat Pipavav, as its connectivity to the DFC is likely to give it a boost in FY24F-25F while JNPT could be connected to the DFC in one-to-two years, and (c) on Adani Ports as well as it is trading at a reasonable valuation (10.5x FY25F EV/EBITDA) – our target price implies a 11.6x FY25F EV/EBITDA (10% discount to the five-year average). Any sharp economic downturn is the key downside risk because it could negatively impact the volume for ports and logistics operators.

Figure 1: 1QFY24F estimates for companies under our coverage universe

(Rs m)	Revenue	yoy %	qoq %	EBITDA	yoy %	qoq %	Adj. PAT	yoy %	qoq %
Adani Ports	67,648	34	17	39,091	19	19	21,779	(9)	(5)
Gujarat Pipavav	2,482	19	6	1,427	26	7	958	43	6
Concor	21,588	9	(0)	5,479	16	10	3,601	24	12
VRL Logistics	6,688	(7)	(4)	1,077	(6)	(6)	394	(20)	(35)
BlueDart Express	12,933	-	6	2,115	(21)	6	799	(33)	15
Delhivery	18,502	6	(1)	(63)	na	na	(1,930)	na	na
IndiGo	1,42,704	11	1	31,728	57	27	13,404	265	102

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY24 results preview

Figure 2: Detailed 1QFY24F estimates for companies under our coverage universe

Company	1QFY24F	1QFY23	yoy %	4QFY23	qoq %	Comments
Adani Ports (Consolidated)						
Sales (Rs m)	67,648	50,581	33.7	57,969	16.7	We expect ADSEZ's EBITDA (excluding SEZ income) to rise 18% yoy, a tad higher than the 12% yoy volume growth.
SEZ Income (Rs m)	500	160		320		
EBITDA (Rs m)	39,091	32,905	18.8	32,713	19.5	
EBITDA excluding SEZ (Rs m)	38,591	32,745	17.9	32,393	19.1	
EBITDA margin %	57.8	65.1		56.4		
Cargo volume (mt)	101	91	11.6	86	17.5	
Adj. PAT (Rs m)	21,779	23,956	(9.1)	22,851	(4.7)	
Concor (Standalone)						
Sales (Rs m)	21,588	19,783	9.1	21,660	(0.3)	We expect 16% yoy growth in Concor's EBITDA driven by 13% yoy growth in handled cargo.
EBITDA (Rs m)	5,479	4,723	16.0	4,997	9.6	
EBITDA margin %	25.4	23.9		23.1		
Volume handled (kTEU)	1,144	1,013	12.9	1,119	2.2	
Adj. PAT (Rs m)	3,601	2,913	23.6	3,207	12.3	
Gujarat Pipavav (Standalone)						
Sales (Rs m)	2,482	2,082	19.2	2,347	5.8	We expect GPPV's EBITDA to rise 26% yoy due to 7% yoy rise in cargo volume and firm tariff.
EBITDA (Rs m)	1,427	1,133	25.9	1,339	6.6	
EBITDA margin %	57.5	54.4		57.1		
Cargo volume (mt)	4.1	3.9	7.3	3.9	6.0	
Adj. PAT (Rs m)	958	669	43.2	908	5.5	
VRL Logistics (Standalone)						
Sales (Rs m)	6,688	7,171	(6.7)	6,982	(4.2)	We estimate 6% yoy decline in EBITDA due to the sale of bus transport business in 3QFY23.
EBITDA (Rs m)	1,077	1,144	(5.9)	1,141	(5.6)	
EBITDA margin %	16.1	16.0		16.3		
Adj. PAT (Rs m)	394	494	(20.2)	605	(34.9)	
BlueDart Express (Consolidated)						
Sales (Rs m)	12,933	12,933	-	12,166	6.3	We estimate 21% yoy dip in EBITDA due to increase in competition in air cargo segment.
EBITDA (Rs m)	2,115	2,672	(20.8)	1,992	6.2	
EBITDA margin %	16.4	20.7		16.4		
Adj. PAT (Rs m)	799	1,188	(32.7)	694	15.1	
Delhivery (Consolidated)						
Sales (Rs m)	18,502	17,457	6.0	18,596	(0.5)	We estimate losses to continue, similar to 4QFY23.
EBITDA (Rs m)	(63)	(2,220)	na	134	na	
EBITDA margin %	(0.3)	(12.7)		0.7		
Adj. PAT (Rs m)	(1,930)	(3,737)	na	(1,594)	na	
IndiGo (Standalone)						
Sales (Rs m)	1,42,704	1,28,553	11.0	1,41,606	0.8	We expect IndiGo's EBITDAR to rise 14% qoq driven by market share gain and rise in margin due to reduced competition in May - Jun 2023.
EBITDAR (Rs m)	56,499	39,726	42.2	49,727	13.6	
EBITDA (Rs m)	31,728	20,220	56.9	24,955	27.1	
EBITDA margin %	22.2	15.7		17.6		
Adj. PAT (Rs m)	13,404	3,667	265.5	6,632	102.1	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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