

Margins continue to remain subdued

Gujarat Pipavav Port's (GPPL) container volumes grew a mere 7% YoY, which reflected lower transshipment volumes (management indicated the impact was mainly due to Chinese new year). Bulk and liquid volumes grew 58% and 14%, respectively, mainly due to higher growth in fertiliser and LPG volumes, respectively, while Ro-Ro volumes remained weak, leading to overall revenue growth of 9% YoY. Subsequently, EBITDA margins fell 95 bps due to higher fertiliser handling costs. Hence, PAT grew 5% YoY. The management expects FY20 to remain strong on container volume growth.

Trans-shipment led to strong growth in FY19 container volume

In FY19, container volumes grew 28% to 903 ('000) TEU, led by strong transshipment volumes (that command lower realisation). Bulk volumes grew 10% to 2 MMT, led by a resurgence in fertiliser volumes, while liquid and Ro-Ro volumes declined 38% and 23% to 0.64 MMT and 76000 cars, respectively. The management expects container and liquid volumes to remain strong in FY20. However, they expect volatility to continue in the bulk segment and slower growth in Ro-Ro segment. We expect 15% container growth (core+trans-shipment) to drive revenue at 11% CAGR in FY19-21.

Margins expected to remain in 56-57% range

A rise in volumes of trans-shipment and fertiliser (in bulk segment) has kept margins under check for two years. The management expects it to remain at similar levels for FY20. Competition from JNPT and Mundra ports is also expected to keep realisations from container and bulk subdued. However, growth from high margin/realisation business (liquid cargo, Ro-Ro) remains critical for margin improvement. The management expects these businesses to revive and contribute more over medium to long term. Subsequently, we expect EBITDA to grow at a CAGR of 13% in FY19-21E.

Valuation and Outlook

GPPL is expected to turn DFC compliant in FY20 (capex of ~₹ 140 crore in FY20), with electrification and rake handling over 269 km rail track, which connects GPPL to DFC network. Also, the management expects the discussion on the extension of port license by GMB to commence post elections. However, an unfavourable product mix, rising competition with other ports and continuance of subdued margins in the short to medium term has led us to revise our target price to ₹ 90 (at FY21E P/E multiple of 14) with a **HOLD** rating on the stock.



Particulars	
Particular	Amount
Market Capitalisation (₹ Crore)	4,162.4
Total Debt (FY19P) (₹ Crore)	-
Cash (FY19P) (₹ Crore)	527.9
EV (₹ Crore)	3,634.5
52 week H/L	179 / 126
Equity Capital (₹ Crore)	483.4
Face Value (₹)	10.0
MF Holding (%)	10.6
FII Holding (%)	39.9

Key Highlights

- Management expects container and liquid volumes to remain strong in FY20 but expects volatility to continue in bulk segment and slower growth in Ro-Ro segment
- We expect 15% container growth (core+trans-shipment) to drive revenue at 11% CAGR in FY19-21
- GPPL expected to become DFC compliant in FY20
- Recommendation changed from BUY to HOLD

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Key Financial Summary

₹ crore	FY17	FY18	FY19P	FY20E	FY21E	CAGR (%)
Net Sales	683.1	648.9	702.0	772.9	863.6	6.0
EBITDA	418.6	374.1	388.9	430.5	493.1	4.2
EBITDA margins (%)	61.3	57.6	55.4	55.7	57.1	
PAT	282.2	221.0	236.7	267.2	308.7	2.3
P/E (x)	14.7	18.8	17.6	15.6	13.5	
P/B (x)	1.9	1.9	1.9	1.9	1.8	
RoCE (%)	14.0	12.1	12.2	13.6	15.9	
RoE (%)	11.5	9.2	9.4	10.6	12.3	

Exhibit 1: Variance Analysis

	Q4FY19	Q4FY19E	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	Comments
Revenue	180.1	175.2	165.5	8.8	174.7	3.1	Revenues higher due to higher volume growth in the container and bulk segment
Operating Expenses	37.9	31.5	25.9	46.4	32.8	15.7	
Employee Expenses	15.0	14.9	13.7	9.8	14.5	3.4	
Administrative & Oth Expenses	27.7	29.8	32.9	-15.9	28.7	-3.6	
Total Expense	80.6	76.2	72.5	11.2	76.0	6.1	
EBITDA	99.5	99.0	93.0	7.0	98.7	0.8	
EBITDA Margin (%)	55.2	56.5	56.2	-95 bps	56.5	-125 bps	EBITDA margin declined YoY mainly on account of higher growth in fertiliser volumes (requires higher handling costs)
Depreciation	31.0	27.4	26.7	16.1	27.5	12.8	Higher YoY due to change in accounting estimate of certain assets
Interest	0.1	0.0	0.1	20.0	0.1	140.0	
Other Income	11.1	10.5	8.2	34.7	10.3	7.5	
Exceptional Gain/Loss	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	79.5	82.1	74.4	6.8	81.5	-2.5	
Total Tax	28.5	28.7	25.8	10.5	29.2	-2.4	
PAT	50.9	53.3	48.6	4.8	52.2	-2.5	

Source: ICICI Direct Research

Exhibit 2: Key Metrics

Key Metrics	Q4FY19	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	
Container Volume (000 TEUs)	219.0	205.0	6.8	251.0	-12.7	Volumes higher on account of additional transshipment volumes
Bulk Volume (Million Tonnes)	0.52	0.27	95.5	0.33	57.6	Higher volumes in fertiliser segment lead to strong growth
Liquid Volume (Million Tonnes)	0.24	0.21	14.3	0.15	61.1	Higher volumes in LPG segment lead to strong growth
Ro-Ro (no of cars)	18,000	23,000	-21.7	20,000	-10.0	Ro-Ro continues to remain subdued

Source: Company, ICICI Direct Research

Exhibit 3: Change in estimates

	FY20E			FY21E			Comments
	FY17	FY18	FY19	Old	New	% Change	
(₹ Crore)				Old	New	% Change	
Revenue	683.1	648.9	702.0	779.1	772.9	-0.8	895.7 863.6 -3.6
EBITDA	418.6	374.1	388.9	433.9	430.5	-0.8	511.4 493.1 -3.6
EBITDA Margin (%)	61.3	57.6	55.4	55.7	55.7	0 bps	57.1 57.1 0 bps Margins expected to remain at 56-57%
PAT	282.2	221.0	236.7	281.5	267.2	-5.1	338.0 308.7 -8.7 Estimates impacted by higher depreciation and lower other income
EPS (₹)	5.8	4.6	4.9	5.8	5.5	-4.7	7.0 6.4 -8.8

Source: Company, ICICI Direct Research

Exhibit 4: Assumptions

	Current				Earlier		Comments
	FY17	FY18	FY19	FY20E	FY21E	FY21E	
Container Volume (000 TEUs)	663.0	703.0	903.0	1,038.5	1,194.2	929.7	1,128.8
Bulk Volume (Million Tonnes)	2.47	1.82	2.00	2.08	2.16	1.97	1.97

Estimates revised due to higher contribution from fertiliser segment

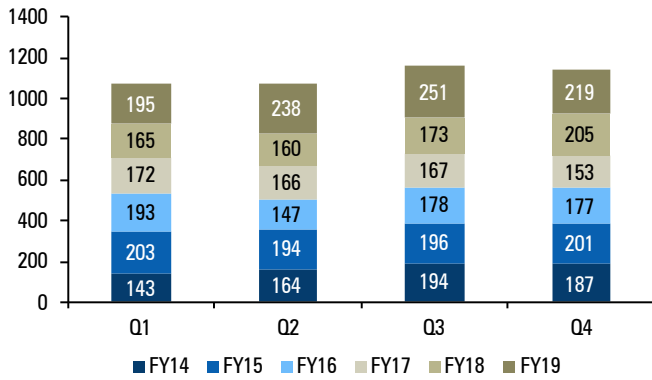
Source: ICICI Direct Research, Company

Conference call highlights

- The management expects trans-shipment volumes to revive in coming quarters and expects it to provide a strong push to container volume growth
- The management said that it recorded lowest margins in bulk segment, due to higher fertiliser handling expenses
- GPPL expects discussion on extension of port license with Gujarat Maritime Board to commence post elections
- Regarding the ₹ 18-crore bank guarantee encashed by GMB in Q4FY19, the management expects to gain clarity in a quarter or two. The bank guarantee relates to GPPL expansion plan submitted to GMB in 2012, which never materialised
- On the realisation front, Exim container volumes continued to command ₹ 6000-6200/TEU, bulk and liquid volumes at ₹ 450-500/tonne
- Import: export container volumes were at 60:40 levels
- FY19 capex was at ₹ 70 crore with FY20 capex expected to increase to ₹ 140 crore (inclusive of ₹ 70 crore) to become DFC compliant

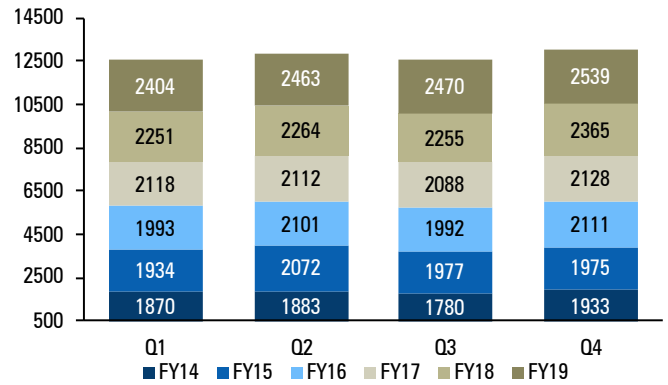
Key Metrics

Exhibit 5: Container volume at GPPL



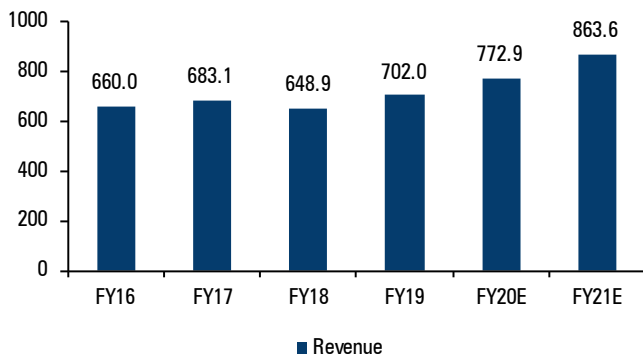
Source: ICICI Direct Research, Company

Exhibit 6: Container volume at major ports



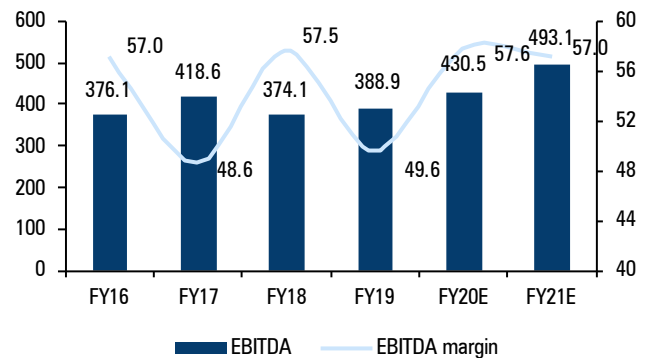
Source: ICICI Direct Research, Company

Exhibit 7: Revenue likely to grow at 11% CAGR (FY19-21)



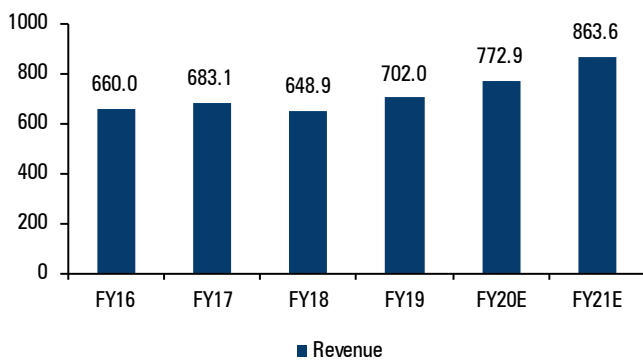
Source: ICICI Direct Research, Company

Exhibit 8: EBITDA expected to grow at 13% CAGR (FY19-21)



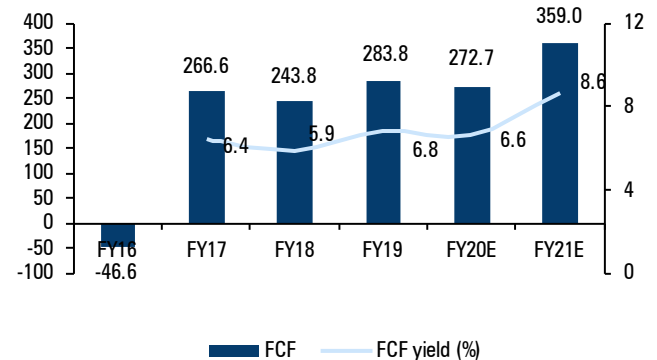
Source: ICICI Direct Research, Company

Exhibit 9: PAT expected to grow at 13% CAGR (FY19-21)



Source: Company, ICICI Direct Research

Exhibit 10: Free cash flow expected to remain strong



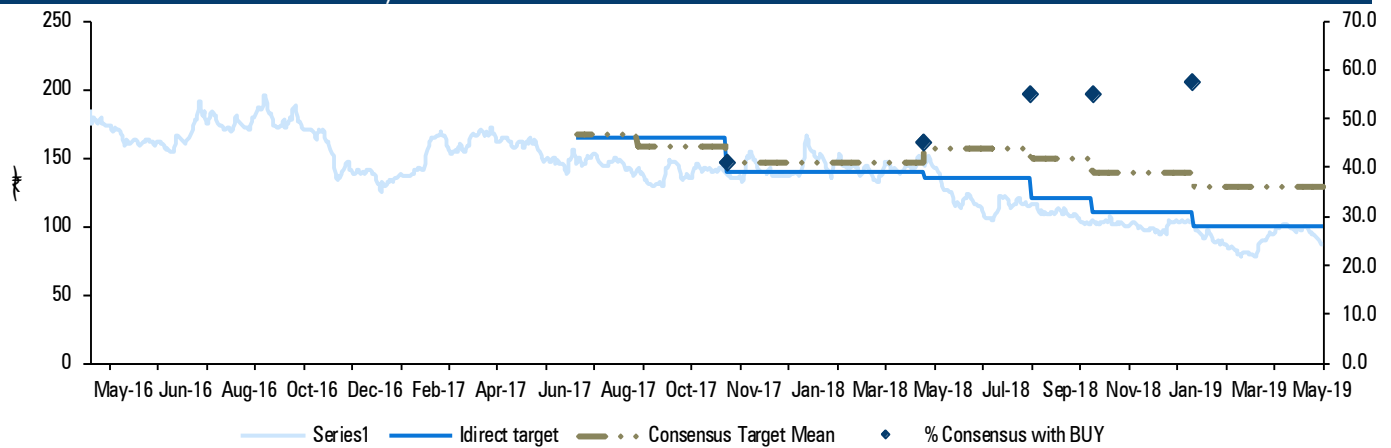
Source: Company, ICICI Direct Research

Exhibit 11: Valuation Summary

	Sales	Growth	EPS	Growth	PE	EV/EBITDA	RoNW	RoCE
	(₹ cr)	(%)	(₹)	(%)	(x)	(x)	(%)	(%)
FY17	683.1	3.5	5.8	7.9	25.7	16.8	14.0	11.5
FY18	648.9	(5.0)	4.6	(21.7)	18.8	10.0	9.2	12.1
FY19E	702.0	8.2	4.9	7.1	18.4	9.3	9.4	12.2
FY20E	772.9	10.1	5.5	12.9	16.3	8.4	10.6	13.6
FY21E	863.6	11.7	6.4	15.5	14.1	7.2	12.3	15.9

Source: Company, ICICI Direct Research

Exhibit 12: Recommendation history vs. Consensus



Source: ICICI Direct Research, Reuters

Exhibit 13: Shareholders

Rank	Investor Name	Latest Filing Date	% O/S Position	(m)	Change (m)
1	Government of India	31-Dec-18	0.68	333.9	0.0
2	Matthews International Capital Manage	30-Sep-18	0.04	19.6	0.7
3	LIC Mutual Fund Asset Management C	31-Dec-18	0.04	19.3	0.0
4	Aberdeen Standard Investments (Asia)	31-Dec-18	0.04	19.0	-0.4
5	ICICI Prudential Asset Management Co	30-Sep-18	0.03	12.9	0.0
6	Hermes Investment Management Ltd.	30-Nov-18	0.02	9.0	0.0
7	UTI Asset Management Co. Ltd.	31-Dec-18	0.02	8.3	-0.9
8	HDFC Asset Management Co., Ltd.	31-Dec-18	0.02	7.9	0.0
9	The Vanguard Group, Inc.	31-Dec-18	0.01	7.0	0.0
10	Azim Premji Trust	31-Dec-18	0.01	6.3	0.0

Source: ICICI Direct Research, Reuters, Company

Exhibit 14: Shareholding Pattern

(in %)	Jun-18	Sep-18	Dec-18	Mar-19
Promoter	54.8	54.8	54.8	54.8
Public	45.2	45.2	45.2	45.2

Source: ICICI Direct Research, Reuters, Company

Exhibit 15: Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Seafarer Capital Partners, LLC	20.73	2.99	UTI Asset Management Co. Ltd.	-7.37	-0.93
Matthews International Capital Management, L.L.C.	5.12	0.74	IDFC Asset Management Company Private Limited	-7.16	-0.91
FIL Investment Management (Hong Kong) Limited	2.49	0.36	Aberdeen Standard Investments (Asia) Limited	-3.41	-0.43
BlackRock Institutional Trust Company, N.A.	1.69	0.23	Kotak Mahindra Asset Management Company Ltd.	-3.17	-0.40
Axis Asset Management Company Limited	1.60	0.22	First State Investments (Singapore)	-2.85	-0.37

Source: ICICI Direct Research, Reuters

Exhibit 16: Profit & Loss Statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Total operating Income	648.9	702.0	772.9	863.6
Growth (%)	-5.0	8.2	10.1	11.7
Operating Expenses	106.1	130.9	150.7	164.1
Waterfront Royalty	12.4	13.3	14.7	16.4
Power and fuel	25.4	27.4	30.1	33.7
Repairs-plant, mach & equi	31.0	26.0	28.6	32.0
Employee Cost	52.9	59.7	61.8	63.9
Other Expenses	47.1	55.8	56.4	60.5
Total Expenditure	274.8	313.1	342.4	370.5
EBITDA	374.1	388.9	430.5	493.1
Growth (%)	-10.6	4.0	10.7	14.6
Depreciation	103.6	112.8	118.0	123.6
Interest	0.4	0.4	0.4	0.4
Other Income	37.1	45.2	50.2	56.1
PBT	307.2	320.9	362.3	425.2
Tax	108.7	115.3	126.8	148.8
PAT	198.5	205.6	235.5	276.4
Share of Profit from Associ	22.6	31.1	31.7	32.3
Adjusted PAT	221.0	236.7	267.2	308.7
Growth (%)	-19.4	3.6	14.5	17.4
EPS	4.6	4.9	5.5	6.4

Source: ICICI Direct Research

Exhibit 17: Cash flow Statement				
	₹ crore			
(Year-end March)	FY18	FY19E	FY20E	FY21E
Profit after Tax	221.0	236.7	267.2	308.7
Add: Depreciation	103.6	112.8	118.0	123.6
Less: Interest Expense	0.4	0.4	0.4	0.4
(Inc)/dec in Current Assets	-1.7	-42.0	10.3	-6.1
Inc/(dec) in CL and Provisions	-25.4	5.6	6.5	7.4
Others	0.0	0.0	0.0	0.0
CF from operating activities	297.8	313.5	402.4	434.0
(Inc)/dec in Fixed Assets	-54.0	-29.7	-129.6	-75.0
(Inc)/dec in Investments	48.7	-28.8	-2.8	-2.8
Others	-9.1	-53.4	0.7	0.7
CF from investing activities	-14.4	-111.8	-131.7	-77.1
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	-203.7	-104.9	-241.2	-278.7
Add: Interest Expense	-0.4	-0.4	-0.4	-0.4
Others	0.0	0.0	0.0	0.0
CF from financing activities	-204.0	-105.3	-241.5	-279.0
Net Cash flow	79.4	96.4	29.1	77.9
Opening Cash	352.2	431.6	527.9	557.1
Closing Cash	431.6	527.9	557.1	634.9

Source: ICICI Direct Research

Exhibit 18: Balance Sheet				
	₹ crore			
(Year-end March)	FY18	FY19P	FY20E	FY21E
Sources of Funds				
Equity Capital	483.4	483.4	483.4	483.4
Reserve and Surplus	1,676.0	1,714.0	1,740.0	1,770.0
Total Shareholders funds	2,159.5	2,197.4	2,223.4	2,253.5
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	78.5	71.7	72.4	73.1
Deferred Tax Liability	0.34	47.50	47.50	47.50
Total Liabilities	2,238.2	2,316.64	2,343.3	2,374.1
Application of Funds				
Gross Block	1,991.2	2,007.8	2,107.8	2,207.8
Less: Acc Depreciation	305.0	417.8	535.8	659.5
Net Block	1,686.3	1,590.0	1,572.0	1,548.4
Capital WIP	32.3	45.4	75.0	50.0
Total Fixed Assets	1,718.6	1,635.4	1,647.0	1,598.4
Non-current Investments	228.4	259.4	262.0	264.6
Other Non current inv	9.9	4.9	5.0	5.0
Deferred Tax Asset	0.0	0.0	0.0	0.0
Current tax assets	11.5	14.2	14.3	14.5
Inventory	13.6	8.4	16.9	18.9
Debtors	25.8	51.0	31.8	35.5
Loans and Advances	0.2	0.5	0.5	0.5
Other Current Assets	16.4	38.1	38.5	38.9
Cash	431.6	527.9	557.1	634.9
Total Current Assets	487.5	625.9	644.8	728.7
Creditors	28.5	30.8	33.9	37.9
Other liab & Provisions	189.2	192.5	195.8	199.3
Total Current Liabilities	217.6	223.2	229.7	237.1
Net Current Assets	269.9	402.7	415.0	491.6
Application of Funds	2,238.2	2,316.6	2,343.3	2,374.1

Source: ICICI Direct Research

Exhibit 19: Key Ratios				
(Year-end March)	FY18	FY19P	FY20E	FY21E
Per share data (₹)				
EPS	4.6	4.9	5.5	6.4
Cash EPS	6.2	6.6	7.3	8.3
BV	44.7	45.5	46.0	46.6
DPS	3.5	3.8	4.1	4.8
Cash Per Share	8.9	10.9	11.5	13.1
Operating Ratios (%)				
EBITDA Margin (%)	57.6	55.4	55.7	57.1
PBT / Total Operating income	82.1	82.5	84.2	86.2
PAT Margin	30.6	29.3	30.5	32.0
Inventory days	7.7	4.4	8.0	8.0
Debtor (Days)	14.5	26.5	15.0	15.0
Creditor days	16.0	16.0	16.0	16.0
Return Ratios (%)				
RoE	9.2	9.4	10.6	12.3
RoCE	12.1	12.2	13.6	15.9
RoIC	18.0	19.6	22.2	27.3
Valuation Ratios (x)				
P/E	18.8	17.6	15.6	13.5
EV/EBITDA	10.0	9.3	8.4	7.2
EV/Sales	5.7	5.2	4.7	4.1
Market Cap / Sales	6.4	5.9	5.4	4.8
Price to Book Value	1.9	1.9	1.9	1.8
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	2.2	2.8	2.8	3.1
Quick Ratio	2.2	2.8	2.7	3.0

Source: ICICI Direct Research

Exhibit 20: ICICI Direct research coverage universe (Logistics)

Sector / Company	CMP			M Cap		EPS (₹)				P/E (x)				EV/EBITDA (x)				RoCE (%)			
	(₹)	TP(₹)	Rating	(₹ Cr)	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	FY17	FY18	FY19E	FY20E	
Container Corporation	466	625	BUY	28,369	14.1	18.2	20.1	19.6	36.5	28.2	25.6	26.2	6.7	5.4	5.9	3.7	9.8	11.3	12.8	13.8	
Transport Corp. of India	289	350	BUY	2,217	10.7	16.1	22.0	27.3	25.2	16.8	12.3	9.9	14.4	11.0	8.4	7.0	10.7	13.4	15.1	15.8	
BlueDart	2,939	3,650	BUY	6,974	58.9	60.9	34.2	64.4	47.3	45.7	81.5	43.2	19.5	18.6	24.4	16.9	32.2	29.3	17.9	28.2	
Gati Ltd.	75	75	Hold	810	1.2	3.2	1.2	2.6	59.1	22.6	60.9	27.8	9.2	13.7	11.6	8.2	7.6	6.0	7.2	10.3	
Gujarat Pipavav	86	100	BUY	4,187	5.8	4.6	4.9	5.5	14.7	18.8	17.6	15.6	9.1	10.0	9.3	8.4	14.0	12.1	12.2	13.6	
TCI Express	638	780	BUY	2,444	9.8	15.2	19.5	24.4	65.9	42.3	33.1	26.4	40.3	27.6	20.8	16.6	31.9	38.3	38.3	36.4	

Source: ICICI Direct Research, Bloomberg

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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