

Weak global macros weigh on GPPL volumes ahead

About the stock: Gujarat Pipavav is a South-West Gujarat based port with an MNC promoter (APM Terminals – Maersk Group). It lies at a strategic international maritime location, which connects India with the Far East, on the one side, and Middle East, Africa, Europe and the US, on the other.

- The port container capacity is at 1.35 million TeUs, bulk capacity at 4-5 million MT and liquid capacity at 2 million MT
- Container segment comprises ~70% of revenues

Q4FY23 Results: QoQ lower bulk volumes impacted EBITDA.

- Net revenues grew 7% YoY to ₹ 235 crore
- EBITDA remained flat at ₹ 130 crore with margins at 55.4% (vs. 58.3% in Q4FY22)
- However, PAT grew 31% to ₹ 97 crore as the operational performance was supported by higher other income and lower depreciation

What should investors do? Q1FY24 has begun with headwinds for global container trade. Although ocean freight rates have corrected 50-60% of their previous highs, Indian exports have remained subdued (especially merchandise, handicraft). However, sentiments are expected to pick up as the year progresses (with a pick-up of Chinese manufacturing and lower US inventory levels). **However, any stride by GMB towards extension of GPPL port asset will be a key trigger towards a re-rating of the stock.**

- We change our stance from BUY to **HOLD** recommendation on the stock

Target Price and Valuation: We value the stock at ₹ 120 i.e. 15x P/E on FY25E EPS.

Key triggers for future price performance:

- Addition of three service lines in FY23 expected to boost Exim volumes
- DFC commissioning is expected from September onwards (higher market share and time tabled train running)
- Debt free company with RoIC reaching ~40%+ levels in FY24E

Alternate Stock Idea: Apart from GPPL, we remain positive on Adani Ports.

- Adani Ports and Special Economic Zone (APSEZ) is the largest commercial port operator with 25% share of India's port cargo movement. The company has evolved from a single port dealing in a single commodity to an integrated logistics platform
- We have a BUY rating on the stock, with a target price of ₹ 800



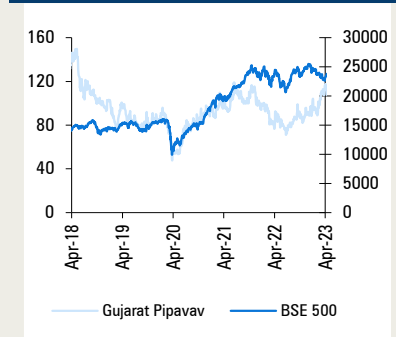
Particulars

Particular	Amount
Market Capitalisation (₹ cr)	5,317.8
Total Debt (FY23) (₹ cr)	-
Cash (FY23) (₹ cr)	894.8
EV (₹ cr)	4,423.1
52 week H/L	120/70
Equity Capital (₹ Crore)	483.4
Face Value (₹)	10.0

Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	44.0	44.0	44.0	44.0
Others	56.0	56.0	56.0	56.0

Price Chart



Recent event & key risks

- Volume uptick via operationalising new services
- **Key Risk:** (i) Approval of port extension agreement by GMB, (ii) Delay in normalisation of Exim trade

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Key Financial Summary

₹ crore	FY21	FY22	FY23	5 years CAGR (FY18-23)	FY24E	FY25E	2 years CAGR (FY23-25E)
Net Sales	733.5	741.4	917.0	7.2	915.5	1070.0	8.0
EBITDA	422.1	410.4	502.1	6.1	495.3	599.2	9.2
EBITDA margins (%)	57.6	55.4	54.8		54.1	56.0	
PAT	222.0	197.3	313.1	7.2	316.8	378.6	10.0
P/E (x)	24.0	26.9	17.0		16.8	14.0	
P/B (x)	2.4	2.4	2.3		2.4	2.4	
RoCE (%)	12.4	12.0	15.8		15.2	17.9	
RoE (%)	9.6	8.6	12.6		13.1	15.9	

Key takeaways

Q4FY23 Results:

- Exim cargo grew 13% YoY while overall Gujarat total container volumes grew 10%
- Bulk volumes de-grew 53% QoQ and were largely impacted due to lower coal imports
- Liquid and RoRo grew strongly at 23% and 143% to 0.29 MMT and 14946 levels, respectively
- During the quarter, the company undertook ₹ 4 crore maintenance dredging and also paid ₹ 4 crore as insurance costs

Q4FY23 Earnings Conference Call highlights

- On the concession agreement front, the management has indicated that the talks are productive and going in a good direction. However, the timeline for the approval has yet not been communicated by the Gujarat Maritime Board
- The management expects bulk volumes to stay subdued in FY24 as the base year includes coal volumes from Ultratech Cement, which will not appear from current year onwards
- Container volumes are also expected to remain weak as global trade is down (US trade down 14%, global trade down 5% in Q1CY23)
- Liquid segment is expected to stay on a strong footing with 25-35% growth
- The company has also announced a US\$90 million capex for expanding its LPG capacity. Bulk of the capex will take place in FY25
- RoRo segment is expected to normalise with a 50-55% growth in FY24
- Realisation for container was at ₹ 7000-7800 per TeU for FY23 and ₹ 450-600 per tonne for bulk and ₹ 450-700 per tonne for liquid cargo
- India-Asia and India-Gulf trade route is showing continued growth (amid volatile global container trade)
- PRCL is working on revenue and cost allocation with Indian Railways. It achieved EBIT of ₹ 27.1 crore and PAT of ₹ 55.1 crore in FY23 (tax reversal in PAT)
- DFC turnaround has improved but road to rail transition will happen after correction in rail haulage charges by IR
- For FY24, the management focus will be on achieving growth and, hence, margins may take a backseat

Financial Summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Total operating Income	741.4	917.0	915.5	1,070.0
Growth (%)	1.1	23.7	-0.2	16.9
Operating Expenses	124.1	165.4	169.4	187.2
Waterfront Royalty	22.5	26.8	27.5	32.1
Power and fuel	25.5	30.3	31.1	36.4
Repairs-plant, mach & equi	33.7	40.1	41.2	48.1
Employee Cost	73.9	74.6	77.8	83.5
Other Expenses	51.4	77.6	73.2	83.5
Total Expenditure	331.0	414.8	420.2	470.8
EBITDA	410.4	502.1	495.3	599.2
Growth (%)	-2.8	22.4	-1.4	21.0
Depreciation	129.3	116.2	136.3	162.1
Interest	4.8	8.0	8.1	8.3
Other Income	30.8	51.0	41.2	42.8
PBT	307.1	429.0	392.1	471.6
Tax	109.3	100.1	98.8	118.8
PAT	197.9	329.0	293.3	352.8
Share of Profit from Associ	4.1	21.4	23.5	25.8
Exceptional item	-4.6	-37.2	0.0	0.0
Adjusted PAT	197.3	313.1	316.8	378.6
Growth (%)	-10.0	51.0	0.5	20.3
EPS	4.1	6.5	6.6	7.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Profit after Tax	197.3	313.1	316.8	378.6
Add: Depreciation	129.3	116.2	136.3	162.1
Less: Interest Expense	4.8	8.0	8.1	8.3
(Inc)/dec in Current Assets	-11.2	-75.6	-0.2	-16.3
Inc/(dec) in CL and Provisior	25.0	39.2	3.3	15.1
Others	35.1	-30.8	0.0	0.0
CF from operating activities	380.3	370.1	464.2	547.8
(Inc)/dec in Fixed Assets	-51.1	-57.8	-259.1	-480.0
(Inc)/dec in Investments	-5.0	-21.4	-50.4	-50.4
Others	44.2	317.0	2.7	2.7
CF from investing activities	-11.9	237.8	-306.8	-527.7
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	100.0
Dividends	-233.2	-560.9	-396.6	-396.6
Add: Interest Expense	-4.8	-8.0	-8.1	-8.3
Others	0.0	0.0	0.0	0.0
CF from financing activities	-238.0	-568.9	-404.7	-304.9
Net Cash flow	130.4	39.0	-247.3	-284.8
Opening Cash	725.4	855.8	894.8	647.5
Closing Cash	855.8	894.8	647.5	362.7

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Sources of Funds				
Equity Capital	483.4	483.4	483.4	483.4
Reserve and Surplus	1,760.1	1,827.3	1,747.5	1,729.5
Total Shareholders funds	2,243.5	2,310.8	2,230.9	2,212.9
Total Debt	0.0	0.0	0.0	100.0
Long term Provisions	0.0	0.0	0.0	0.0
Other Long term liabilities	91.3	128.2	129.5	130.8
Deferred Tax Liability	152.07	145.11	146.56	148.03
Total Liabilities	2,486.8	2,584.1	2,507.0	2,591.7
Application of Funds				
Gross Block	2,153.1	2,227.7	2,477.7	2,947.7
Less: Acc Depreciation	744.9	861.1	997.3	1,159.4
Net Block	1,408.2	1,366.6	1,480.4	1,788.2
Capital WIP	49.0	91.1	100.2	110.2
Total Fixed Assets	1,457.2	1,457.7	1,580.5	1,898.4
Non-current Investments	294.1	315.4	365.4	415.4
Other Non current inv	23.0	23.1	23.3	23.5
Deferred Tax Asset	0.0	0.0	0.0	0.0
Current tax assets	20.3	20.3	20.5	20.7
Inventory	10.2	7.6	7.5	8.8
Debtors	52.0	85.6	85.3	99.7
Loans and Advances	0.7	0.6	0.6	0.6
Other Current Assets	19.6	64.3	64.9	65.6
Cash	855.8	894.8	647.5	362.7
Total Current Assets	938.3	1,052.9	805.8	537.3
Creditors	44.5	66.0	65.2	76.2
Other liab & Provisions	201.5	219.2	223.3	227.4
Total Current Liabilities	246.0	285.2	288.5	303.6
Net Current Assets	692.3	767.7	517.3	233.7
Application of Funds	2,486.8	2,584.1	2,507.0	2,591.7

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
EPS	4.1	6.5	6.6	7.8
Cash EPS	6.7	8.4	8.9	10.7
BV	46.4	47.8	46.1	45.8
DPS	4.0	9.9	7.0	7.0
Cash Per Share	17.7	18.5	13.4	7.5
Operating Ratios (%)				
EBITDA Margin (%)	55.4	54.8	54.1	56.0
PBT / Total Operating incom	73.7	78.0	79.2	78.7
PAT Margin	26.1	31.8	32.0	33.0
Inventory days	5.0	3.0	3.0	3.0
Debtor (Days)	25.6	34.1	34.0	34.0
Creditor days	21.9	26.3	26.0	26.0
Return Ratios (%)				
RoE	8.6	12.6	13.1	15.9
RoCE	12.0	15.8	15.2	17.9
RoIC	25.7	35.1	29.5	28.5
Valuation Ratios (x)				
P/E	26.9	17.0	16.8	14.0
EV/EBITDA	10.9	8.8	9.4	8.4
EV/Sales	6.0	4.8	5.1	4.7
Market Cap / Sales	7.2	5.8	5.8	5.0
Price to Book Value	2.4	2.3	2.4	2.4
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.2
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.8	3.7	2.8	1.8

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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