

CMP: ₹ 95

Target: ₹ 110 (16%)

Target Period: 12 months

February 11, 2022

BUY

## Bulk expected to normalise in medium term...

**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

**Q3FY22 Results:** QoQ de-growth in bulk impacted the performance.

- Net revenues de-grew 13% QoQ to ₹ 169 crore
- EBITDA de-grew 21% to ₹ 87 crore with margins at 51.4% (vs. 56% in Q2FY22)
- However, PAT remained flat at ₹ 45 crore as a weak operational performance was negated by an exceptional income of ₹ 10 crore (related to receipt of insurance claim in Q3)

**What should investors do?** While being backed by global container shipping behemoth Maersk (which continues to see its fortunes grow with record ocean freight charges), port extension and normalisation of Exim trade remain key triggers for the future performance of the stock.

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

**Target Price and Valuation:** We value the stock at ₹ 110 i.e. 19x P/E on FY23E EPS

**Key triggers for future price performance:** Price hike (6%) in Q4 is expected to provide some cushion to GPPL in the near to medium term, till bulk and container volumes normalise.

- Addition of three service lines in 9M expected to boost Exim volumes
- DFC commissioning is expected from September onwards (higher market share and time tabled train running)
- Debt free company with return ratios reaching ~16%+ levels in FY23E

**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 ₹ 900

### 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	702.9	870.2	8.9
EBITDA	388.9	446.6	422.1	2.3	395.1	503.0	9.2
EBITDA margins (%)	55.4	60.7	57.6		56.2	57.8	
PAT	236.7	319.4	222.0	-0.5	186.1	274.0	11.1
P/E (x)	19.4	14.4	20.7		24.7	16.8	
P/B (x)	2.1	2.0	2.1		2.0	2.0	
RoCE (%)	12.2	13.2	12.4		11.1	15.6	
RoE (%)	9.4	12.6	9.6		7.9	11.6	

Source: Company, ICICI Direct Research



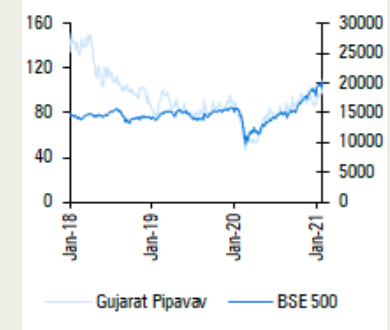
### Particulars

Particular	Amount
Market Capitalisation (₹ cr)	4,592.7
Total Debt (FY21) (₹ cr)	-
Cash (FY21) (₹ cr)	725.4
EV (₹ cr)	3,867.3
52 week H/L	124/91
Equity Capital (₹ Crore)	483.4
Face Value (₹)	10.0

### Shareholding pattern

(in %)	Mar-21	Jun-21	Sep-21	Dec-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 normalisation of Exim trade (ii) Delay in agreement with GMB

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## Key takeaways

### Q3FY22 Results:

- Normalised margins at 55%, impacted by one-offs in the tune of ₹ 5.8 crore (related to employee bonus and one-time repair work)
- Realisation of container maintained at ₹ 6500-6900/TeU during the quarter
- Fertiliser impacted due to higher international prices

### Q3FY22 Earnings Conference Call highlights

- Container realisation was at ₹ 6500-6900/TeU while bulk and liquid realisation was at ₹ 450-550/tonne and 670-700/tonne levels
- The company took a 6% price hike in container segment in February, 2022
- On the concession agreement front, the management has indicated that the talks are productive and going in good direction. Gujarat Maritime Board (GMB) had earlier appointed a third party consultant to get an independent view of the proposed extension
- During the quarter, LPG segment grew 28% to 2.4 lakh tonnes, led by better evacuation of LPG via rail (rail evacuation commenced in Q2)
- The management expects container demand to recover in an elongated u-shaped manner
- GPPL had added one new service (to Middle East) in Q3FY22. The service has potential to add 30-35000 TeU volumes (annual)
- The management expects a reversal of exceptional expense incurred during previous quarters, in forthcoming quarters

## Financial Summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total operating Income	735.4	733.5	702.9	870.2
Growth (%)	4.8	-0.3	-4.2	23.8
Operating Expenses	105.0	118.0	112.5	139.2
Waterfront Royalty	22.0	19.5	21.1	26.1
Power and fuel	24.6	22.1	23.9	29.6
Repairs-plant, mach & equi	33.1	40.5	31.6	39.2
Employee Cost	56.7	67.2	73.1	78.3
Other Expenses	47.2	44.1	45.7	54.8
Total Expenditure	288.8	311.3	307.9	367.2
EBITDA	446.6	422.1	395.1	503.0
Growth (%)	14.9	-5.5	-6.4	27.3
Depreciation	131.5	133.5	135.9	133.5
Interest	7.4	6.3	5.0	5.1
Other Income	47.1	40.4	29.5	43.5
PBT	354.9	322.8	283.6	407.8
Tax	66.3	108.2	95.8	142.7
PAT	288.6	214.6	187.8	265.1
Share of Profit from Associ	30.8	7.4	8.1	8.9
Exceptional item	0.0	0.0	-9.9	0.0
Adjusted PAT	319.4	222.0	186.1	274.0
Growth (%)	40.4	-25.6	-17.1	48.9
EPS	6.6	4.6	3.8	5.7

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	186.1	274.0
Add: Depreciation	131.5	133.5	135.9	133.5
Less: Interest Expense	7.4	6.3	5.0	5.1
(Inc)/dec in Current Assets	30.7	-3.9	8.2	-11.2
Inc/(dec) in CL and Provisior	-44.9	36.8	0.3	10.8
Others	-100.8	-6.7	0.0	0.0
CF from operating activities	343.4	387.9	335.5	412.3
(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	-168.3	-247.8
Add: Interest Expense	-7.4	-6.3	-5.0	-5.1
Others	0.0	0.0	0.0	0.0
CF from financing activities	-234.5	-276.9	-173.4	-253.0
Net Cash flow	115.8	75.9	-39.0	-43.2
Opening Cash	533.7	649.5	725.4	686.4
Closing Cash	649.5	725.4	686.4	643.1

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	1,773.5	1,799.6
Total Shareholders funds	2,288.3	2,239.2	2,256.9	2,283.1
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	2,345.3	2,372.3
Application of Funds				
Gross Block	2,131.3	2,127.7	2,227.7	2,427.7
Less: Acc Depreciation	548.8	660.4	796.3	929.8
Net Block	1,582.5	1,467.3	1,431.4	1,497.9
Capital WIP	5.7	52.8	50.0	50.0
Total Fixed Assets	1,588.2	1,520.0	1,481.4	1,547.9
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	7.7	9.5
Debtors	45.9	44.1	38.5	47.7
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	686.4	643.1
Total Current Assets	716.9	796.7	749.5	717.4
Creditors	29.9	33.9	30.8	38.1
Other liab & Provisions	154.3	187.0	190.4	193.9
Total Current Liabilities	184.2	221.0	221.2	232.0
Net Current Assets	532.7	575.8	528.2	485.4
Application of Funds	2,445.0	2,428.1	2,345.3	2,372.2

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	6.6	4.6	3.8	5.7
Cash EPS	8.7	7.2	6.5	8.2
BV	47.3	46.3	46.7	47.2
DPS	3.9	5.6	2.9	4.3
Cash Per Share	13.4	15.0	14.2	13.3
Operating Ratios (%)				
EBITDA Margin (%)	60.7	57.6	56.2	57.8
PBT / Total Operating incom	79.5	76.5	69.3	81.1
PAT Margin	39.2	29.3	25.3	30.5
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	7.9	11.6
RoCE	13.2	12.4	11.1	15.6
RoIC	23.3	23.6	20.3	27.5
Valuation Ratios (x)				
P/E	14.4	20.7	24.7	16.8
EV/EBITDA	8.8	9.2	9.9	7.9
EV/Sales	5.4	5.3	5.6	4.5
Market Cap / Sales	6.2	6.3	6.5	5.3
Price to Book Value	2.0	2.1	2.0	2.0
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	3.1

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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