

Inline Result, Capex subjected to concession extension

- The company reported sales/EBITDA/adj PAT decline of -11%/-7%/-18% YoY, due to weak volume growth in bulk and container. This volume decline was offset by 5% YoY realization gain arising from exchange rate. PAT came higher at Rs 464mn.
- Management highlighted (1) \$97mn capex announcement subjected to concession extension beyond 2028 by Gujarat Maritime (2) Annual salary increment taken (3) No congestion at port and rail linkage benefitted in Q1 (4) Maintains the view of U share recovery
- Port was open during pandemic, and improvement on EXIM & labor shortage will drive the growth. Thus impact will not be substantial. We increase estimates by 7%/6% for FY21e/FY22e. We maintain our Reduce rating, with a DCF-based price target of Rs 80

Good Q1 results, driven by lower volume offset by higher realisation

GPPV reported revenue of Rs 1.59Bn, down 10.5% YoY/-2% QoQ driven by 15% volume decline offset by 5% realization growth (2% QoQ). The volume fall was driven by Container segment (-16% YoY) and Bulk Segment (-18% YoY). Operating expense declined by 16% YoY. Employee cost grew by 12% YoY due to annual salary increment. EBITDA came marginally higher at Rs 955mn, down 7% YoY/-10% QoQ while margins came +240bps YoY/-527bps QoQ higher at 60.1% vs 57.7% YoY/65.3% QoQ. Expects similar margin for FY21. Reported PAT came at Rs464mn, down -18% YoY/-13% QoQ. Tax Rate at 35%.

Envisage Capex subjected to concession extension beyond 2028

Board has approved the capex of \$97 Mn for the upgradation of container handling facility with purchase of cranes and yard capacity expansion. However, this capex is subjected to written confirmation given by Gujarat Maritime Board for extension of the concession from October 2028. The timeline has not been announced but move will benefit in increase in yard capacity from 1.35mn to 1.6mn in addition to improved capacity utilization. This new cranes will be at par with the other ports in handling the high vessel size and will be able to book volumes from big shipping lines.

Q1FY21 Result (Rs Mn)

Particulars	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)
Revenue	1,590	1,776	(10.5)	1,619	(1.8)
Total Expense	635	752	(15.6)	561	13.1
EBITDA	955	1,024	(6.8)	1,058	(9.7)
Depreciation	331	316	4.8	338	(2.1)
EBIT	624	708	(11.9)	720	(13.3)
Other Income	111	161	(31.3)	118	(5.8)
Interest	17	17	(0.4)	20	(13.4)
EBT	718	853	(15.8)	818	(12.3)
Tax	253	288	(12.1)	285	(11.0)
RPAT	464	564	(17.8)	533	(12.9)
APAT	464	564	(17.8)	533	(12.9)
			(bps)		(bps)
Gross Margin (%)	84.4	82.5	186	87.7	(327)
EBITDA Margin (%)	60.1	57.7	240	65.3	(527)
NPM (%)	29.2	31.8	(258)	32.9	(371)
Tax Rate (%)	35.3	33.8	152	34.8	49
EBIT Margin (%)	39.2	39.9	(64)	44.4	(521)

CMP	Rs 75
Target / Downside	Rs 80 / 6%
BSE Sensex	38,044
NSE Nifty	11,200

Script Details

Equity / FV	Rs 4,834mn / Rs 10
Market Cap	Rs 36bn
	US\$ 483mn
52-week High/Low	Rs 99/Rs 46
Avg. Volume (no)	600,847
NSE Symbol	GPPL
Bloomberg Code	GPPV IN

Shareholding Pattern Jun'20(%)

Promoters	43.0
MF/Banks/FIs	23.0
FII	27.0
Public / Others	7.0

Valuation (x)

	FY20A	FY21E	FY22E
P/E	11.5	16.8	11.8
EV/EBITDA	6.5	6.8	5.2
ROE (%)	15.3	10.1	13.1
RoACE (%)	14.9	9.9	12.9

Estimates (Rs mn)

	FY20A	FY21E	FY22E
Revenue	7,354	7,082	8,079
EBITDA	4,686	4,249	4,969
PAT	3,144	2,154	3,066
EPS (Rs.)	6.5	4.5	6.3

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Exhibit 1: Actual V/s Consensus

(Rs mn)	Actual	Estimated	% Variance	Consensus	% Variance	Comment
Net sales	1,590	1,558	2.0	1,513	5.1	Inline revenue driven by 15% volume decline offset by 5% YoY realisation (1.6% QoQ)
EBITDA	955	919	3.9	880	8.5	-25%/-20% in other cost/ operating cost drove -16% YoY decline in cost
EBITDA Margin (%)	60.1	59.0	107bps	58.2	191bps	
PAT	464	416	11.7	468	(0.8)	Higher operating profit and higher other income drove PAT higher
EPS	1.0	0.9	11.7	1.0	(0.8)	

Source: Company, DART

Change in estimates

The company's business is cyclical in nature. However, Port was open during pandemic, and further improvement on EXIM & labor shortage will drive the growth. Thus impact will not be substantial. We increase estimates by 7%/6% for FY21e/FY22e. We maintain our Reduce rating, with a DCF-based price target of Rs 80.

Exhibit 2: Change in Estimates

Key parameters	FY21E			FY22E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	6628	7082	6.8	7622	8079	6.0
EBITDA (Rs mn)	3997	4249	6.3	4649	4969	6.9
EBITDA margin (%)	60.3	60.0	-30bps	61.0	61.5	50bps
Net profit (Rs mn)	2008	2154	7.3	2886	3066	6.2
EPS (Rs)	4.2	4.5	7.3	6.0	6.3	6.2

Source: Company, DART

Exhibit 3: Key Assumptions in our estimates

Key Assumptions	FY19	FY20E	FY21E	FY22E
Total Volumes (MMT)	13.5	13.6	12.7	14.0
Volume Growth (%)	19.5	1.1	(6.5)	9.7
Realisation growth (%)	(9.4)	3.6	3.0	4.0
Container Growth (%)	28.5	(3.3)	(9.1)	11.0

Source: Company, DART

EBITDA reports 7% YoY decline; Margins at ~60%

Revenue declined by 15% YoY offset by 5% realization. This growth in realization was on account of benefit of exchange rate. EBITDA came marginally higher at Rs 955mn, down 7% YoY/-10% QoQ while margins stood at 240bps YoY/-527bps QoQ at 60.1% vs 57.7% YoY/65.3% QoQ. Decline in cost efficiency and Negotiation with vendors on existing contracts have resulted margin improvement during this quarter. Unadjusted of Rs 54mn in Q4 (IND-AS 116 in expenses, FY20 Rs220mn), margins was at 62%. Overall cost grew by -16% YoY/+13% QoQ. A decline of -20% YoY/+24% QoQ in operating expense was on account of renegotiation with the existing contacts of the vendors. The reduction will likely to be ~8-10% cost benefit during the year. Various cost cutting measures taken along with lower containerised volumes. Other expenses witnessed a decline of -25% YoY due to lower power and fuel cost. Employee cost grew by 12% YoY/15% QoQ due to annual salary increment. Reported PAT came at Rs 464mn, down 18% YoY/-13% QoQ on the back of higher other income and lower interest cost. Tax rate stood at 35% Export: Import mix stood at 45%: 55% for the quarter, similar to Q4FY20.

Exhibit 4: Result Snapshot

(Rs mn)	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Net sales	1,776	1,908	1,966	1,619	1,590	(10.5)	(1.8)	7,354	7,020	4.8
Expenditure	752	725	795	561	635	(15.6)	13.1	2,668	3,131	(14.8)
Operating Expenditure	310	335	372	200	248	(20.0)	24.2	1,051	1,442	(27.2)
Staff Expenditure	145	136	144	141	163	12.1	14.9	567	597	(5.0)
Other Expenses	297	254	280	220	224	(24.5)	1.9	1,050	1,092	(3.9)
Operating profit	1,024	1,183	1,171	1,058	955	(6.8)	(9.7)	4,686	3,889	20.5
Other income	161	116	114	118	111	(31.3)	(5.8)	509	452	12.4
Interest	17	18	19	20	17	(0.4)	(13.4)	74	4	1,920.8
Depreciation	316	327	333	338	331	4.8	(2.1)	1,315	1,128	16.5
PBT	853	1,038	932	818	718	(15.8)	(12.3)	3,807	3,209	18.6
Tax	288	361	(271)	285	253	(12.1)	(11.0)	663	1,153	(42.5)
PAT	564	677	765	533	464	(17.8)	(12.9)	2,706	2,056	31.6
EPS (Rs)	1.2	1.4	1.6	1.1	1.0	(17.8)	(12.9)	5.6	4.3	31.6

% of Sales	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Total Cost (%)	42.3	38.0	40.5	34.7	39.9	-240bps	527bps	36.3	44.6	-833bps
Operating Cost (%)	17.5	17.5	18.9	12.3	15.6	-186bps	327bps	14.3	20.5	-626bps
Staff Cost (%)	8.2	7.2	7.3	8.7	10.2	206bps	149bps	7.7	8.5	-79bps
Other Expenses (%)	16.7	13.3	14.2	13.6	14.1	-261bps	51bps	14.3	15.6	-128bps
EBITDA Margin(%)	57.7	62.0	59.5	65.3	60.1	240bps	-527bps	63.7	55.4	833bps
Net Profit Margin (%)	31.8	35.5	38.9	32.9	29.2	-258bps	-371bps	36.8	29.3	750bps

Source: Company, DART

Decline in Bulk and RoRo volumes continues; Container too drops

- **Container volumes** in the quarter declined by -16% YoY/-6% QoQ to 186 TEUs due to skip calls due COVID-19.
- **Bulk segment** witnessed a fall of ~-18% YoY/2% QoQ in volumes to 410k vs 510k YoY/410k QoQ driven by higher coal volumes.
- **RoRo segment** declined by -87% YoY/-33%QoQ to 2484 vs 15.8k YoY/3k QoQ due to COVID-19 impact and lower demand in export market. The company feels that weak volumes in Auto will continue for coming few quarters. Demand for Auto is weak in European markets also.
- **Liquid segment** grew by -7% YoY/+11% QoQ. It saw Lower LPG volumes offset by higher non LPG volumes. May see similar trend for coming few quarters. Expect volumes to improve further from Q2 onwards. New Rail line in Q4 onwards will benefit the LPG volume evacuation.
- Company ran **622 trains** during the quarter versus 556 trains YoY/546 trains QoQ. A lot of single stake trains ran during the quarter despite lower volumes and also there was an increase in empty containers.
- 60-65% of the volumes come from far east and China. As of now, don't foresee much impact of India-China trade war.

Exhibit 5: Segment-wise Analysis

Particulars	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ(%)	FY20	FY19	YoY (%)
Bulk ('000 tons)	510	674	735	410	419	(17.8)	2.2	2,329	1,989	17.1
Container ('000 TEUs)	221	224	231	197	186	(15.8)	(5.6)	873	903	(3.3)
Liquid ('000 tons)	197	235	194	190	213	8.1	12.1	816	644	26.7
RoRo (No of Cars)	15,800	20,000	9,000	3,000	2,000	(87.3)	(33.3)	47,800	76,000	(37.1)
ICD Volumes ('000 Tons)	133	143	125	117	110	(17.3)	(6.0)	518	521	(0.6)
No of trains	556	620	547	546	622	11.9	13.9	2,269	2,236	1.5

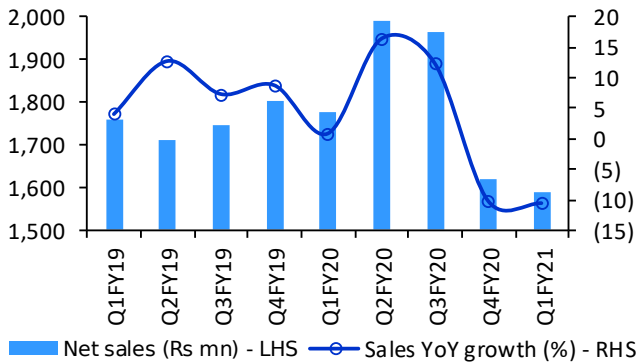
Source: Company, DART

Other Call Highlights

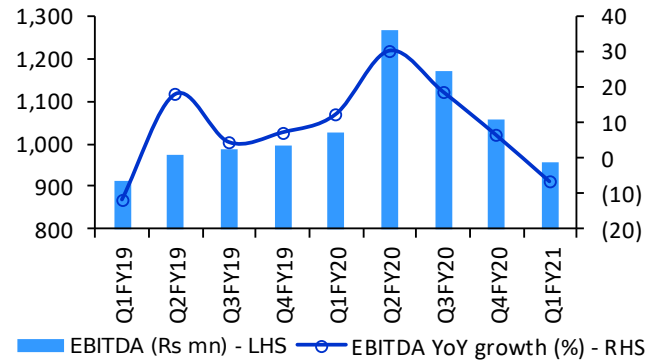
(1) Management continued its stance of U shape recovery (2) Current utilization at 70%+. Expect to increase with DFCC. (3) The fall of 3 giant cranes at JNPT due to heavy winds may help Pipavav to get some volumes

DFCC: (1) DFCC will bring additional volume opportunity (2) It will bring the competitive rates vs road as speed and capacity increase with reduction in cost.

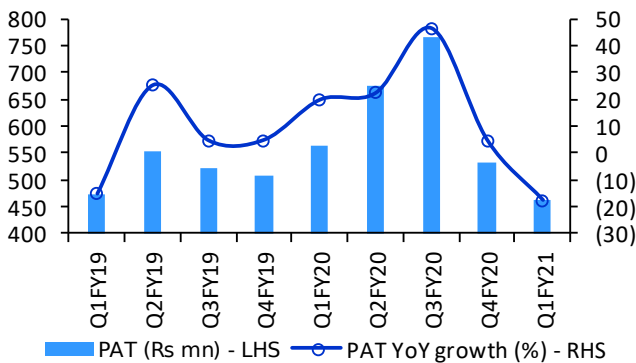
Announced Capex highlights: (1) Board approved the upgradation of container handling facility by replacing 3 existing ship with purchase of 4 new ship to shore cranes, Expansion of container yard capacity in a phased manner and purchase of two Electric Rubber Tyre Gantry Cranes. (2) The total capex is estimated at \$97 Mn. However, the company will incur the capex subjected to written confirmation given by Gujarat Maritime Board for extension of the concession from October 2028. (3) The parent company's ownership has increased in Pipavav and announced capex shows the focused approached of investing in India. This move will show that company is here for long (4) Expects Vessel size to increase in coming future, this capex will help in handling such big size capped vessel (5) Equipment will be at par with major ports (6) No time line for the capex, however, capex will be almost equally divided between yard development (long term) and crane purchase (short term).(7) The yard capacity will increase from 1.35mn teus to 1.6mn post the capex. Utilisation will also improve.

Exhibit 6: Sales and Sales growth trend


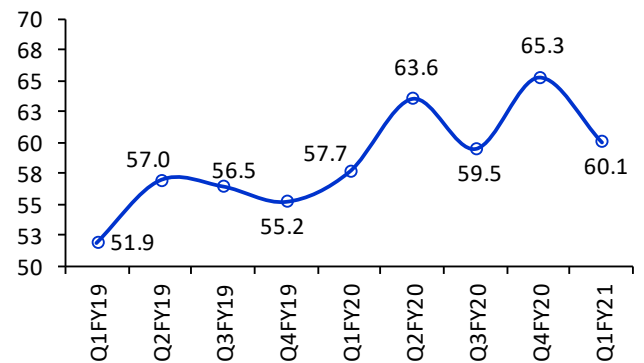
Source: Company, DART

Exhibit 7: EBITDA and EBITDA growth trend


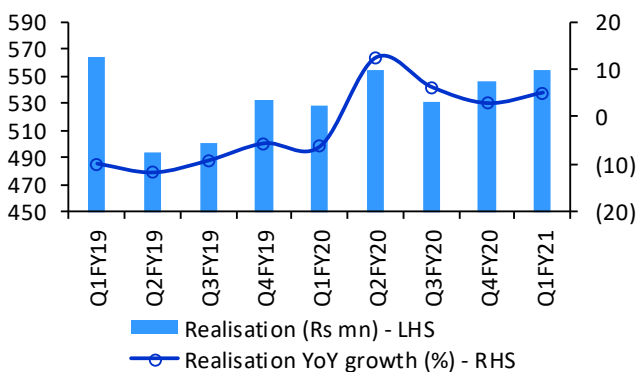
Source: Company, DART

Exhibit 8: PAT and PAT growth trend


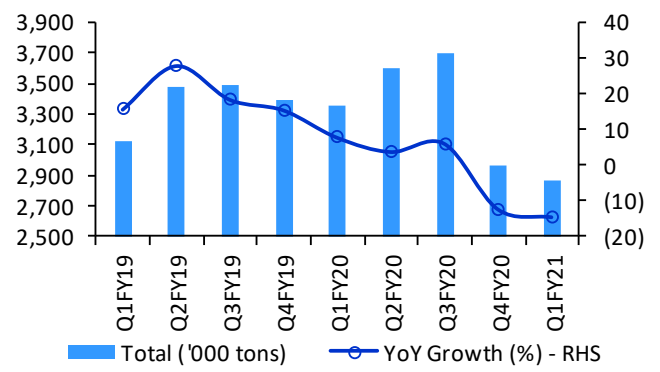
Source: Company, DART

Exhibit 9: EBITDA Margin trend


Source: Company, DART

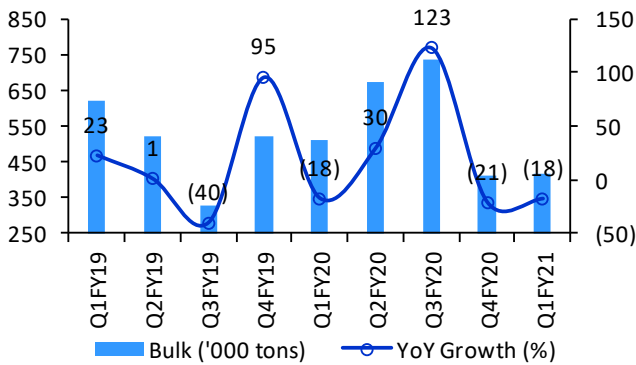
Exhibit 10: Realisation and Realisation growth trend


Source: Company, DART

Exhibit 11: Total volume and volume growth trend


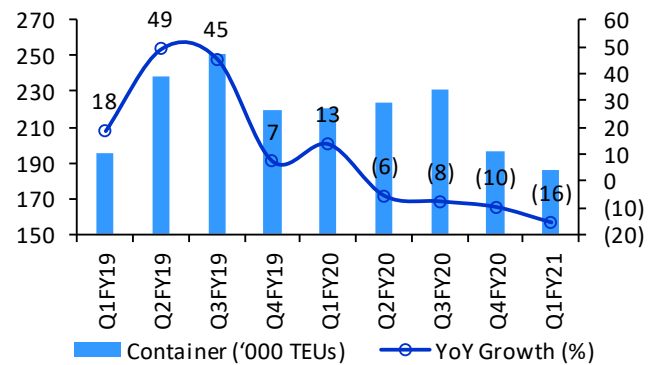
Source: Company, DART

Exhibit 12: Bulk segment growth trend



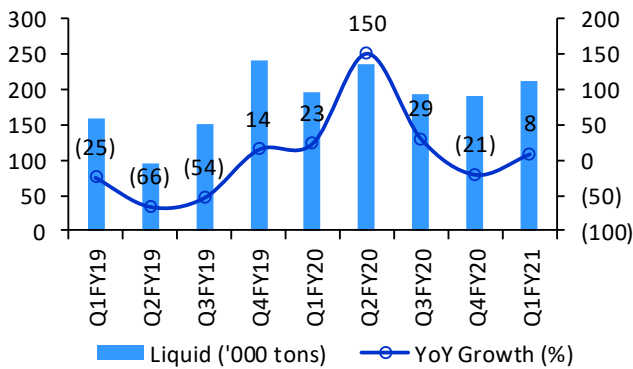
Source: Company, DART

Exhibit 13: Container segment and growth trend



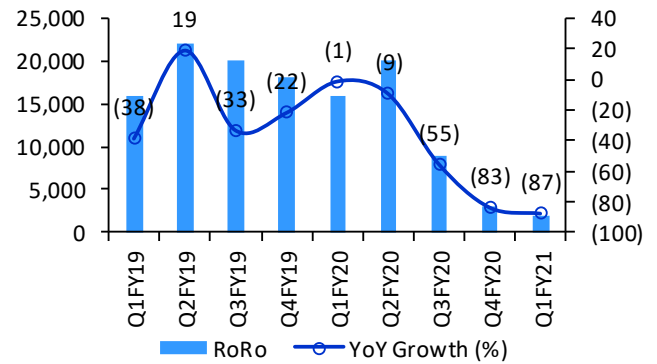
Source: Company, DART

Exhibit 14: Liquid segment and growth trend



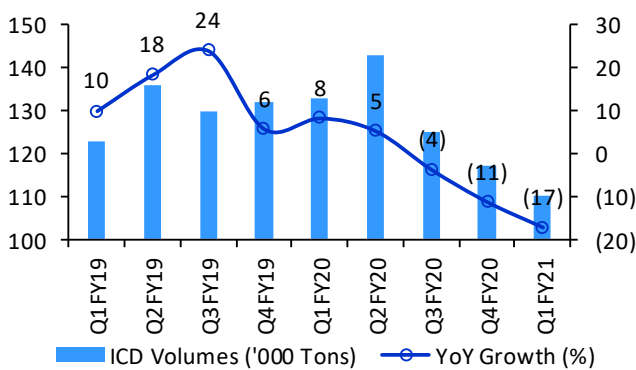
Source: Company, DART

Exhibit 15: RoRo segment and growth trend



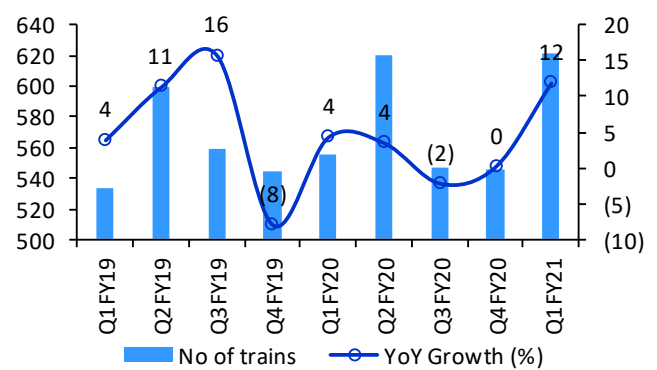
Source: Company, DART

Exhibit 16: ICD segment and growth trend



Source: Company, DART

Exhibit 17: Total trains quarter trend



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	7,020	7,354	7,082	8,079
Total Expense	3,131	2,668	2,833	3,110
COGS	1,442	1,051	1,133	1,293
Employees Cost	597	567	602	646
Other expenses	1,092	1,050	1,098	1,171
EBIDTA	3,889	4,686	4,249	4,969
Depreciation	1,128	1,315	1,359	1,422
EBIT	2,760	3,372	2,890	3,547
Interest	4	74	56	56
Other Income	452	509	531	606
Exc. / E.O. items	0	0	0	0
EBT	3,209	3,807	3,365	4,097
Tax	1,153	663	1,212	1,031
RPAT	2,056	3,144	2,154	3,066
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	2,056	3,144	2,154	3,066

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	4,834	4,834	4,834	4,834
Minority Interest	0	0	0	0
Reserves & Surplus	15,376	16,014	16,959	20,025
Net Worth	20,210	20,848	21,794	24,859
Total Debt	671	596	446	446
Net Deferred Tax Liability	462	494	494	494
Total Capital Employed	21,343	21,939	22,734	25,799

Applications of Funds

Net Block	15,901	15,281	14,779	14,357
CWIP	454	57	0	0
Investments	830	830	830	830
Current Assets, Loans & Advances	6,508	8,089	9,670	12,985
Inventories	84	76	78	89
Receivables	510	459	582	664
Cash and Bank Balances	5,337	6,495	7,846	10,904
Loans and Advances	577	1,059	1,164	1,328
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	2,350	2,319	2,545	2,373
Payables	1,985	2,111	2,328	2,125
Other Current Liabilities	365	208	217	248
<i>sub total</i>				
Net Current Assets	4,158	5,771	7,125	10,612
Total Assets	21,343	21,939	22,734	25,799

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	79.5	85.7	84.0	84.0
EBIDTA Margin	55.4	63.7	60.0	61.5
EBIT Margin	39.3	45.8	40.8	43.9
Tax rate	35.9	17.4	36.0	25.2
Net Profit Margin	29.3	42.8	30.4	37.9
(B) As Percentage of Net Sales (%)				
COGS	20.5	14.3	16.0	16.0
Employee	8.5	7.7	8.5	8.0
Other	15.6	14.3	15.5	14.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	880.2	52.6	61.4	74.5
Inventory days	4	4	4	4
Debtors days	27	23	30	30
Average Cost of Debt	0.4	11.6	10.7	12.5
Payable days	103	105	120	96
Working Capital days	(61)	(36)	(37)	(13)
FA T/O	0.4	0.5	0.5	0.6
(D) Measures of Investment				
AEPS (Rs)	4.3	6.5	4.5	6.3
CEPS (Rs)	6.6	9.2	7.3	9.3
DPS (Rs)	(4.1)	(4.7)	2.5	2.5
Dividend Payout (%)	(96.2)	(72.2)	56.1	39.4
BVPS (Rs)	41.8	43.1	45.1	51.4
RoANW (%)	10.2	15.3	10.1	13.1
RoACE (%)	9.6	14.9	9.9	12.9
RoAIC (%)	16.7	21.4	19.1	23.8
(E) Valuation Ratios				
CMP (Rs)	75	75	75	75
P/E	17.6	11.5	16.8	11.8
Mcap (Rs Mn)	36,234	36,234	36,234	36,234
MCap/ Sales	5.2	4.9	5.1	4.5
EV	31,567	30,335	28,833	25,775
EV/Sales	4.5	4.1	4.1	3.2
EV/EBITDA	8.1	6.5	6.8	5.2
P/BV	1.8	1.7	1.7	1.5
Dividend Yield (%)	(5.5)	(6.3)	3.3	3.3
(F) Growth Rate (%)				
Revenue	8.2	4.8	(3.7)	14.1
EBITDA	4.0	20.5	(9.3)	16.9
EBIT	2.0	22.1	(14.3)	22.7
PBT	4.5	18.6	(11.6)	21.7
APAT	3.6	52.9	(31.5)	42.3
EPS	3.6	52.9	(31.5)	42.3
Cash Flow				
(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	2,957	3,395	3,566	4,114
CFI	(1,222)	(811)	914	1,000
CFF	3,248	(1,427)	(3,128)	(2,056)
FCFF	2,643	3,248	4,480	5,114
Opening Cash	354	5,337	6,495	7,846
Closing Cash	5,337	6,495	7,846	10,904

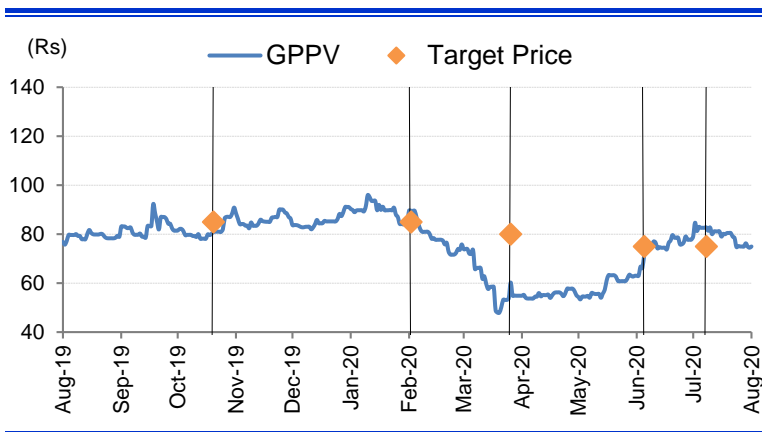
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-19	Reduce	85	81
Feb-20	Reduce	85	90
Mar-20	Reduce	80	60
Jun-20	Reduce	75	72
Jul-20	Reduce	75	83

*Price as on recommendation date

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