

Cyclone disrupts quarter, pick-up seen in Q2...

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 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

Q1FY22 Results: Port shutdown led to lower container volumes

- Net revenues de-grew 18% QoQ (flat YoY) to ₹ 160 crore
- EBITDA de-grew 24% QoQ (down 8% YoY) to ₹ 88 crore with margins at 55.1% (vs. 59.7% in Q4FY21)
- Subsequently, PAT de-grew 50% QoQ (down 32% YoY) to ₹ 33 crore

What should investors do? We expect commissioning of DFC (near term), the normalisation of global container trade (in the medium term) and extension of agreement (in the medium term) to be key triggers for a re-rating of the stock.

- We remain positive on the stock and maintain our BUY recommendation

Target Price and Valuation: We value the stock at ₹ 120 i.e. 17x P/E on FY23E EPS

Key triggers for future price performance: In spite of tariff hike (5-6%), GPPL container realisation is still at a sharp discount to Mundra (~15%), which the management expects to reduce (via frequent small hikes).

- DFC commissioning is expected from September onwards (higher market share and time tabled train running)
- Addition of two service lines is expected to boost Exim volumes
- Debt free company with return ratios reaching 16%+ levels in FY23E

Alternate Stock Idea: Apart from GPPL, we remain positive on Container Corp.

- Concor is the dominant player in the CTO business (66-67% market share) with 45+ terminals. With the expected commissioning of WDFC, Concor has infrastructure/facilities close to the DFC route and would be well placed to garner higher volume growth post commissioning of DFC (shift of cargo from road to rail)
- We have a BUY rating on the stock, with a target price of ₹ 750

Key Financial Summary

₹ crore	FY19	FY20	FY21	5 years CAGR (FY16-21)	FY22E	FY23E	2 years CAGR (FY21-23E)
Net Sales	702.0	735.4	733.5	2.1	762.7	921.0	12.1
EBITDA	388.9	446.6	422.1	2.3	443.1	538.8	13.0
EBITDA margins (%)	55.4	60.7	57.6		58.1	58.5	
PAT	236.7	319.4	222.0	-0.5	266.8	333.9	22.7
P/E (x)	20.8	15.4	22.2		19.3	14.8	
P/B (x)	2.2	2.2	2.2		2.2	2.1	
RoCE (%)	12.2	13.2	12.4		12.9	16.2	
RoE (%)	9.4	12.6	9.6		10.9	14.2	

Source: Company, ICICI Direct Research



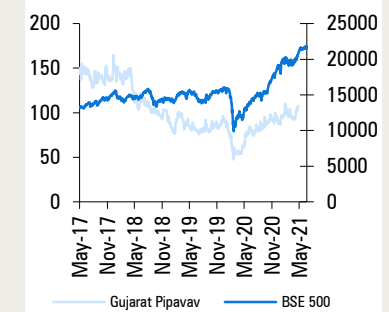
Particulars

Particular	Amount
Market Capitalisation (₹ cr)	4,931.1
Total Debt (FY21) (₹ cr)	-
Cash (FY21) (₹ cr)	725.4
EV (₹ cr)	4,205.7
52 week H/L	124/78
Equity Capital (₹ Crore)	483.4
Face Value (₹)	10.0

Shareholding pattern

(in %)	Sep-20	Dec-20	Mar-21	Jun-21
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) Delay in DFC commissioning (ii) delay in agreement with GMB

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Key takeaways

Q1FY22 Results: Management seeing volume pick-up in August (post Q1)

- Unfavourable cargo mix (higher bulk) impacted margins by ~500 bps
- Realisation of containers improved from ₹ 6000-6200/TeU to ₹ 6500-6900/TeU, post tariff hike
- Bulk segment performance continued on a strong note while liquid and RoRo continues to stay weak

Q1FY22 Earnings Conference Call highlights

- GPPL's revenues were impacted during the two weeks due to cyclone Tauktae, operations normalised in first week of June
- The company expects pick-up in volumes from August-September onwards
- GPPL had added two new services (PIC2 and FCI 1) in Q4FY21. The services started in June
- The management expects to see further turmoil in the container shipping industry and is seeing some instances of skipped calls at its port
- However, bulk segment continues to perform well
- Container realisation was at ₹ 6500-6900/Teu range (post 5-6% tariff hike, while bulk realisation stood at ₹ 450-550/Tonne levels)
- The management expects reversal of exceptional expense incurred during the quarter due to inflow from insurance in coming quarters
- EBITDA margins are expected to normalise to 60% levels from Q2 onwards
- On the concession agreement front, the management expects a positive resolution to it. Gujarat Maritime Board (GMB) has appointed a third party consultant to get further clarity on the issue

Financial Summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	735.4	733.5	762.7	921.0
Growth (%)	4.8	-0.3	4.0	20.8
Operating Expenses	105.0	118.0	122.0	147.4
Waterfront Royalty	22.0	19.5	22.9	27.6
Power and fuel	24.6	22.1	25.9	31.3
Repairs-plant, mach & equi	33.1	40.5	34.3	41.4
Employee Cost	56.7	67.2	64.8	76.4
Other Expenses	47.2	44.1	49.6	58.0
Total Expenditure	288.8	311.3	319.6	382.2
EBITDA	446.6	422.1	443.1	538.8
Growth (%)	14.9	-5.5	5.0	21.6
Depreciation	131.5	133.5	140.3	152.9
Interest	7.4	6.3	6.4	6.6
Other Income	47.1	40.4	45.8	55.3
PBT	354.9	322.8	342.1	434.5
Tax	66.3	108.2	83.5	109.5
PAT	288.6	214.6	258.7	325.0
Share of Profit from Associ	30.8	7.4	8.1	8.9
Adjusted PAT	319.4	222.0	266.8	333.9
Growth (%)	40.4	-25.6	15.5	31.2
EPS	6.6	4.6	5.3	6.9

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit after Tax	319.4	222.0	255.9	333.9
Add: Depreciation	131.5	133.5	140.3	152.9
Less: Interest Expense	7.4	6.3	6.4	6.6
(Inc)/dec in Current Assets	30.7	-3.9	4.3	-10.6
Inc/(dec) in CL and Provision	-44.9	36.8	2.9	10.4
Others	-100.8	-6.7	0.0	0.0
CF from operating activities	343.4	387.9	409.8	493.3
(Inc)/dec in Fixed Assets	-14.8	-44.8	-97.2	-200.0
(Inc)/dec in Investments	-45.6	-8.3	-3.3	-3.4
Others	67.3	17.9	-100.6	0.8
CF from investing activities	7.0	-35.2	-201.1	-202.5
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividends	-227.2	-270.6	-231.4	-302.1
Add: Interest Expense	-7.4	-6.3	-6.4	-6.6
Others	0.0	0.0	0.0	0.0
CF from financing activities	-234.5	-276.9	-237.9	-308.7
Net Cash flow	115.8	75.9	-29.2	-17.9
Opening Cash	533.7	649.5	725.4	696.2
Closing Cash	649.5	725.4	696.2	678.3

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Sources of Funds				
Equity Capital	483.4	483.4	483.4	483.4
Reserve and Surplus	1,804.8	1,755.7	1,780.2	1,812.0
Total Shareholders funds	2,288.3	2,239.2	2,263.6	2,295.5
Total Debt	0.0	0.0	0.0	0.0
Long term Provisions	0.0	0.0	0.0	0.0
Other Long term liabilities	105.8	87.5	88.4	89.2
Deferred Tax Liability	50.88	101.34	0.00	0.00
Total Liabilities	2,445.0	2,428.1	2,352.0	2,384.7
Application of Funds				
Gross Block	2,131.3	2,127.7	2,227.7	2,427.7
Less: Acc Depreciation	548.8	660.4	800.7	953.7
Net Block	1,582.5	1,467.3	1,426.9	1,474.0
Capital WIP	5.7	52.8	50.0	50.0
Total Fixed Assets	1,588.2	1,520.0	1,476.9	1,524.0
Non-current Investments	286.4	290.0	292.9	295.8
Other Non current inv	22.1	24.4	24.7	24.9
Deferred Tax Asset	0.0	0.0	0.0	0.0
Current tax assets	15.6	18.0	18.1	18.3
Inventory	7.6	10.5	8.4	10.1
Debtors	45.9	44.1	41.8	50.5
Loans and Advances	0.6	0.6	0.6	0.6
Other Current Assets	13.3	16.1	16.3	16.5
Cash	649.5	725.4	696.2	678.3
Total Current Assets	716.9	796.7	763.2	755.9
Creditors	29.9	33.9	33.4	40.4
Other liab & Provisions	154.3	187.0	190.4	193.9
Total Current Liabilities	184.2	221.0	223.9	234.3
Net Current Assets	532.7	575.8	539.4	521.6
Application of Funds	2,445.0	2,428.1	2,351.9	2,384.6

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	6.6	4.6	5.3	6.9
Cash EPS	8.7	7.2	8.0	9.9
BV	47.3	46.3	46.8	47.5
DPS	3.9	5.6	4.0	5.2
Cash Per Share	13.4	15.0	14.4	14.0
Operating Ratios (%)				
EBITDA Margin (%)	60.7	57.6	58.1	58.5
PBT / Total Operating income	79.5	76.5	74.7	80.7
PAT Margin	39.2	29.3	32.5	35.3
Inventory days	3.8	5.2	4.0	4.0
Debtor (Days)	22.8	22.0	20.0	20.0
Creditor days	14.8	16.9	16.0	16.0
Return Ratios (%)				
RoE	12.6	9.6	10.9	14.2
RoCE	13.2	12.4	12.9	16.2
RoIC	23.3	23.6	23.8	29.2
Valuation Ratios (x)				
P/E	15.4	22.2	19.3	14.8
EV/EBITDA	9.6	10.0	9.6	7.9
EV/Sales	5.8	5.7	5.6	4.6
Market Cap / Sales	6.7	6.7	6.5	5.4
Price to Book Value	2.2	2.2	2.2	2.1
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.9	3.6	3.4	3.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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