

## Eying opportunities within crisis...

Gujarat Pipavav's (GPPL) Q4FY20 revenues de-grew 10% YoY to ₹ 162 crore. Container volume (makes up 70% of revenues) also de-grew 10% but saw a favourable mix (Exim volumes grew 3-4% YoY), leading to a higher realisation of 6000-6200/TEU (vs. 5800-5900/TEU a year ago). EBITDA margins grew 673 bps to 62% (330 bps Ind-AS 116 effect with rest due to lower bulk handling volumes), leading to flat growth in absolute EBITDA at ₹ 100 crore. However, due to higher depreciation, interest and lower profit from Pipavav Rail Corp, PAT de-grew 10% to ₹ 54 crore. The company announced a final dividend of ₹ 3.5 (5.3% yield).

## Management expects minimal disruption in volumes

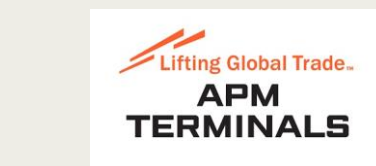
As per internal estimates of APM terminals, global Exim trade is expected to de-grow 20% in FY21E. However, the management expects volumes at GPPL to be minimally disrupted during the same year. Port imports (60-65% of cargo) are Far-East oriented, which is showing positive signs of recovery while the ports on the west (US, Europe) continue to lag behind. On the exports front, the management is seeing positive trends and expects good agricultural exports to the Middle East in Q2FY21. In FY20, 45% of GPPL volumes were transported via its parent entity APM-Maersk. In April, May, container, liquid cargo lagged behind bulk. The situation is expected to ease out as the Indian economy improves further. Rail coefficient was at 70%. Thus, the port was better off vs. other ports (e.g. JNPT), which saw evacuation challenges due to unavailability of drivers.

## Better cost control measures to support margins

FY20 saw a resurgence of EBITDA margins (expanded 530 bps). Although half the increase can be attributed to Ind-AS 116 effect, the management has been continuously optimising costs due to which GPPL saw expenditure de-growth amid 5% revenue growth in FY20. The management expects to continue the practice in FY21E. Softening crude has also provided opportunities for the company to lower operating costs towards the end of FY20. Further, a favourable mix within the container segment (70% of revenues) i.e. higher Exim containers compared to transshipment and coastal containers can lead to a better realisation and, thus, support margins.

## Valuation & Outlook

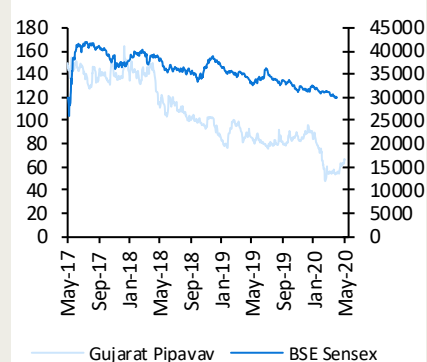
GPPL expects to become DFC compliant by Q4CY20, provide time table bound services to its clients and also attract potential clients from other ports (ex-Gujarat). It is running at ~65% capacity utilisation and is expected to undertake major capex once utilisation reaches 80%. Higher utilisation with a favourable product mix remains key to stronger earnings for GPPL. Post DFC, incremental FCF could be further utilised for port expansion (mostly greenfield expansion). We revise our target price to ₹ 85 (at FY22E P/E multiple of 13) and maintain **BUY** rating.



### Particulars

Particular	Amount
Market Capitalisation (₹cr)	3,432.4
Total Debt (FY 20P) (₹cr)	-
Cash (FY 20P) (₹cr)	649.5
EV (₹cr)	2,782.9
52 week H/L	99/46
Equity Capital (₹Cr)	483.4
Face Value (₹)	10.0

### Price Performance



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### Key Financial Summary

₹ crore	FY18	FY19	FY20P	FY21E	FY22E	CAGR (%)
Net Sales	648.9	702.0	735.4	686.5	785.0	4.9
EBITDA	374.1	388.9	446.6	414.0	473.4	6.1
EBITDA margins (%)	57.6	55.4	60.7	60.3	60.3	
PAT	221.0	236.7	319.4	270.4	318.2	9.5
P/E (x)	15.5	14.5	10.7	12.7	10.8	
P/B (x)	1.6	1.6	1.5	1.5	1.5	
RoCE (%)	12.1	12.2	13.4	11.7	13.7	
RoE (%)	9.2	9.4	12.6	10.2	12.0	

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 1: Profit and loss statement (Ex IND AS) ₹ crore				
(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	702.0	735.4	686.5	785.0
Growth (%)	8.2	4.8	-6.6	14.3
Operating Expenses	125.5	113.7	120.1	137.4
Waterfront Royalty	18.8	13.4	13.0	14.9
Power and fuel	24.9	27.4	26.8	30.6
Repairs-plant, mach & e	34.2	26.0	25.4	29.0
Employee Cost	59.7	56.7	50.8	58.1
Other Expenses	50.0	51.6	36.4	41.6
Total Expenditure	313.1	288.8	272.6	311.7
EBITDA	388.9	446.6	414.0	473.4
Growth (%)	4.0	14.9	-7.3	14.3
Depreciation	112.8	131.5	135.0	141.2
Interest	0.4	7.4	7.5	7.7
Other Income	45.2	47.1	44.6	51.0
PBT	320.9	354.9	316.1	375.5
Tax	115.3	66.3	79.7	94.6
PAT	205.6	288.6	236.4	280.9
Share of Profit from As	31.1	30.8	33.9	37.3
Adjusted PAT	236.7	319.4	270.4	318.2
Growth (%)	3.6	40.4	-18.1	18.8
EPS	4.9	6.6	5.6	6.6

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore				
(Year-end March)	FY19	FY20P	FY21E	FY22E
Profit after Tax	236.7	319.4	270.4	318.2
Add: Depreciation	112.8	131.5	135.0	141.2
Less: Interest Expense	0.4	7.4	7.5	7.7
(Inc)/dec in Current Ass	-42.0	30.7	2.6	-1.0
Inc/(dec) in CL and Provi	11.4	-63.8	0.7	8.6
Others	0.0	-81.8	0.0	0.0
CF from operating activit	319.3	343.4	416.2	474.7
(Inc)/dec in Fixed Assets	-31.4	-14.8	-144.3	-100.0
(Inc)/dec in Investments	-28.8	-45.6	-3.2	-3.3
Others	41.1	67.3	-24.8	-24.8
CF from investing activiti	-19.1	7.0	-172.4	-128.1
Issue/(Buy back) of Equi	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividends	-197.7	-227.2	-244.6	-287.9
Add: Interest Expense	-0.4	-7.4	-7.5	-7.7
Others	0.0	0.0	0.0	0.0
CF from financing activiti	-198.1	-234.5	-252.1	-295.5
Net Cash flow	102.1	115.8	-8.2	51.1
Opening Cash	431.6	533.7	649.5	641.3
Closing Cash	533.7	649.5	641.3	692.4

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore				
(Year-end March)	FY19	FY20P	FY21E	FY22E
Sources of Funds				
Equity Capital	483.4	483.4	483.4	483.4
Reserve and Surplus	1,714.0	1,808.9	1,834.7	1,865.0
Total Shareholders func	2,197.4	2,292.3	2,318.1	2,348.5
Total Debt	0.0	0.0	0.0	0.0
Long term Provisions	0.0	0.0	0.0	0.0
Other Long term liability	71.7	66.3	66.9	67.5
Deferred Tax Liability	47.50	50.88	25.44	0.00
Total Liabilities	2,316.64	2,409.5	2,410.5	2,416.0
Application of Funds				
Gross Block	2,007.6	2,077.1	2,177.1	2,277.1
Less: Acc Depreciation	417.5	549.0	683.9	825.1
Net Block	1,590.1	1,528.1	1,493.1	1,452.0
Capital WIP	45.4	5.7	50.0	50.0
Total Fixed Assets	1,635.4	1,533.8	1,543.1	1,502.0
Non-current Investment	259.4	286.4	289.3	292.2
Other Non current inv	4.9	22.1	22.3	22.5
Deferred Tax Asset	0.0	0.0	0.0	0.0
Current tax assets	14.2	15.6	15.8	15.9
Inventory	8.4	7.6	7.5	8.6
Debtors	51.0	45.9	43.3	43.0
Loans and Advances	0.5	0.5	0.5	0.5
Other Current Assets	38.1	13.3	13.4	13.5
Cash	533.7	649.5	641.3	692.4
Total Current Assets	631.7	716.8	706.0	758.1
Creditors	32.6	29.9	28.2	34.4
Other liab & Provisions	196.5	135.4	137.8	140.2
Total Current Liabilities	229.0	165.3	166.0	174.6
Net Current Assets	402.7	551.6	540.0	583.4
Application of Funds	2,316.6	2,409.4	2,410.4	2,416.0

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios ₹ crore				
(Year-end March)	FY19	FY20P	FY21E	FY22E
Per share data (₹)				
EPS	4.9	6.6	5.6	6.6
Cash EPS	6.6	8.7	7.7	8.7
BV	45.5	47.4	48.0	48.6
DPS	3.0	5.6	4.2	4.9
Cash Per Share	11.0	13.4	13.3	14.3
Operating Ratios (%)				
EBITDA Margin (%)	55.4	60.7	60.3	60.3
PBT / Total Operating inc	82.5	79.5	76.4	79.3
PAT Margin	29.3	39.2	34.4	35.8
Inventory days	4.4	3.8	4.0	4.0
Debtor (Days)	26.5	22.8	23.0	20.0
Creditor days	16.9	14.8	15.0	16.0
Return Ratios (%)				
RoE	9.4	12.6	10.2	12.0
RoCE	12.2	13.4	11.7	13.7
RoIC	19.7	23.2	20.1	24.4
Valuation Ratios (x)				
P/E	14.5	10.7	12.7	10.8
EV/EBITDA	7.5	6.2	6.7	5.8
EV/Sales	4.1	3.8	4.1	3.5
Market Cap / Sales	4.9	4.7	5.0	4.4
Price to Book Value	1.6	1.5	1.5	1.5
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.8	4.3	4.3	4.3

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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