

India

**Neutral** (no change)

**Highlighted Companies**

**Adani Ports & Special Economic Zone Ltd**

**HOLD, TP Rs753, Rs736 close**

For APSEZ, ex-Gangavaram port, we estimate volume to grow 27% over FY22-24F vs. our estimate of 15% growth for the ports sector and 22% growth for private ports. This implies a volume CAGR of 9% for APSEZ (ex-acquisitions) over FY20-24F.

**Gujarat Pipavav Port Ltd**

**ADD, TP Rs140, Rs78 close**

We believe the commissioning of the dedicated freight corridor (DFC) in 2HFY22 will boost GPPV over FY23F-24F, while JNPT could be connected in FY24F.

**Summary Valuation Metrics**

P/E (x)	Mar22-F	Mar23-F	Mar24-F
Adani Ports & Special Economic Zone Ltd	29.56	20.84	17.13
Gujarat Pipavav Port Ltd	16.35	11.81	9.17

P/BV (x)	Mar22-F	Mar23-F	Mar24-F
Adani Ports & Special Economic Zone Ltd	3.92	3.41	2.9
Gujarat Pipavav Port Ltd	1.92	1.94	1.92

# Ports

## Coal and POL to ignite growth in port cargo

- While port cargo grew just 1% in FY20-22, we expect 15% growth over FY22-24F. This implies a 3.9% CAGR over FY20-24F, same as that in FY18-20.
- Historic resilience of crude oil cargo to price volatility provides comfort. We expect a 16% rise in POL cargo over FY22-24F.
- We expect a sharp 28% rise in coal cargo over FY22-24F as there may be just a 4% rise in domestic coal dispatch over FY22-24F vs. a 16% rise in FY20-22.
- We have Hold rating on Adani Ports (APSEZ; TP: Rs753) and Add rating on Gujarat Pipavav Port (GPPV; TP: Rs140).

### We expect 15% growth in FY22-24F (vs. just 1% growth over FY20-22)

In the ports sector, over FY20-22, coal cargo declined 8%, petroleum oil and lubricants (POL) cargo fell 5% while container cargo rose 14%. Our volume growth estimate (15% over FY22-24F) may seem aggressive, but the implied CAGR over FY20-24F is 3.9%, which is the same as FY18-20 CAGR. FY21-22 was impacted by extraordinary events like the Covid-19 pandemic, shipping logjam and a sharp rise in the prices of commodities like crude oil and coal. We expect a yoy growth in private ports to outpace major ports (MPs) by 510bp, like the relative outperformance by private ports (vs. MPs) over FY18-20 (560bp).

### Historic resilience of crude oil cargo to price volatility is comforting

Over FY10-20, crude oil import cargo posted a 3.6% CAGR. Over FY10-12, despite a 63% rise in prices, crude oil imports rose 8%. It is encouraging that despite Apr 2022 crude oil prices being at the highest level in the last 14 years, crude oil import volume rose 14% yoy, 6% higher than in Apr 2019 (pre-Covid). We expect ports' POL cargo to rise 10% over FY20-24F and 16% over FY22-24F. Please note 4QFY22 ports' POL cargo was 4% higher vs. 4QFY20.

### Fall in coal imports over FY20-22 not structural

We believe the fall in coal imports (16% over FY20-22) is not a structural trend. This is due to the 120-150% rise in the prices of imported coal (Mar 2021-22) and extraordinary steps taken in India. Domestic coal dispatch in FY22 (818MT) was 5% more than the output (777MT) while average dispatch/output was 99% (FY16-21). If coal dispatch in FY22 was equal to production (777MT), it would have created an extra shortfall of 41MT of domestic coal, requiring an extra 26MT of coal imports. This would imply a 6% decline in coal imports over FY20-22 vs. 16% actual decline. Over FY22-24F, for thermal coal, we expect demand and domestic output to rise in tandem (11%/9%). Despite the same, we expect thermal coal imports to rise 35% as we feel domestic coal dispatch will rise by just 4%.

### Container cargo growth unscathed; seen rising 14% over FY22-24F

We estimate a 14% rise in container cargo volume over FY22-24F. Going ahead, connectivity to the dedicated freight corridor (DFC) is likely to boost Pipavav and Mundra ports in FY23F-24F, while JNPT could be connected in 1.5-2 years. Of the three main ports on India's west coast (JNPT, Mundra, GPPV or Pipavav), GPPV registered the highest proportion of container cargo using rail (54%) vs. JNPT (18%) and Mundra (32%) in FY22.

### Maintain Add rating on Gujarat Pipavav, Hold rating on Adani Ports

For APSEZ ex. Gangavaram Port or GPL, we estimate volume to grow 27% over FY22-24F vs. our estimate of 15% growth for the ports sector and 22% growth for private ports. We maintain Hold rating on APSEZ with a revised target price of Rs753 (from Rs742 earlier). We believe the commissioning of the dedicated freight corridor (DFC) in 2HFY22 will boost GPPV over FY23F-24F, while JNPT could be connected in FY24F. We maintain Add rating on GPPV with a target price of Rs140.

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**Figure 1: Sector comparison**

	Target Price (Rs)	Rating	EBITDA (Rs bn)		EV/ EBITDA (x)	
			FY23F	FY24F	FY23F	FY24F
Adani Ports	753	Hold	123.4	144.7	14.1	11.5
Gujarat Pipavav	140	Add	5.3	6.5	5.8	4.7

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Coal and POL to ignite growth in port cargo

### Glacial growth in port volume in FY20-22 – topsy turvy time of Covid-19, global port logjam and volatile commodity prices ►

Total India port cargo in FY22 (1,162MT; major ports [MPs] and main privately-owned ports) grew 1% (FY20-22). This is significantly below the growth witnessed in FY18-20 of 8%.

In FY22, the 12 government-owned MPs handled 720MT of cargo (62% of overall). In FY20-22, MPs and main private ports had similar volume growth (2%/ -1% for MPs/ main private ports, respectively). This was a departure from FY18-20 when MPs grew 3.5% while private ports grew at a faster pace of 15%.

Ports on west coast of India handled 58% of the total cargo in FY22. On west coast, MPs handled 52% of the volume, while on east coast MPs handled 75% of the volume.

**Note:** To calculate total volume, we considered the 12 MPs and the main privately-owned ports (Mundra, Dhamra, Hazira, Dahej, Katupalli, Sikka, Pipavav (GPPV), Krishnapatnam, Gangavaram and other APSEZ ports).

**Figure 2: Break-up of total cargo handled by ports**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>679</b>	<b>704</b>	<b>720</b>	<b>1.8</b>	<b>1.1</b>
Kolkata	58	64	58	5	(4)
Paradip	102	113	116	5	2
Vizag	64	73	69	7	(3)
Ennore	30	32	39	2	10
Chennai	52	47	49	(5)	2
Tuticorin	37	36	34	(1)	(3)
Cochin	29	34	35	8	1
New Mangalore	42	39	39	(3)	0
Mormugao	27	16	18	(23)	7
Mumbai	63	61	60	(2)	(1)
JNPT	66	68	76	2	5
Kandla	110	122	127	5	2
<b>Total - Main private ports</b>	<b>387</b>	<b>447</b>	<b>442</b>	<b>7.4</b>	<b>(0.6)</b>
Mundra	122	139	150	7	4
Dhamra	22	30	33	18	6
Hazira	17	22	25	13	7
Dahej	7	6	8	(4)	12
Katupalli	8	11	7	20	(18)
Sikka (Reliance)	122	124	115	1	(4)
Gujarat Pipavav	13	16	14	10	(5)
Krishnapatnam	45	49	40	4	(10)
Gangavaram	26	35	30	16	(7)
Other APSEZ ports	6	15	18	54	10
<b>Grand Total</b>	<b>1,067</b>	<b>1,151</b>	<b>1,162</b>	<b>3.9</b>	<b>0.5</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Figure 3: Break-up of total cargo handled by MPs and the main privately-owned ports**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>679</b>	<b>704</b>	<b>720</b>	<b>1.8</b>	<b>1.1</b>
Major Ports - East	342	364	365	3.1	0.2
Major Ports - West	337	341	355	0.5	2.1
<b>Total - Main private ports</b>	<b>387</b>	<b>447</b>	<b>442</b>	<b>7.4</b>	<b>(0.6)</b>
Main private ports - East	103	132	120	13.1	(4.6)
Main private ports - West	284	315	322	5.3	1.1
<b>Grand Total</b>	<b>1,067</b>	<b>1,151</b>	<b>1,162</b>	<b>3.9</b>	<b>0.5</b>
East Coast	446	496	485	5.5	(1.1)
West Coast	621	655	677	2.7	1.6

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Commodity-wise break-up:** Of the overall FY22 port cargo, petroleum, oil & lubricants (POL) comprised 31%, coal comprised 22%, containers formed 25%, iron ore comprised 4% & fertilizers and others comprised the balance 18%.

**Figure 4: Break-up of ports sector volume by commodity**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
POL	357	384	364	3.6	(2.6)
Coal	250	274	252	4.7	(4.1)
Container	225	260	296	7.4	6.7
Iron Ore	49	55	51	6.4	(3.8)
Fertiliser and others	186	178	199	(2.0)	5.6
<b>Total</b>	<b>1,067</b>	<b>1,151</b>	<b>1,162</b>	<b>3.9</b>	<b>0.5</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Tracking port volume over last eight quarters:** 1QFY21 cargo declined 22% yoy due to the start of Covid-19 pandemic and the resultant nationwide lockdown. POL/coal/container cargo declined 16%/ 36%/ 27%, respectively, yoy. The sector witnessed a turnaround in 3-4QFY21 with the cargo traffic growing 8% yoy.

**Figure 5: Quarterly volume of MPs and APSEZ (ex-Krishnapatnam or KPCL)**

(MT)	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Major Ports + APSEZ ex KPCL	183	213	246	261	244	225	242	252
CAGR from FY20 %	(22)	(5)	6	9	2	0	2	3
POL	52	55	62	66	61	60	67	68
CAGR from FY20 %	(16)	(17)	(9)	2	(1)	(5)	(1)	2
Coal	40	43	58	59	57	47	49	53
CAGR from FY20 %	(36)	(8)	10	(1)	(4)	0	(3)	(6)
Container	44	60	68	75	70	70	71	72
CAGR from FY20 %	(27)	(0)	18	23	8	8	12	9
Others	47	56	58	60	55	49	54	59
CAGR from FY20 %	(4)	7	9	13	6	(3)	1	5

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Shipping logjam led to an unprecedented rise in shipping freight rates during 2-3QFY22:** The Shanghai Containerized Freight Index increased from ~800 (Apr 2020) to ~4,500 (Oct 2021: 2.5x the earlier peak in 2005); Baltic Dry Index increased from ~600 (Mar 2020) to ~4,600 (Oct 2021).

Thus, in 2-3QFY22, ports' cargo grew at just 2% vs. 2-3QFY20. POL/coal cargo declined 6%/3% vs. 2-3QFY20 levels, respectively. Container cargo remained unscathed, growing 20% vs. 2-3QFY20. We believe this was because the cargo in containers is more expensive than dry bulk cargo and freight cost constitutes a smaller portion of its landed cost.

**While the current Baltic dry index has halved from its peak (7 Oct 2021), it is still 2-2.2x of the levels in FY18-21.**

**Figure 6: Baltic dry index levels over FY17 to FY22**

Period		Baltic dry Index	As a % of Peak
FY17	average	820	15
FY18	average	1,205	21
FY19	average	1,257	22
FY20	average	1,298	23
FY21	average	1,357	24
Peak 7 Oct 21		5,650	100
2-3QFY22	average	3,619	64
FY22	average	3,020	53
<b>Latest</b>		<b>2,633</b>	<b>47</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

## POL (31% of total port cargo in FY22): Historic resilience of crude oil import volume to price volatility provides comfort – We forecast 16% volume growth over FY22-24F ➤

POL cargo at ports (FY22) was 364MT, 5% lower than in FY20. In FY22, MPs handled 222MT (61% of overall POL cargo). In FY20-22, POL cargo at MPs declined 7%, while POL cargo at private ports fell 3%.

Ports on west coast handled 79% of the total POL cargo in FY22. On west coast, MPs handled 51% of the volume, while on east coast MPs handled 100% of the volume.

Figure 7: Break-up of POL cargo handled by ports

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>214</b>	<b>237</b>	<b>222</b>	<b>5.2</b>	<b>(3.3)</b>
Kandla	50	63	59	13	(3)
Paradip	34	37	35	5	(3)
Mumbai	38	38	37	1	(2)
Cochin	20	23	22	9	(2)
New Mangalore	25	23	24	(4)	2
Vizag	16	19	14	9	(13)
Kolkata	9	10	11	8	1
Chennai	14	13	12	(0)	(6)
Other major ports	10	10	9	(0)	(8)
<b>Total - main private ports</b>	<b>143</b>	<b>147</b>	<b>142</b>	<b>1.3</b>	<b>(1.5)</b>
Sikka (Reliance)	122	124	115	1	(4)
Mundra	20	22	26	5	10
Gujarat Pipavav	1	1	1	(10)	10
<b>Grand Total</b>	<b>357</b>	<b>384</b>	<b>364</b>	<b>3.6</b>	<b>(2.6)</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

Figure 8: Break-up of POL cargo handled by government-owned major ports and the main privately-owned ports

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>214</b>	<b>237</b>	<b>222</b>	<b>5.2</b>	<b>(3.3)</b>
Major Ports - East	77	86	77	5.3	(5.1)
Major Ports - West	137	152	145	5.2	(2.3)
<b>Total - Main private ports</b>	<b>143</b>	<b>147</b>	<b>142</b>	<b>1.3</b>	<b>(1.5)</b>
Main private ports - East	-	-	-	na	na
Main private ports - West	143	147	142	1.3	(1.5)
<b>Grand Total</b>	<b>357</b>	<b>384</b>	<b>364</b>	<b>3.6</b>	<b>(2.6)</b>
East Coast	77	86	77	5.3	(5.1)
West Coast	280	298	287	3.2	(1.9)

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

The major components of ports' POL cargo comprised import of crude oil, import of petroleum products, export of petroleum products and import of LNG. These comprised 58%/ 11%/ 17%/ 7% of ports' POL cargo, respectively, in FY22.

**Tracking port volume over last eight quarters:** Ports' POL cargo declined 10% yoy in FY21 as Covid-19 led to a 17% yoy decline in 1HFY21. Volume recovery was slow in 9MFY22 as POL cargo was 5% below 9MFY20, despite benign crude oil price (US\$73/bbl). We believe this was partly due to the shipping logjam. **It is encouraging that 4QFY22 cargo was 4% higher than in 4QFY20. Further, in Apr-May 2022, POL cargo at ports rose 15% yoy.**

Figure 9: Import of crude oil, import & export of petroleum products, and import of LNG

(MT)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Crude oil import	189	203	214	220	226	227	196	212
% yoy growth		7	5	3	3	0	(13)	8
Import - petroleum products	21	29	36	35	33	44	43	41
% yoy growth		38	23	(2)	(6)	31	(1)	(6)
Export - petroleum products	64	61	66	67	61	66	57	63
% yoy growth		(5)	8	2	(9)	8	(14)	10
LNG Import	14	16	19	21	22	26	25	24
% yoy growth		15	16	10	5	18	(3)	(3)
<b>Total</b>	<b>289</b>	<b>309</b>	<b>334</b>	<b>343</b>	<b>343</b>	<b>362</b>	<b>321</b>	<b>340</b>
% yoy growth		7	8	3	(0)	6	(11)	6

SOURCES: INCRED RESEARCH, COMPANY REPORTS, PETROLEUM PLANNING AND ANALYSIS CELL

Over FY10-20, crude oil import volume posted a 3.6% CAGR. Historically, crude oil import volume has been resilient to price fluctuations. Over FY10-12, despite a 63% rise in prices, crude oil imports rose 8%. On the other hand, over FY14-16, despite a 58% decline in prices, crude oil imports rose by just 7%. **It is encouraging that despite Apr 2022 crude oil prices being at the highest level in the last 14 years, crude oil import volume rose 14% yoy and was 6% higher than in Apr 2019 (pre-Covid).**

**Figure 10: Crude oil imports and crude oil prices**

	Crude Oil import (MT)	yoy growth %	Crude Oil price (USD/bbl)	yoy growth %
FY09	133	9	79	4
FY10	159	20	68	(14)
FY11	164	3	83	22
FY12	172	5	111	33
FY13	185	8	107	(4)
FY14	189	2	103	(3)
FY15	189	0	81	(21)
FY16	203	7	43	(47)
FY17	214	5	45	4
FY18	220	3	54	21
FY19	226	3	67	24
FY20	227	0	61	(10)
FY21	196	(13)	43	(29)
FY22	212	8	77	79
Apr 22	21	14	106	66

SOURCES: INCRED RESEARCH, COMPANY REPORTS, PETROLEUM PLANNING AND ANALYSIS CELL

Crude oil imports/ POL imports/ POL exports/ LNG imports grew 12%/ 49%/ 9%/ 58% over FY16-20 and declined 7%/ 7%/ 5%/ 6%, respectively, over FY20-22. Over FY20-24F, we expect crude oil imports/ POL imports/ POL exports/ LNG imports to grow 10%/ 11%/ 9%/ -6%, implying a growth of 18%/ 20%/ 14%/ 0%, respectively, over FY22-24F. **As a result, we expect ports' POL cargo to rise 10% over FY20-24F and 16% over FY22-24F. Please note that 4QFY22 ports' POL cargo was 4% higher than in 4QFY20.**

### Coal (22% of total port cargo in FY22): Sharp growth of 28% expected over FY22-24F ➤

Coal cargo at ports (FY22) was 252MT, declining 8%, over FY20-22. In FY22, MPs handled 148MT (59% of overall coal cargo). In FY20-22, coal cargo volume at MPs declined 1%, while the volume at private ports dipped 17%.

Ports on west coast handled 30% of the total coal cargo in FY22. On west coast, MPs handled 52% of the volume, while on east coast MPs handled 62% of the volume.

**Figure 11: Break-up of coal cargo handled by ports**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>146</b>	<b>149</b>	<b>148</b>	<b>1.1</b>	<b>(0.4)</b>
Paradip	42	39	45	(4)	7
Ennore	23	20	21	(6)	3
Kolkata	16	20	16	13	(10)
Kandla	14	18	20	14	7
Vizag	15	18	14	9	(10)
Tuticorin	12	13	12	3	(4)
Mormugao	11	9	9	(5)	(1)
Other major ports	13	12	9	(6)	(10)
<b>Total - main private ports</b>	<b>104</b>	<b>125</b>	<b>104</b>	<b>9.6</b>	<b>(8.7)</b>
Mundra	30	35	18	8	(28)
Krishnapatnam	28	32	27	7	(9)
Gangavaram	16	21	18	14	(8)
Dhamra	14	15	19	4	12
Hazira	5	6	7	3	9
Dahej	6	5	5	(9)	8
Pipavav	1	1	1	(7)	35
APSEZ others	5	11	10	55	(7)
<b>Grand Total</b>	<b>250</b>	<b>274</b>	<b>252</b>	<b>4.7</b>	<b>(4.1)</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Figure 12: Break-up of coal cargo handled by government-owned major ports and the main privately-owned ports**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>146</b>	<b>149</b>	<b>148</b>	<b>1.1</b>	<b>(0.4)</b>
Major Ports - East	109	110	109	0.9	(0.6)
Major Ports - West	37	39	39	2.0	0.2
<b>Total - Main private ports</b>	<b>104</b>	<b>125</b>	<b>104</b>	<b>9.6</b>	<b>(8.7)</b>
Main private ports - East	61	74	68	10.3	(3.7)
Main private ports - West	43	51	36	8.5	(16.4)
<b>Grand Total</b>	<b>250</b>	<b>274</b>	<b>252</b>	<b>4.7</b>	<b>(4.1)</b>
East Coast	169	184	177	4.3	(1.9)
West Coast	81	90	75	5.6	(8.9)

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Tracking port volume over last eight quarters:** Ports' coal cargo was flat yoy in 2-4QFY21, post 36% yoy decline in 1QFY21 (national lockdown at onset of Covid-19) but in FY22 it declined 8% vs. FY20. India's FY22 coal imports were 16% lower than in FY20 (sharper decline than in ports' coal cargo). Please note that during Apr-May 2022, coal cargo at MPs rose 3% yoy.

**Figure 13: Domestic coal production, dispatch and import of non-coking coal**

	FY18	FY20	FY22	CAGR %		FY24F	CAGR %
				FY18-20	FY20-22		FY22-24F
Coal production - domestic	675	731	777	4.0	3.1	849	4.5
Coal despatch - domestic	690	707	818	1.2	7.6	849	1.9
Imports - non coking coal	161	197	152	10.5	(12.2)	209	17.4
Coal consumption equivalent domestic - Thermal	943	1,016	1,057	3.8	2.0	1,177	5.6

SOURCES: INCRED RESEARCH, COMPANY REPORTS, CENTRAL ELECTRICITY AUTHORITY (CEA), MINISTRY OF COAL

**We believe the decline in coal imports is not a structural trend.** This is due to an extraordinary rise in the prices of imported coal (up 120-150% over Mar 2021 to Mar 2022) and some extraordinary measures taken in India. Domestic coal dispatch in FY22 (818MT) was 5% more than production (777MT), while average dispatch/ production was 99% over FY16-21. If coal dispatch in FY22 was equal to production (777MT), it would have created an extra shortfall of 41 MT domestic coal, requiring an additional 26MT of coal imports. This implies a 6% decline in coal imports over FY20-22, while the actual decline was 16%.

**Over FY22-24F, for thermal coal, we expect demand and domestic production to rise in tandem (11%/9%). Despite the same, we expect thermal coal imports to rise 35% as we expect dispatch from domestic sources to rise by just 4%.**

**Figure 14: Break-up of coal imports and coal at ports**

(MT)	FY18	FY20	FY22	CAGR %		FY24F	CAGR %
				FY18-20	FY20-22		FY22-24F
Coking coal imports	52	55	60	3	4	76	13
Non-coking coal imports (ex-Power)	105	127	125	10	(1)	146	8
Coal for Import-based power plants	39	45	19	7	(36)	45	54
Coal imports: domestic coal power	17	24	8	18	(42)	18	50
<b>Total coal imports</b>	<b>213</b>	<b>251</b>	<b>211</b>	<b>9</b>	<b>(8)</b>	<b>285</b>	<b>16</b>
Coastal coal (derived)	37	23	41	(22)	34	41	0
<b>Coal at Ports</b>	<b>250</b>	<b>274</b>	<b>252</b>	<b>5</b>	<b>(4)</b>	<b>326</b>	<b>14</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, CENTRAL ELECTRICITY AUTHORITY (CEA), MINISTRY OF COAL

**Import of coking coal (28% of coal imports in FY22)** may continue as India has limited reserves of coking coal. We expect a 40% volume growth over FY20-24F, vs. a 20% rise over FY17-20. This implies a 25% volume growth over FY22-24F.

**Non-coking coal imports (excl. for power) comprised 59% of coal imports in FY22.** We expect a 16% volume growth over FY20-24F, lower than the 10% CAGR over FY18-20. This implies a 18% volume growth over FY22-24F. Please note that 94% (162MT) of India's incremental coal dispatch over FY17-22 (172 MT) was supplied to the power sector. We believe that bulk of the incremental requirement of non-coking coal (excl. for power) would have to be met via imports.

**Coal imports for imported coal-based power generation (9% of coal imports in FY22)** plummeted from 45MT in FY20 to 19MT in FY22 due to soaring prices of imported coal. We factor in a recovery to 45MT in FY24F, contingent on a significant fall in the prices of imported coal. Even if blended with domestic coal, we believe this should not impact coal at ports as most plants are located near the coast and will use coal transported by sea.

**Figure 15: List of dedicated imported coal-based power plants; almost all power plants are near the coast, and will use sea transport even if they use some domestic coal**

Company	Location	State	Region	Capacity (GW)
Gujarat State Electricity	Sikka	Gujarat	West	0.5
Adani Power	Mundra	Gujarat	West	4.6
Tata Power	Mundra	Gujarat	West	4.0
Essar	Salaya	Gujarat	West	1.2
JSW Energy	Ratnagiri	Maharashtra	West	1.2
Tata Power	Trombay	Maharashtra	West	0.8
Simhapuri	Thamminapatnam	Andhra Pradesh	South	0.6
Meenakshi Energy	Thamminapatnam	Andhra Pradesh	South	0.3
<b>JSW Energy (not coastal)</b>	<b>Torangallu</b>	<b>Karnataka</b>	<b>South</b>	<b>0.9</b>
Adani Power	Udupi	Karnataka	South	1.2
IL&FS	Cuddalore	Tamil Nadu	South	1.2
Coastal Energen	Muthiara	Tamil Nadu	South	1.2
<b>Total</b>				<b>17.6</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, CENTRAL ELECTRICITY AUTHORITY (CEA)

**Coal imports for domestic coal-based power generation (4% of coal imports in FY22):** We project a 120% volume growth over FY22-24F. Our assumptions are:

- 5% rise in coal consumption for power generation (FY22-24F), lower than the 8% growth in coal-based power generation, due to increase in the proportion of higher gross calorific value imported coal.
- Zero growth in domestic coal supply for power generation (FY22-24F). We expect domestic coal supply for power generation/total domestic coal production to decline to 79% vs.86% in FY22, in line with the trend over FY17-21.

**Figure 16: Coal consumed by power sector, domestic coal supply for power and coal imports for power**

(MT)	CAGR %						CAGR %
	FY18	FY20	FY22	FY18-20	FY20-22	FY24F	FY22-24F
Coal-based power generation (BU)	952	961	1,041	0.5	4	1,124	3.9
Coal consumed for Power	608	622	697	1.2	6	734	2.6
Domestic coal used for power	552	553	670	0.1	10	670	-
Coal imports for power	56	69	27	10.8	(38)	63	53
Coal imports for domestic coal based power plants	17	24	8	18.1	(42)	18	50
India coal production	675	731	777	4.0	3	849	4
India coal despatch	690	707	818	1.2	8	849	2
India coal despatch/ production %	102	97	105			100	
Domestic Coal used for power/ India coal production %	82	76	86			79	

SOURCES: INCRED RESEARCH, COMPANY REPORTS, CENTRAL ELECTRICITY AUTHORITY (CEA), MINISTRY OF COAL

**Coastal coal (domestic coal transported by sea):** We estimate that coastal coal cargo at ports in India stood at 41MT in FY22. We expect coastal coal cargo to be flat over FY22-24F, in line with our estimate of zero growth in domestic coal supply for power. Note that 22% of India's coal power capacity is in South India, which may source some of its coal requirements via sea transport.

We believe imported coal replaced by domestic coal (which is transported via sea) could boost ports' volume as 1) two Indian ports are used, i.e. origin and destination, and 2) lower quality domestic coal requires higher volume (1t imported coal = 1.4t of domestic coal in equivalent calorific value).

**Container (25% of total port cargo in FY22): We estimate 14% rise in volume over FY22-24F ➤**

Container cargo at ports (FY22) was 296MT, rising 13% over FY20-22. In FY22, MPs handled 167MT (56% of overall coal cargo). In FY20-22, container volume at MPs and private ports rose 13% each.

Ports on west coast handled 70% of the total coal cargo in FY22. On west coast, MPs handled 44% of the volume, while on east coast MPs handled 86% of the volume.

**Figure 17: Break-up of container cargo handled by ports**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>134</b>	<b>147</b>	<b>167</b>	<b>4.8</b>	<b>6.7</b>
JNPT	58	61	69	3	7
Chennai	30	27	31	(6)	8
Tuticorin	14	16	15	8	(3)
Kolkata	12	13	12	1	(4)
Cochin	8	9	10	6	9
Vizag	7	9	9	12	(0)
Kandla	2	7	9	95	11
Ennore	0	3	9	593	93
Other major ports	3	3	3	7	(5)
<b>Total - Main private ports</b>	<b>92</b>	<b>113</b>	<b>129</b>	<b>11.2</b>	<b>6.8</b>
Mundra	57	70	95	11	16
Hazira	7	9	9	11	1
Katupalli	8	11	6	20	(24)
Gujarat Pipavav	10	13	9	11	(15)
Krishnapatnam	8	9	2	10	(49)
Other APSEZ ports	2	1	7	(16)	133
<b>Grand Total</b>	<b>225</b>	<b>260</b>	<b>296</b>	<b>7.4</b>	<b>6.7</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Figure 18: Break-up of container cargo handled by MPs and private ports**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>134</b>	<b>147</b>	<b>167</b>	<b>4.8</b>	<b>6.7</b>
Major Ports - East	64	67	76	2.9	6.4
Major Ports - West	70	80	91	6.5	6.8
<b>Total - Main private ports</b>	<b>92</b>	<b>113</b>	<b>129</b>	<b>11.2</b>	<b>6.8</b>
Main private ports - East	16	21	12	13.6	(22.9)
Main private ports - West	76	93	117	10.6	12.4
<b>Grand Total</b>	<b>225</b>	<b>260</b>	<b>296</b>	<b>7.4</b>	<b>6.7</b>
East Coast	79	88	88	5.2	0.3
West Coast	146	172	208	8.7	9.9

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Tracking port volume over last eight quarters:** Ports' container cargo grew 14% yoy in 2-4QFY21, after a 27% yoy decline in 1QFY21 (national lockdown at onset of Covid-19). In FY22, it rose 19% vs. FY20. Please note that during Apr-May 2022, container cargo at MPs rose 3% yoy.

Over FY20-22, container cargo at JNPT/ Mundra/ Pipavav ports grew 13%/ 35%/ -28%, respectively. The sharp volume decline for Pipavav was due to the following: (a) Operations were halted (17 May-1 Jun 2021) due to a cyclone and Pipavav commenced full operations from 10 Jul 2021. (b) Reduction in the proportion of low-margin coastal and trans-shipment cargo.

**Figure 19: Quarterly volume of JNPT, Mundra and Pipavav ports**

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
JNPT	848	1,077	1,297	1,453	1,364	1,340	1,474	1,507
CAGR from FY20 %	(35)	(15)	8	16	2	3	11	10
Mundra	973	1,327	1,589	1,768	1,606	1,620	1,671	1,619
CAGR from FY20 %	18	(16)	38	41	40	1	20	14
Pipavav	186	168	199	195	150	157	157	163
CAGR from FY20 %	(16)	(25)	(14)	(1)	(18)	(16)	(18)	(9)
<b>Total</b>	<b>2,007</b>	<b>2,572</b>	<b>3,085</b>	<b>3,416</b>	<b>3,120</b>	<b>3,117</b>	<b>3,302</b>	<b>3,289</b>
CAGR from FY20 %	(15)	(16)	19	26	15	1	13	10

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**EBITDA growth of Mundra and Pipavav ports over FY20-22 was similar:** Over FY20-22, Pipavav's volume growth (12%/ 28% decline in total/ container cargo, respectively) lagged behind Mundra port (8%/ 35% rise in total/ container cargo, respectively). Despite the divergence in volume growth, the growth in EBITDA of Pipavav and Mundra ports was almost similar. Mundra's port EBITDA declined 10%, while Pipavav's EBITDA fell 6%.

**Figure 20: Comparison of the performance of Pipavav and Mundra ports over FY20-22**

	FY20	FY21	FY22	CAGR (FY20-22) %
<b>Mundra</b>				
Total volume (MT)	139	144	150	4
Container volume (MT)	70	83	95	16
EBITDA ex SEZ (Rs bn)	29.2	28.9	26.4	(5)
<b>GPPV</b>				
Total volume (MT)	15.9	14.8	14.2	(6)
Container volume (MT)	12.7	10.9	9.2	(15)
EBITDA (Rs bn)	4.5	4.3	4.2	(3)

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**JNPT – recent performance:** Despite the 22% yoy volume growth in FY22, capacity utilization in FY22/ Apr 22 was 74%/ 78%, respectively. Thus, we believe the current waterfront capacity can handle 20-30% higher cargo. Construction of phase-2 (2.4MTEU capacity; Rs32bn construction cost) of the fourth container terminal is likely to be completed by Apr 2025F. There has been a delay in



construction due to Covid-19 and confirmation of the revised layout. Once complete, the phase-2 of the fourth container terminal will increase JNPT's waterfront capacity by 30%.

**Figure 21: Terminal-wise performance at JNPT**

(KTEU)	Capacity	Volume						
		FY17	FY18	FY19	FY20	FY21	FY22	Apr 22
JNPCT	1,500	1,534	1,482	1,056	719	544	440	25
yoy growth %			(3)	(29)	(32)	(24)	(19)	
NSICT	1,200	729	641	561	531	751	948	71
yoy growth %			(12)	(13)	(5)	41	26	
NSIGT	800	445	659	948	987	780	1,186	98
yoy growth %			48	44	4	(21)	52	
APM	1,800	1,793	2,028	2,048	1,985	1,669	1,866	159
yoy growth %			13	1	(3)	(16)	12	
PSA	2,400	-	23	520	809	933	1,245	145
yoy growth %					56	15	33	
<b>Total</b>	<b>7,700</b>	<b>4,500</b>	<b>4,833</b>	<b>5,133</b>	<b>5,031</b>	<b>4,677</b>	<b>5,685</b>	<b>498</b>
yoy growth %			7	6	(2)	(7)	22	

SOURCES: INCRED RESEARCH, COMPANY REPORTS, JAWAHARLAL NEHRU PORT TRUST

Going ahead, connectivity to the dedicated freight corridor (DFC) is likely to boost Pipavav port in FY23-24F, while JNPT could be connected in 1.5-2 years. Of the three main ports on west coast (JNPT, Mundra, GPPV or Pipavav), GPPV registered the highest proportion of container cargo using rail (54%) vs. JNPT (18%) and Mundra (32%) in FY22.

**Figure 22: Container cargo for the three main container ports on west coast – Mundra, Pipavav and JNPT**

(MT)	FY20	FY21	FY22
<b>Container cargo</b>			
JNPT	61	58	69
Mundra	70	83	95
Gujarat Pipavav	13	11	9
<b>Total</b>	<b>144</b>	<b>151</b>	<b>173</b>
<b>% Container cargo using Rail transport</b>			
JNPT	16	20	18
Mundra	30	30	32
Gujarat Pipavav	49	48	54

SOURCES: INCRED RESEARCH, COMPANY REPORTS, JAWAHARLAL NEHRU PORT TRUST

### Iron ore (4% of total port cargo in FY22): We estimate 30% decline in port volume in FY22-24F ➤

Iron ore at ports (FY22) was 51MT, down 8% over FY20-22. Ports on the west coast handled 29% of the total iron ore cargo in FY22.

India's Iron ore exports stood at 15MT in FY22 (vs. 25MT in FY20). We believe the balance 36MT iron-ore cargo at ports in FY22 was mainly coastal cargo. Going ahead, we expect the recent rise in export duty on iron ore to lead to negligible iron ore exports in FY24F. As a result, we expect iron ore volume at ports to decline to 36MT in FY24F (30% dip over FY22-24F)

Note: In May 2022, the government of India raised export tariff on new iron ore and concentrate to 50% (30% earlier), and duties on pellet to 45% (zero earlier).

**Figure 23: Port-wise break-up of iron ore cargo handled**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>49</b>	<b>55</b>	<b>51</b>	<b>6.4</b>	<b>(3.8)</b>
Paradip	12	23	20	37	(7)
Vizag	11	14	15	16	1
Mumbai	8	7	7	(5)	(2)
New Mangalore	5	5	4	1	(7)
Mormugao	10	2	4	(59)	45
Other major ports	3	4	2	18	(35)

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Figure 24: Break-up of iron ore cargo handled by MPs**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>49</b>	<b>55</b>	<b>51</b>	<b>6.4</b>	<b>(3.8)</b>
Major Ports - East	24	41	36	28.8	(6.3)
Major Ports - West	24	15	15	(22.6)	2.8

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

## Fertilizer and others (17% of total port cargo in FY22): We factor in 10% growth in FY22-24F vs. 11% growth in FY20-22 ➤

Fertilizer and other cargo volume at ports (FY22) stood at 199MT, growing 11% over FY20-22. In FY22, MPs handled 132MT (66% of overall fertilizer and other cargo). In FY20-22, fertilizer and other cargo volume at MPs rose 14%, while the volume at private ports rose 6%.

Ports on west coast handled 46% of the total fertilizer and other cargo in FY22. On west coast, MPs handled 71% of the volume, while on east coast MPs handled 63% of the volume.

**Figure 25: Break-up of fertilizer and other cargo handled by ports**

**Figure 26: Break-up of fertilizer and other cargo handled by MPs and main private ports**

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>137</b>	<b>116</b>	<b>132</b>	<b>(7.9)</b>	<b>6.8</b>
Kandla	43	34	38	(12)	7
Kolkata	19	18	19	(5)	3
Paradip	14	13	16	(2)	11
Vizag	15	13	17	(7)	15
Mumbai	11	9	11	(8)	9
Chennai	8	7	6	(12)	(6)
Other major ports	27	23	26	(6)	4
<b>Total - main private ports</b>	<b>49</b>	<b>62</b>	<b>66</b>	<b>12.9</b>	<b>3.2</b>
Mundra	15	12	11	(9)	(6)
Dhamra	8	15	15	39	(0)
Hazira	4	7	9	27	14
Dahej	1	2	3	11	22
Katupalli	0	0	1	0	410
Gujarat Pipavav	1	2	3	21	28
Krishnapatnam	10	8	11	(8)	17
Gangavaram	10	14	12	20	(6)
Other APSEZ ports	(0)	2	2		
<b>Grand Total</b>	<b>186</b>	<b>178</b>	<b>199</b>	<b>(2.0)</b>	<b>5.6</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

(MT)	FY18	FY20	FY22	CAGR %	
				FY18-20	FY20-22
<b>Total - Major Ports</b>	<b>137</b>	<b>116</b>	<b>132</b>	<b>(7.9)</b>	<b>6.8</b>
Major Ports - East	69	60	67	(6.6)	5.8
Major Ports - West	68	56	65	(9.2)	7.8
<b>Total - Main private ports</b>	<b>49</b>	<b>62</b>	<b>66</b>	<b>12.9</b>	<b>3.2</b>
Main private ports - East	27	38	40	19.0	2.4
Main private ports - West	22	24	27	5.1	4.4
<b>Grand Total</b>	<b>186</b>	<b>178</b>	<b>199</b>	<b>(2.0)</b>	<b>5.6</b>
East Coast	95	98	107	1.2	4.5
West Coast	90	81	92	(5.5)	6.8

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

## We estimate 15% volume growth for ports in FY22-24F ➤

Our volume growth estimate for FY22-24 may seem aggressive vs. the muted 1% growth over FY20-22. However, the implied CAGR over FY20-24 is 3.9%, which is the same as FY18-20 CAGR. FY21-22 was impacted by extraordinary events like Covid-19, shipping logjam and a sharp rise in price of commodities like crude oil and coal.

We expect a yoy growth in private ports to outpace MPs by 510bp, like the relative outperformance by private ports (vs. MPs) over FY18-20 (560bp).

**Figure 27: Break-up of our estimates for port volume by commodity**

(MT)	FY18	FY20	FY22	CAGR %			CAGR % FY22-24F
				FY18-20	FY20-22	FY24F	
POL	357	384	364	3.6	(2.6)	422	7.7
Coal	250	274	252	4.7	(4.1)	326	13.7
Container	225	260	296	7.4	6.7	339	7.0
Iron Ore	49	55	51	6.4	(3.8)	36	(16.3)
Fertiliser and others	186	178	199	(2.0)	5.6	219	5.0
<b>Total</b>	<b>1,067</b>	<b>1,151</b>	<b>1,162</b>	<b>3.9</b>	<b>0.5</b>	<b>1,342</b>	<b>7.5</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

**Figure 28: Expected cargo growth at MPs and private ports**

(MT)	FY18	FY20	FY22	CAGR %			CAGR % FY22-24F
				FY18-20	FY20-22	FY22F	
Major Ports	679	704	720	1.8	1.1	802	5.5
Main Private ports	387	447	442	7.4	(0.6)	540	10.6
<b>Total</b>	<b>1,067</b>	<b>1,151</b>	<b>1,162</b>	<b>3.9</b>	<b>0.5</b>	<b>1,342</b>	<b>7.5</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS, INDIA PORTS ASSOCIATION

India

**HOLD** (no change)

Consensus ratings\*: Buy 22 Hold 2 Sell 1

Current price:	Rs736
Target price: ▲	Rs753
Previous target:	Rs742
Up/downside:	2.3%
InCred Research / Consensus:	-12.5%

Reuters:	
Bloomberg:	ADSEZ IN
Market cap:	US\$21,396m
	Rs1,553,651m
Average daily turnover:	US\$64.5m
	Rs4683.5m
Current shares o/s:	2,031.8m
Free float:	36.2%

\*Source: Bloomberg

**Key changes in this note**

- Reduce FY23F EBITDA by 4%.
- Reduce FY24F EBITDA by 1%.
- Increase target price by 1% to Rs753,



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.2)	3.0	(13.7)
Relative (%)	(8.8)	3.3	(18.4)

Major shareholders	% held
Promoter and Promoter Group	63.8
Life Insurance Corporation of India	10.5
Camas Investments Pvt. Ltd.	1.3

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# Adani Ports & Special Economic Zone Ltd

**Trading at fair valuation; maintain Hold**

- We expect APSEZ's cargo (ex-Gangavaram Port or GPL) to grow 28% over FY22-24F. This implies an organic volume CAGR of 9% over FY20-24F.
- We maintain Hold rating with a higher target price of Rs753 (Rs742 earlier).

**We expect APSEZ cargo (ex-GPL) to grow 28% over FY22-24F**

For Adani Ports & Special Economic Zone or APSEZ, ex-Gangavaram Port or GPL, we expect the volume to grow 28% over FY22-24F vs. our estimate of 15% growth for the ports sector and 22% growth for private ports. This implies a volume CAGR of 9% for APSEZ (ex-acquisitions) over FY20-24F. We expect APSEZ's volume growth to be driven by (a) 45% growth in coal cargo (24% of APSEZ's FY22 cargo) due to our 28% estimated growth in coal cargo (FY22-24F) in the ports sector and 18MT incremental coal at Adani Power and Tata Power's Mundra power plants; (b) 20% growth in container cargo (48% of APSEZ's FY22 cargo) driven by connectivity of Mundra port with the Dedicated Freight Corridor or DFC – this is a tad higher than our estimate of 14% growth for the sector's container cargo; (c) 20% growth in POL cargo (14% of APSEZ's FY22 cargo), a tad higher than our estimate of 16% growth for the sector's POL cargo.

**Retain Hold rating; target price raised to Rs753 from Rs742 earlier**

Over FY20-24F, we forecast a 19% EBITDA CAGR driven by recent acquisitions. Excluding acquisitions, we expect a 12% EBITDA CAGR. In FY23F, we expect 14% RoCE and net debt/EBITDA of 2.2x (vs. 3.7x in Mar 2022). Pledged shares, as a percentage of promoter holding, was comfortable (13% in Apr 2022), lower than in Mar 2020 (58%). The value of pledged holding was Rs135bn in Apr 2022 vs. Rs187bn in Mar 2020. APSEZ trades at 14.1x FY23F EV/EBITDA, close to its five-year median forward EV/EBITDA (13.3x). We cut our FY23F/FY24F EBITDA by 4%/ 1%, respectively. We raise our target price on APSEZ to Rs753 (from Rs742 earlier) and maintain Hold rating on it. Our SOTP-based target price implies 12x FY24F EV/EBITDA (10% discount to five-year average EV/EBITDA). We believe the discount is warranted as 12% of our target enterprise value or EV is from recent acquisitions/under-construction assets and valued at acquisition price/capex (mainly GPL, Sarguja Rail and Vizhinjam). Key upside risk is a sharper-than-expected growth in cargo. Macro slowdown and delay in ramp-up at Adani Power and Tata Power's Mundra power plants are downside risks.

**Financial Summary**

	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue (Rsm)	114,388	125,496	151,390	193,610	229,342
Operating EBITDA (Rsm)	71,311	79,834	95,640	123,356	144,729
Net Profit (Rsm)	37,631	49,943	47,281	72,934	94,923
Core EPS (Rs)	23.2	22.3	26.5	34.5	44.9
Core EPS Growth	9.6%	(3.8%)	18.8%	30.3%	30.1%
FD Core P/E (x)	31.70	32.97	27.75	21.30	16.37
DPS (Rs)	3.2	5.0	5.0	3.3	2.0
Dividend Yield	0.53%	0.83%	0.83%	0.56%	0.33%
EV/EBITDA (x)	24.29	22.62	19.63	14.83	12.06
P/FCFE (x)	35.11	(29.79)	48.48	201.87	38.37
Net Gearing	85.7%	92.5%	90.5%	59.8%	34.1%
P/BV (x)	5.83	4.88	4.06	3.48	2.89
ROE	19.0%	16.1%	15.9%	17.6%	19.3%
% Change In Core EPS Estimates				(2.19%)	4.69%
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Trading at fair valuation; maintain Hold

**We expect APSEZ's cargo (ex-Gangavaram Port or GPL) to grow 28% over FY22-24F ➤**

**Commodity-wise performance for MP+ APSEZ in FY20-22:** Total cargo grew at a 2% CAGR. POL/coal cargo (26%/ 21% of total volume, respectively) declined at 1%/ 3% CAGR, respectively. Container cargo (29% of total volume) grew at a 9% CAGR.

**APSEZ (ex-KPCL and GPL) commodity-wise performance in FY20-22:** Total cargo grew at a 4% CAGR, higher than the 1% CAGR at MPs. Coal cargo (24% of total volume) declined at a 9% CAGR due to lower volume at Tata Power/ Adani Power plants at Mundra (28MT in FY20 to 10MT in FY22). Container cargo (48% of total volume) grew at a 13% CAGR and POL cargo (14% of total volume) grew at a 16% CAGR.

**Figure 29: Volume at major ports and Adani Ports**

	Volumes (MT)			yoy growth (%)	
	FY20	FY21	FY22	FY21	FY22
<b>Major Ports</b>	<b>705</b>	<b>676</b>	<b>720</b>	<b>(4)</b>	<b>7</b>
POL	237	207	222	(13)	7
Coal	149	134	148	(10)	10
Container	147	144	167	(2)	16
Others	172	191	183	11	(4)
<b>Adani Ports ex-KPCL</b>	<b>224</b>	<b>227</b>	<b>242</b>	<b>1</b>	<b>7</b>
POL	25	29	33	17	16
Coal	71	65	59	(9)	(10)
Container	91	103	117	12	13
Others	36	30	34	(16)	12
<b>Major Ports + APSEZ ex-KPCL</b>	<b>928</b>	<b>902</b>	<b>963</b>	<b>(3)</b>	<b>7</b>
POL	262	235	255	(10)	8
Coal	221	199	206	(10)	4
Container	238	247	284	3	15
Others	208	221	218	7	(2)

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

APSEZ gave guidance of 350-360MT cargo in FY23F (up 24-27% yoy). This includes 30-35MT from GPL. On a like-to-like basis, this implies a yoy growth of ~15% vs. 7% growth in FY22. We expect 349MT of cargo in FY23F and excluding GPL, we estimate 316MT of cargo in FY23F (up 12% yoy).

**For APSEZ, ex-GPL, we expect the volume to grow 27% over FY22-24F vs. our estimate of 15% growth for the ports sector and 22% growth for private ports. This implies a volume CAGR of 9% for APSEZ (ex-acquisitions) over FY20-24F. We expect APSEZ's volume growth to be driven by the following:**

- 45% growth in coal (24% of APSEZ's FY22 cargo) due to our 28% estimated growth in coal cargo (FY22-24F) in the ports sector and 18MT incremental coal at Adani Power and Tata Power's Mundra plants.
- 20% growth in container cargo (48% of APSEZ's FY22 cargo) driven by connectivity of Mundra port with the DFC. This is a tad higher than our estimate of 14% growth for the sector's container cargo.
- 20% growth in POL cargo (14% of APSEZ's FY22 cargo), a tad higher than our estimate of 16% growth for the sector's POL cargo.

**Figure 30: Detailed volume break-up of APSEZ over FY20-24F**

	Volumes (MT)					yoy growth %				
	FY20	FY21	FY22	FY23F	FY24F	FY20	FY21	FY22F	FY23F	FY24F
<b>Total</b>	<b>223</b>	<b>247</b>	<b>282</b>	<b>349</b>	<b>400</b>	<b>7</b>	<b>11</b>	<b>14</b>	<b>24</b>	<b>15</b>
<b>Total ex-GPL</b>	<b>223</b>	<b>247</b>	<b>282</b>	<b>316</b>	<b>363</b>	<b>7</b>	<b>11</b>	<b>14</b>	<b>12</b>	<b>15</b>
<b>Total ex-KPCL and GPL</b>	<b>223</b>	<b>227</b>	<b>242</b>	<b>271</b>	<b>312</b>	<b>7</b>	<b>2</b>	<b>7</b>	<b>12</b>	<b>15</b>
<b>Mundra</b>	<b>139</b>	<b>144</b>	<b>150</b>	<b>170</b>	<b>203</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>13</b>	<b>19</b>
Container	70	83	95	107	114	6	18	15	12	7
LNG & LPG	1	3	3	5	7		257	20	67	40
Adani Power	17	14	6	6	17	38	(19)	(56)	-	181
Tata Power	11	10	4	4	11	(1)	(11)	(56)	-	153
Crude Oil	22	21	23	27	28	(17)	(2)	10	17	3
Others	19	14	18	21	25	(13)	(22)	27	15	19
<b>Katupalli</b>	<b>11</b>	<b>9</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>22</b>	<b>(19)</b>	<b>(16)</b>	<b>-</b>	<b>-</b>
<b>Dhamra</b>	<b>30</b>	<b>32</b>	<b>33</b>	<b>37</b>	<b>42</b>	<b>44</b>	<b>9</b>	<b>3</b>	<b>12</b>	<b>12</b>
<b>Hazira</b>	<b>22</b>	<b>22</b>	<b>25</b>	<b>27</b>	<b>30</b>	<b>10</b>	<b>1</b>	<b>13</b>	<b>10</b>	<b>10</b>
<b>Dahej</b>	<b>6</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>10</b>	<b>(30)</b>	<b>(8)</b>	<b>37</b>	<b>12</b>	<b>12</b>
<b>Krishnapatnam</b>		<b>20</b>	<b>40</b>	<b>45</b>	<b>50</b>			<b>103</b>	<b>12</b>	<b>12</b>
<b>Gangavaram</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>38</b>				<b>na</b>	<b>12</b>
<b>Others</b>	<b>15</b>	<b>14</b>	<b>18</b>	<b>19</b>	<b>20</b>	<b>22</b>	<b>(9)</b>	<b>31</b>	<b>5</b>	<b>5</b>

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Mundra port:** Over FY22-24F, we expect 32% volume growth driven by (a) 18MT incremental coal for Adani Power and Tata Power's plants at Mundra, and (b) container cargo getting a boost by connectivity to the Dedicated Freight Corridor or DFC, while connectivity of Jawaharlal Nehru Port or JNPT to the DFC will take place 1.5 years later.

**Dhamra, Hazira, Dahej and Krishnapatnam or KPCL (combined 106 MT cargo in FY22):** While the combined volume grew 7% yoy in FY22, we factor in 24% growth over FY22-24F. This is because coal accounts for 54% of the cargo in FY22 and we expect 28% growth in the port sector's coal volume over FY22-24F.

**KPCL:** FY22 cargo declined 16% yoy. We factor in flat volume over FY22-24F.

**GPL:** While FY22 volume (30MT) declined 8% yoy, we factor in 24% growth over FY22-24F. This is because coal comprised 59% of the cargo in FY22 and we expect 28% growth in the port sector's coal volume over FY22-24F.

### Retain Hold rating; target price raised to Rs753 from Rs742 ➤

Over FY20-24F, we forecast a 19% EBITDA CAGR driven by acquisition of KPCL, GPL and Sarguja Rail. Excluding acquisitions, we expect a 12% EBITDA CAGR. In FY23F, we expect 14% RoCE and net debt/EBITDA of 2.2x (vs. 3.7x in Mar 2022). Pledged shares, as a percentage of promoter holding, was comfortable (13% in Apr 2022), lower than in Mar 2020 (58%). The value of pledged holding was Rs135bn in Apr 2022 vs. Rs187bn in Mar 2020.

**Figure 31: Consolidated income statement and balance sheet**

	FY20	FY21	FY22	FY23F	FY24F
<b>Income statement (Rs bn)</b>					
Port volume (MT)	223	247	282	349	400
Sales	114	125	151	194	229
EBITDA	71	80	96	123	145
EBITDA ex-KPCL, GPL, SRCPL and SEZ	70	73	81	94	111
Interest	20	21	26	29	24
Depreciation	17	21	27	28	29
Adjusted PAT	48	45	55	73	95
<b>Balance sheet (Rs bn)</b>					
Net Worth	256	306	383	447	537
Minority Interest	2	15	4	5	6
Net Debt	221	297	350	270	185
Net Fixed assets	337	490	575	516	511
Net working capital	96	74	61	106	116
Goodwill	33	40	59	59	59
Investment & others	14	13	41	41	42

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 32: Key financial ratios and valuation**

	FY20	FY21	FY22	FY23F	FY24F
<b>Financial Ratios (x)</b>					
RoCE %	12	10	10	14	17
RoE %	19	15	14	16	18
EBITDA Margin %	62	64	63	64	63
Net debt/ EBITDA	3.1	3.7	3.7	2.2	1.3
Net debt/ Equity including Minority Interest	0.9	0.9	0.9	0.6	0.3
EBIT/ Interest	2.8	2.8	2.7	3.3	4.7
<b>Valuations (x)</b>					
P/BV	5.8	4.8	4.0	3.4	2.9
EV/ EBITDA	-	-	19.1	14.1	11.5
P/E	-	-	27.9	21.0	16.2

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

APSEZ trades at 14.1x FY23F EV/EBITDA, close to its five-year median forward EV/EBITDA (13.3x). We reduce our FY23F/FY24F EBITDA by 4%/1%, respectively. We raise our target price on APSEZ to Rs753 (from Rs742 earlier) and maintain Hold rating on it. Our SOTP-based target price implies 12x FY24F

EV/EBITDA (10% discount to five-year average EV/EBITDA). We believe the discount is warranted as 12% of our target EV is from recent acquisitions/ under-construction assets and valued at acquisition price/capex (mainly GPL, Sarguja Rail and Vizhinjam).

**Figure 33: Our revised earnings estimates**

(Rs m)	FY23F		FY24F	
	Old	New	Old	New
Sales	199,230	193,610	227,690	229,342
% change		(3)		1
EBITDA	127,977	123,356	145,896	144,729
% change		(4)		(1)
PAT	74,191	72,934	90,219	94,923
% change		(2)		5

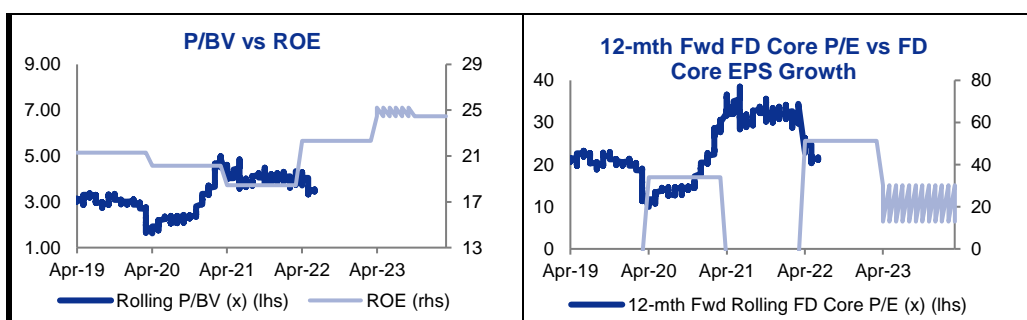
SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 34: SOTP-based valuation**

	(Rs/ share)	(Rs bn)	Basis
<b>EV APSEZ's stake</b>			
Mundra Port	273	576	DCF @ WACC of 11.3% implying EV/E of 12.7x FY24F
SEZ	13	27	DCF @ WACC of 11.3%
Dahej	11	23	DCF @ WACC of 11.3% implying EV/E of 8.1x FY24F
Hazira	94	199	@ 13x EV/E FY24F
Dhamra	81	171	@ 13x EV/E FY24F
Katupalli	6	13	@ 13x EV/EBITDA FY24F; implied 0.5x acquisition EV
Adani Logistics	35	73	@ 16x EV/EBITDA FY24F; implied 1.1x EV/Assets FY23F
Marine Business	135	285	@ 13x EV/E FY24F
Krishnapatnam	110	233	@ EV/E of 13x FY24F; implied 1.7x acquisition EV
Vizhinjam	18	37	@ Capex
Gangavaram	29	62	@ acquisition price; implying EV/E of 7.7x FY24F
Sarguja	28	60	@ acquisition price; implying EV/E of 12.3x FY24F
Other assets	30	63	@ Capex
NPV of NWC change	(11)	(23)	
<b>Total EV</b>	<b>853</b>	<b>1,802</b>	
Less: Net debt less other investments	(100)	(211)	
<b>Target Price</b>	<b>753</b>	<b>1,591</b>	

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>114,388</b>	<b>125,496</b>	<b>151,390</b>	<b>193,610</b>	<b>229,342</b>
<b>Gross Profit</b>	<b>83,415</b>	<b>92,901</b>	<b>111,174</b>	<b>147,362</b>	<b>176,156</b>
<b>Operating EBITDA</b>	<b>71,311</b>	<b>79,834</b>	<b>95,640</b>	<b>123,356</b>	<b>144,729</b>
Depreciation And Amortisation	(16,803)	(21,073)	(27,396)	(28,281)	(29,168)
<b>Operating EBIT</b>	<b>54,508</b>	<b>58,761</b>	<b>68,244</b>	<b>95,075</b>	<b>115,561</b>
Financial Income/(Expense)	(893)	(1,589)	(4,015)	(1,903)	5,445
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>53,615</b>	<b>57,172</b>	<b>64,229</b>	<b>93,172</b>	<b>121,006</b>
Exceptional Items	(11,176)	5,748	(8,817)		
<b>Pre-tax Profit</b>	<b>42,439</b>	<b>62,920</b>	<b>55,412</b>	<b>93,172</b>	<b>121,006</b>
Taxation	(4,594)	(12,433)	(7,459)	(19,566)	(25,411)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>37,845</b>	<b>50,487</b>	<b>47,952</b>	<b>73,606</b>	<b>95,595</b>
Minority Interests	(214)	(544)	(672)	(672)	(672)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>37,631</b>	<b>49,943</b>	<b>47,281</b>	<b>72,934</b>	<b>94,923</b>
Recurring Net Profit	47,598	45,330	54,911	72,934	94,923
<b>Fully Diluted Recurring Net Profit</b>	<b>47,598</b>	<b>45,330</b>	<b>54,911</b>	<b>72,934</b>	<b>94,923</b>

### Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>71,311</b>	<b>79,834</b>	<b>95,640</b>	<b>123,356</b>	<b>144,729</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	17,055	21,871	13,422	(45,329)	(10,135)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(11,176)	5,748	(8,817)		
Other Operating Cashflow					
Net Interest (Paid)/Received	(893)	(1,589)	(4,015)	(1,903)	5,445
Tax Paid	(3,645)	(12,617)	(7,513)	(19,246)	(25,411)
<b>Cashflow From Operations</b>	<b>72,653</b>	<b>93,248</b>	<b>88,717</b>	<b>56,878</b>	<b>114,628</b>
Capex	(48,476)	(182,219)	(130,552)	30,818	(24,135)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(3,957)	(10,582)	(37,250)		
<b>Cash Flow From Investing</b>	<b>(52,433)</b>	<b>(192,800)</b>	<b>(167,801)</b>	<b>30,818</b>	<b>(24,135)</b>
Debt Raised/(repaid)	22,748	49,382	110,521	(80,000)	(50,000)
Proceeds From Issue Of Shares	(19,600)				
Shares Repurchased					
Dividends Paid	(485)	(7,867)	(12,394)	(21,508)	(5,059)
Preferred Dividends					
Other Financing Cashflow	(9,418)	31,906	51,235	2,657	491
<b>Cash Flow From Financing</b>	<b>(6,755)</b>	<b>73,421</b>	<b>149,362</b>	<b>(98,851)</b>	<b>(54,568)</b>
Total Cash Generated	13,466	(26,131)	70,278	(11,155)	35,925
<b>Free Cashflow To Equity</b>	<b>42,969</b>	<b>(50,170)</b>	<b>31,436</b>	<b>7,696</b>	<b>40,493</b>
<b>Free Cashflow To Firm</b>	<b>39,727</b>	<b>(78,261)</b>	<b>(53,522)</b>	<b>116,713</b>	<b>114,960</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	73,139	47,008	104,921	104,193	139,495
Total Debtors	32,021	29,257	24,697	46,466	55,042
Inventories	2,883	9,919	3,812	9,681	11,467
Total Other Current Assets	120,424	103,891	108,745	127,555	141,620
<b>Total Current Assets</b>	<b>228,467</b>	<b>190,075</b>	<b>242,175</b>	<b>287,895</b>	<b>347,624</b>
Fixed Assets	336,831	490,475	574,815	515,716	510,683
Total Investments	11,780	22,362	59,611	59,611	59,611
Intangible Assets	32,863	40,364	59,179	59,179	59,179
Total Other Non-Current Assets	9,227				
<b>Total Non-current Assets</b>	<b>390,700</b>	<b>553,200</b>	<b>693,605</b>	<b>634,506</b>	<b>629,473</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	46,334	50,026	55,582	77,444	91,737
Other Current Liabilities	4,824	6,030	7,537		
<b>Total Current Liabilities</b>	<b>51,158</b>	<b>56,056</b>	<b>63,120</b>	<b>77,444</b>	<b>91,737</b>
Total Long-term Debt	294,627	344,010	454,530	374,530	324,530
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	7,002	6,367	6,367	6,074	5,781
<b>Total Non-current Liabilities</b>	<b>301,629</b>	<b>350,377</b>	<b>460,897</b>	<b>380,604</b>	<b>330,311</b>
Total Provisions	7,949	15,875	25,335	12,130	12,130
<b>Total Liabilities</b>	<b>360,736</b>	<b>422,308</b>	<b>549,353</b>	<b>470,178</b>	<b>434,178</b>
Shareholders Equity	256,235	306,283	382,500	446,812	536,675
Minority Interests	2,196	14,685	3,928	5,411	6,244
<b>Total Equity</b>	<b>258,431</b>	<b>320,967</b>	<b>386,428</b>	<b>452,223</b>	<b>542,919</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	4.7%	9.7%	20.6%	27.9%	18.5%
Operating EBITDA Growth	0.9%	12.0%	19.8%	29.0%	17.3%
Operating EBITDA Margin	62.3%	63.6%	63.2%	63.7%	63.1%
Net Cash Per Share (Rs)	(109.01)	(146.18)	(165.51)	(127.98)	(87.60)
BVPS (Rs)	126.12	150.75	181.08	211.52	254.07
Gross Interest Cover	2.79	2.76	2.67	3.28	4.72
Effective Tax Rate	10.8%	19.8%	13.5%	21.0%	21.0%
Net Dividend Payout Ratio	11.8%	17.5%	16.2%	7.5%	3.4%
Accounts Receivables Days	95.60	89.11	65.04	67.08	80.78
Inventory Days	64.52	71.67	62.31	53.24	72.56
Accounts Payables Days	454.62	539.52	479.25	524.93	580.52
ROIC (%)	11.8%	12.2%	11.0%	13.4%	17.0%
ROCE (%)	13.6%	12.8%	11.8%	14.4%	16.9%
Return On Average Assets	9.2%	8.6%	8.1%	10.2%	12.2%

<b>Key Drivers</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Mundra Port volume growth (% chg)	1.4	3.7	4.1	13.4	18.9
Adani Ports volume growth (% chg)	7.2	10.8	14.3	23.7	14.6

SOURCES: INCRED RESEARCH, COMPANY REPORTS



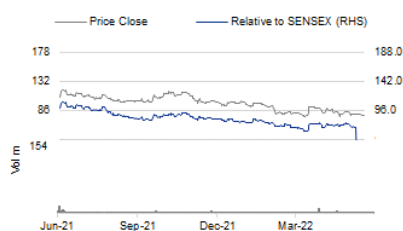
India

**ADD** (no change)

Consensus ratings*:	Buy 15	Hold 2	Sell 0
Current price:	Rs78		
Target price:	Rs140		
Previous target:	Rs140		
Up/downside:	79.5%		
InCred Research / Consensus:	25.7%		
Reuters:			
Bloomberg:	GPPV IN		
Market cap:	US\$519m		
	Rs37,660m		
Average daily turnover:	US\$1.1m		
	Rs80.6m		
Current shares o/s:	483.4m		
Free float:	56.0%		
*Source: Bloomberg			

**Key changes in this note**

➤ NA



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(8.5)	(5.9)	(27.6)
Relative (%)	(10.1)	(5.7)	(31.6)

Major shareholders	% held
APM Terminals Mauritius Limited	44.0
ICICI Prudential	8.4
HDFC Trustee Company Ltd.	7.4

**Analyst(s)**



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# Gujarat Pipavav Port Ltd

## Possessing a trigger and a rerating catalyst

- We feel the commissioning of the dedicated freight corridor (DFC) in 2HFY22 will boost GPPV over FY23F-24F, while JNPT could be connected in FY24F.
- Extension of concession period at favourable terms is a re-rating trigger.
- We maintain our estimates, Add rating and a target price of Rs140. We believe that at CMP, GPPV is not factoring in any concession extension beyond FY29F.

### Volume surge likely in FY23F-24F

We believe the commissioning of the dedicated freight corridor (DFC) in 2HFY22 will boost GPPV over FY23F-24F, while JNPT could be connected in FY24F. Of the three main ports on the west coast (JNPT, Mundra and GPPV or Pipavav), GPPV had the highest proportion of container cargo using rail infrastructure (54%) vs. 18% at JNPT and 30% at Mundra in FY22. Rail infrastructure connecting Pipavav is compliant with Double Stack Electric Freight in accordance with the DFC. Over FY22-24F, we factor in 51%/39% growth in container/ total cargo, respectively.

### Container cargo is less sticky to a particular port than bulk cargo

Cargo on a bulk carrier belongs to a single client (hence, single/few locations). In case of container ships, the cargo belongs to multiple users and is destined to/originates from multiple locations. As a result, while bulk cargo is sticky to a particular port (minimizing logistics cost), container cargo is less sticky and, within a broad region, container shipping liners may switch ports. We believe this aspect is important in our thesis of volume shift from JNPT to Pipavav and Mundra ports. While JNPT is not connected to the DFC, Pipavav and Mundra ports are connected.

### Extension of concession period at favourable terms to act as catalyst

In 2QFY22, GPPV inked an in-principle Memorandum of Understanding (MoU; non-binding) with Gujarat Maritime Board to renew its concession (expiring in 2029; remaining life of seven years). A 20-year extension at 25% revenue share (vs. 3% now) can add Rs13 to our target price or TP while an extension at current revenue share (3%) can add Rs75 to our TP. In our TP, we factor in a 70% probability of concession extension with a 25% revenue share (vs. 3% of sales now), in line with port agreements over last five years and a 30% probability of depreciated replacement value (DRV) post current concession period.

### Maintain our estimates, Add rating and target price of Rs140

We forecast a 25% EBITDA CAGR over FY22-24F, driven by a 19% volume CAGR. GPPV trades at 5.8x FY23F EV/EBITDA. We believe that at CMP, GPPV is factoring in DRV and no concession extension beyond FY29F. Note: GPPV's median forward EV/EBITDA over the last three years is 8x. Prolonged economic slowdown is a downside risk.

### Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	7,353	7,335	7,408	9,108	10,904
Operating EBITDA (Rsm)	4,465	4,324	4,181	5,293	6,494
Net Profit (Rsm)	2,922	2,183	2,303	3,190	4,106
Core EPS (Rs)	6.0	4.6	4.8	6.6	8.5
Core EPS Growth	42.3%	(23.0%)	3.4%	38.5%	28.7%
FD Core P/E (x)	12.89	17.25	16.35	11.81	9.17
DPS (Rs)	5.6	4.5	5.1	5.8	6.7
Dividend Yield	8.66%	6.96%	7.94%	9.05%	10.31%
EV/EBITDA (x)	6.79	6.84	6.99	5.35	4.15
P/FCFE (x)	13.38	13.18	11.27	8.77	5.46
Net Gearing	(31.2%)	(35.7%)	(38.7%)	(43.7%)	(50.3%)
P/BV (x)	1.81	1.85	1.92	1.94	1.92
ROE	14.1%	10.8%	11.5%	16.3%	21.0%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Possessing a trigger and a rerating catalyst

### Volume surge likely in FY23F-24F ➤

We believe the commissioning of the dedicated freight corridor (DFC) in 2HFY22 will boost GPPV over FY23F-24F, while JNPT could be connected in FY24F. Of the three main ports on India's west coast (JNPT, Mundra and GPPV), GPPV had the highest proportion of container cargo using rail infrastructure (54%) vs. 18% at JNPT and 30% at Mundra in FY22. Rail infrastructure connecting Pipavav is compliant with Double Stack Electric Freight, in accordance with the DFC. Over FY22-24F, we factor in 51%/39% growth in container cargo/total cargo, respectively.

**Figure 35: Volume break-up of Gujarat Pipavav Port**

	FY19	FY20	FY21	FY22	FY23F	FY24F
Container (KTEU)	903	873	749	628	832	998
Growth yoy %		(3)	(14)	(16)	32	20
Dry Bulk (MT)	2.1	2.4	3.1	4.2	4.2	4.5
Growth yoy %		15	32	34	-	7
Liquid Bulk (MT)	0.6	0.8	0.7	0.8	0.8	0.9
Growth yoy %		29	(16)	17	-	7
<b>Total - derived (MT)</b>	<b>15.9</b>	<b>15.9</b>	<b>14.8</b>	<b>14.2</b>	<b>17.2</b>	<b>20.0</b>
<b>Growth yoy %</b>		<b>0</b>	<b>(7)</b>	<b>(4)</b>	<b>21</b>	<b>16</b>
Capacity utilization %	61	61	56	54	66	76

SOURCES: INCRED RESEARCH, COMPANY REPORTS

### Container cargo is less sticky to a particular port than bulk cargo ➤

Cargo on a bulk carrier belongs to a single client (hence, single/few locations). In case of container ships, the cargo belongs to multiple users and is destined to/originates from multiple locations. As a result, while bulk cargo is sticky to a particular port (minimizing logistics costs), container cargo is less sticky and, within a broad region, container shipping liners may switch ports. We believe this aspect is important in our thesis of volume shift from JNPT to Pipavav and Mundra ports. While JNPT is not connected to the DFC, Pipavav and Mundra ports are connected.

### Performance of Gateway Terminals at JNPT – the other terminal owned by promoters of GPPV ➤

Besides GPPV, the promoters of GPPV (APM Terminals have a 43% stake in GPPV) have another terminal in India at JNPT (74:26 joint venture or JV of APM Terminals and Container Corporation of India) named Gateway Terminals (GT). The agreement was signed in Jul 2004 with JNPT to build and operate a container terminal for 30 years (COD Oct 2006). Tariff is regulated by the Tariff Authority for Major Ports (TAMP) and the revenue share is 36%. During FY22, GT at JNPT operated at 105% capacity utilization. We estimate that tariff at GT is ~25% lower than at GPPV.

**Figure 36: Volume at GPPV and at APM Terminals' Gateway Terminals at JNPT**

(MTEU)	GPPV	YoY Growth (%)	APM Terminals Mumbai	YoY Growth (%)
1QFY21	0.19	(16)	0.35	(33)
2QFY21	0.17	(25)	0.41	(19)
3QFY21	0.20	(14)	0.46	(6)
4QFY21	0.20	(1)	0.46	(5)
1QFY22	0.15	(19)	0.47	36
2QFY22	0.16	(7)	0.46	13
3QFY22	0.16	(21)	0.47	2
4QFY22	0.16	(16)	0.47	3

SOURCE: CGS-CIMB RESEARCH, COMPANY, JAWAHARLAL NEHRU PORT TRUST

## Extension of concession period at favourable revenue share is the key re-rating trigger ➤

In 2QFY22, GPPV inked an in-principle Memorandum of Understanding (MoU; non-binding) with Gujarat Maritime Board to renew its concession (expiring in 2029; remaining life of seven years). A 20-year extension at 25% revenue share (vs. 3% now) can add Rs13 to our target price while an extension at current revenue share (3%) can add Rs75 to our target price.

In our target price, we factor in a 70% probability of concession extension with a 25% revenue share (vs. 3% of sales now), in line with port agreements over last five years and a 30% probability of depreciated replacement value (DRV) post current concession period.

**Figure 37: Revenue share at terminals set up over the past five years at major ports**

Port	Terminal operator	Revenue share %
JNPT	Port of Singapore Authority	35.7
JNPT	APM Terminals	35.5
JNPT	DP World (new terminal)	28.1
Ennore	Adani Ports	37.0
Mormugao	Adani Ports	20.0
Kandla	Adani Ports	25.0
Vizag	Adani Ports	40.0

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## Maintain our estimates, Add rating and target price of Rs140 ➤

We forecast an EBITDA CAGR of 25% over FY22-24F, driven by a 19% volume CAGR. GPPV trades at 5.8x FY23F EV/EBITDA. We believe that at CMP, GPPV is factoring in DRV and no concession extension beyond FY29F. Note: GPPV's median forward EV/EBITDA over the last three years is 8x.

**Figure 38: Income statement and Balance Sheet**

(Rs bn)	FY20	FY21	FY22	FY23F	FY24F
<b>Income statement</b>					
Port volume (MT)	15.9	14.8	14.2	17.2	20.0
Sales	7.4	7.3	7.4	9.2	11.0
EBITDA	4.5	4.3	4.2	5.3	6.5
Interest	0.1	0.1	0.0	0.0	0.0
Depreciation	1.3	1.3	1.3	1.3	1.4
Adjusted PAT	2.9	2.2	2.0	3.3	4.3
<b>Balance Sheet</b>					
Net Worth	20.8	20.3	20.3	21.0	22.2
Net Debt	(6.5)	(7.3)	(8.6)	(10.6)	(13.0)
Net Fixed Assets	15.9	15.2	14.6	13.5	12.9
Net Working capital	(1.8)	(1.9)	(2.1)	(2.4)	(3.0)
Investment & Others	0.2	(0.3)	(0.7)	(0.7)	(0.7)

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 39: Key financial ratios and valuation**

	FY20	FY21	FY22	FY23F	FY24F
<b>Financial Ratios (x)</b>					
RoCE %	22.3	22.4	23.1	35.8	51.6
RoE %	13.9	11.0	9.8	15.2	18.8
EBITDA margin %	60.7	59.0	56.3	57.8	59.2
<b>Valuations (x)</b>					
P/BV			1.9	1.8	1.7
EV/EBITDA			7.3	5.8	4.7
P/E			19.4	12.3	9.4

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 40: Discounted cash flow**

(Rs bn)	FY24F	FY25F	FY26F ...	FY29F
EBITDA	6.5	7.3	8.3	11.1
Volume (MT)	20.0	21.3	22.8	27
Less: Tax on EBIT	(1.3)	(1.5)	(1.7)	(2.4)
Less: capex	(0.8)	(0.8)	(0.8)	(0.8)
Less chg in WC	0.5	0.4	0.4	0.3
FCF	5.0	5.5	6.2	8.3
Discount rate (%)	11.8 (Beta of 0.6; Target debt: Equity of 0.15x)			
EV	28.1			
EV (Rs/ share)	58.2			

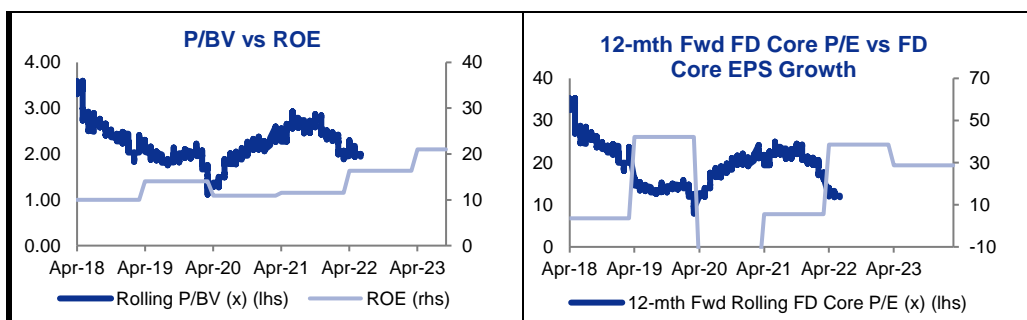
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 41: Target price calculation**

(Rs/ share)	
EV	58
Depreciated Replacement value/ Extension	54
Net cash	22
PRCL stake	5
Target Price	140

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>7,353</b>	<b>7,335</b>	<b>7,408</b>	<b>9,108</b>	<b>10,904</b>
<b>Gross Profit</b>	<b>6,302</b>	<b>6,155</b>	<b>6,180</b>	<b>7,704</b>	<b>9,326</b>
<b>Operating EBITDA</b>	<b>4,465</b>	<b>4,324</b>	<b>4,181</b>	<b>5,293</b>	<b>6,494</b>
Depreciation And Amortisation	(1,315)	(1,335)	(1,357)	(1,392)	(1,428)
<b>Operating EBIT</b>	<b>3,150</b>	<b>2,989</b>	<b>2,824</b>	<b>3,901</b>	<b>5,066</b>
Financial Income/(Expense)	397	341	247	353	409
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>3,547</b>	<b>3,330</b>	<b>3,071</b>	<b>4,253</b>	<b>5,475</b>
Exceptional Items	38	(65)			
<b>Pre-tax Profit</b>	<b>3,585</b>	<b>3,265</b>	<b>3,071</b>	<b>4,253</b>	<b>5,475</b>
Taxation	(663)	(1,082)	(768)	(1,063)	(1,369)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>2,922</b>	<b>2,183</b>	<b>2,303</b>	<b>3,190</b>	<b>4,106</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>2,922</b>	<b>2,183</b>	<b>2,303</b>	<b>3,190</b>	<b>4,106</b>
Recurring Net Profit	2,892	2,227	2,303	3,190	4,106
<b>Fully Diluted Recurring Net Profit</b>	<b>2,892</b>	<b>2,227</b>	<b>2,303</b>	<b>3,190</b>	<b>4,106</b>

### Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>4,465</b>	<b>4,324</b>	<b>4,181</b>	<b>5,293</b>	<b>6,494</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	181	87	(138)	315	
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	38	(65)			
Other Operating Cashflow					
Net Interest (Paid)/Received	397	341	247	353	409
Tax Paid	(1,424)	(1,177)	(726)	(916)	
<b>Cashflow From Operations</b>	<b>3,657</b>	<b>3,510</b>	<b>3,565</b>	<b>5,046</b>	<b>6,903</b>
Capex	(843)	(653)	(222)	(750)	
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(843)</b>	<b>(653)</b>	<b>(222)</b>	<b>(750)</b>	
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,262)	(2,621)	(2,988)	(3,407)	
Preferred Dividends					
Other Financing Cashflow	1,606	523			
<b>Cash Flow From Financing</b>	<b>(1,656)</b>	<b>(2,098)</b>	<b>(2,988)</b>	<b>(3,407)</b>	
Total Cash Generated	1,158	759	354	889	6,903
<b>Free Cashflow To Equity</b>	<b>2,814</b>	<b>2,857</b>	<b>3,343</b>	<b>4,296</b>	<b>6,903</b>
<b>Free Cashflow To Firm</b>	<b>2,888</b>	<b>2,920</b>	<b>3,393</b>	<b>4,346</b>	<b>6,953</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	6,495	7,254	7,607	8,496	9,883
Total Debtors	459	441	455	559	669
Inventories	76	105	91	112	135
Total Other Current Assets	514	591	667	820	981
<b>Total Current Assets</b>	<b>7,544</b>	<b>8,390</b>	<b>8,820</b>	<b>9,987</b>	<b>11,668</b>
Fixed Assets	15,882	15,200	14,066	13,423	12,745
Total Investments	830	830	830	830	830
Intangible Assets					
Total Other Non-Current Assets					
<b>Total Non-current Assets</b>	<b>16,712</b>	<b>16,030</b>	<b>14,896</b>	<b>14,253</b>	<b>13,575</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	2,475	2,649	2,587	3,181	3,808
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>2,475</b>	<b>2,649</b>	<b>2,587</b>	<b>3,181</b>	<b>3,808</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>					
Total Provisions	934	1,449	1,492	1,639	1,792
<b>Total Liabilities</b>	<b>3,409</b>	<b>4,098</b>	<b>4,079</b>	<b>4,820</b>	<b>5,600</b>
Shareholders Equity	20,848	20,322	19,637	19,420	19,643
Minority Interests					
<b>Total Equity</b>	<b>20,848</b>	<b>20,322</b>	<b>19,637</b>	<b>19,420</b>	<b>19,643</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	4.7%	(0.2%)	1.0%	22.9%	19.7%
Operating EBITDA Growth	14.8%	(3.2%)	(3.3%)	26.6%	22.7%
Operating EBITDA Margin	60.7%	59.0%	56.4%	58.1%	59.6%
Net Cash Per Share (Rs)	13.44	15.00	15.74	17.57	20.44
BVPS (Rs)	43.13	42.04	40.62	40.17	40.63
Gross Interest Cover	42.57	47.44	56.48	78.01	101.32
Effective Tax Rate	18.5%	33.1%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	113.1%	116.6%	129.7%	106.8%	94.6%
Accounts Receivables Days	24.05	22.40	22.07	20.31	20.55
Inventory Days	27.85	27.98	29.18	26.49	28.55
Accounts Payables Days	849.36	792.09	778.33	749.94	808.15
ROIC (%)	20.8%	20.7%	20.6%	30.7%	43.2%
ROCE (%)	17.2%	15.8%	14.8%	20.9%	26.8%
Return On Average Assets	10.4%	7.8%	8.5%	11.8%	14.9%

<b>Key Drivers</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Container throughput (% chg)	(3.3%)	(14.2%)	(11.8%)	26.1%	20.0%
Container handling util. rate (%)	64.7%	55.5%	48.9%	61.6%	74.0%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

**Recommendation Framework**
**Stock Ratings**

Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.