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Gujarat Pipavav's Q1FY21 consolidated revenues de-grew 11% YoY to ₹ 159 crore. Container volume (makes up 70% of revenues) de-grew 16% but, as per the management, outperformed other ports on western coast. Revenues saw positive traction from an improved product mix (container mix better YoY, due to sharper fall in transshipment volumes) and 5% movement in exchange rate. Subsequently, gross margins, EBITDA margins expanded 186 bps, 241 bps to 84.4%, 60.1% respectively. The EBITDA margin expansion also reflects the management's focus on lowering cost and improving operational efficiency. Absolute EBITDA de-grew 7% to ₹ 96 crore. However, due to higher depreciation, lower other income and lower profit from Pipavav Rail Corp, PAT de-grew 13% to ₹ 48 crore.

Capex cycle restart indicates management intent of longer play

The 30-year concession agreement between GPPL, Gujarat Maritime Board (GMB) and Gujarat government ends in CY28. Upon expiry of the agreement, all assets have to be handed over to GMB based on valuation provided by an independent third party. The company, however, has received approval from its global parent to incur US\$97 million on upgrading its container facility and increasing its yard capacity to 1.6 million TeU (current capacity 1.35 mil TeU). GPPL will require written permission from GMB authorities for extension of the concession agreement before incurring the capex. The management is hopeful of receiving it in the medium term. They also expect the terms of the concession agreement to remain the same as before and do not envisage a greater revenue share payout.

Volumes expected to improve in Q2FY21

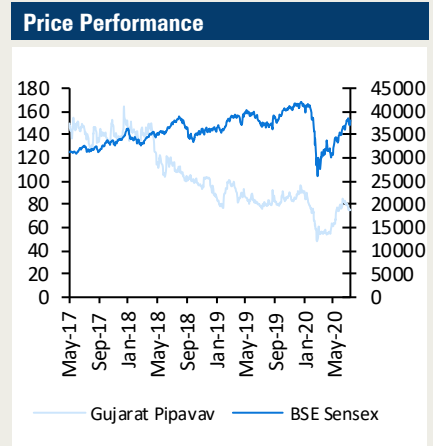
GPPL witnessed lower disruptions in port evacuation in Q1 as the port has excess yard capacity and higher rail coefficient at 70%. As per the management, June and July have witnessed encouraging volume trends (trend also visible in traffic data from GMB). Bulk segment continued to witness growth while the liquid segment saw strong traction in the non-LPG segment. RoRo, on the other hand, remained weak and is expected to remain so in the near to medium term. Port services (60-65% of cargo) are Far East oriented, which continues to show positive signs of recovery.

Valuation & Outlook

Ports in Gujarat are expected to receive a head-start on the DFC play compared to ports in Maharashtra, resulting in the former providing better services to clients (time-table bound trains, faster turnaround, etc) and also attract potential clients. Higher utilisation with a favourable product mix remains key to stronger earnings for GPPL. Post DFC, incremental FCF could be further utilised for port expansion (mostly greenfield expansion). We revise our target price to ₹ 90 (at FY22E P/E multiple of 14) and maintain our **BUY** recommendation on the stock.



Particulars	
Particular	Amount
Market Capitalisation (₹cr)	3,674.1
Total Debt (FY 20) (₹cr)	-
Cash (FY 20) (₹cr)	649.5
EV (₹cr)	3,024.6
52 week H/L	99/46
Equity Capital (₹Crore)	483.4
Face Value (₹)	10.0



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Key Financial Summary

₹ crore	FY18	FY19	FY20	FY21E	FY22E	CAGR (%)
Net Sales	648.9	702.0	735.4	708.8	810.9	5.7
EBITDA	374.1	388.9	446.6	428.8	492.2	7.1
EBITDA margins (%)	57.6	55.4	60.7	60.5	60.7	
PAT	221.0	236.7	319.4	271.1	311.5	9.0
P/E (x)	16.6	15.5	11.5	13.6	11.8	
P/B (x)	1.7	1.7	1.6	1.6	1.6	
RoCE (%)	12.1	12.2	13.2	11.7	13.7	
RoE (%)	9.2	9.4	12.6	10.3	11.7	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Total operating Income	702.0	735.4	708.8	810.9	
Growth (%)	8.2	4.8	-3.6	14.4	
Operating Expenses	125.5	105.0	99.2	113.5	
Waterfront Royalty	18.8	22.0	21.3	24.3	
Power and fuel	24.9	24.6	24.1	27.6	
Repairs-plant, mach & e	34.2	33.1	31.9	36.5	
Employee Cost	59.7	56.7	58.1	64.9	
Other Expenses	50.0	47.2	45.4	51.9	
Total Expenditure	313.1	288.8	280.0	318.7	
EBITDA	388.9	446.6	428.8	492.2	
Growth (%)	4.0	14.9	-4.0	14.8	
Depreciation	112.8	131.5	144.5	156.9	
Interest	0.4	7.4	7.5	7.7	
Other Income	45.2	47.1	40.4	38.9	
PBT	320.9	354.9	317.1	366.5	
Tax	115.3	66.3	79.9	92.4	
PAT	205.6	288.6	237.2	274.2	
Share of Profit from As	31.1	30.8	33.9	37.3	
Adjusted PAT	236.7	319.4	271.1	311.5	
Growth (%)	3.6	40.4	-17.8	15.6	
EPS	4.9	6.6	5.6	6.4	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Profit after Tax	236.7	319.4	271.1	311.5	
Add: Depreciation	112.8	131.5	144.5	156.9	
Less: Interest Expense	0.4	7.4	7.5	7.7	
(Inc)/dec in Current Ass	-42.0	30.7	1.0	-1.0	
Inc/(dec) in CL and Provi	11.4	-44.9	2.0	9.2	
Others	0.0	-100.8	0.0	0.0	
CF from operating activit	319.3	343.4	426.2	484.3	
(Inc)/dec in Fixed Assets	-31.4	-14.8	-244.3	-200.0	
(Inc)/dec in Investments	-28.8	-45.6	-3.2	-3.3	
Others	41.1	67.3	-24.4	-24.4	
CF from investing activiti	-19.1	7.0	-272.0	-227.7	
Issue/(Buy back) of Equi	0.0	0.0	0.0	0.0	
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0	
Dividends	-197.7	-227.2	-245.3	-281.8	
Add: Interest Expense	-0.4	-7.4	-7.5	-7.7	
Others	0.0	0.0	0.0	0.0	
CF from financing activiti	-198.1	-234.5	-252.8	-289.5	
Net Cash flow	102.1	115.8	-98.6	-32.8	
Opening Cash	431.6	533.7	649.5	551.0	
Closing Cash	533.7	649.5	551.0	518.1	

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Sources of Funds					
Equity Capital	483.4	483.4	483.4	483.4	
Reserve and Surplus	1,714.0	1,804.8	1,830.7	1,860.4	
Total Shareholders func	2,197.4	2,288.3	2,314.1	2,343.8	
Total Debt	0.0	0.0	0.0	0.0	
Long term Provisions	0.0	0.0	0.0	0.0	
Other Long term liabilitie	71.7	105.8	106.9	107.9	
Deferred Tax Liability	47.50	50.88	25.44	0.00	
Total Liabilities	2,316.64	2,445.0	2,446.4	2,451.7	
Application of Funds					
Gross Block	2,007.6	2,131.3	2,331.3	2,531.3	
Less: Acc Depreciation	417.5	548.8	693.4	850.3	
Net Block	1,590.1	1,582.5	1,637.9	1,681.0	
Capital WIP	45.4	5.7	50.0	50.0	
Total Fixed Assets	1,635.4	1,588.2	1,687.9	1,731.0	
Non-current Investment	259.4	286.4	289.3	292.2	
Other Non current inv	4.9	22.1	22.3	22.5	
Deferred Tax Asset	0.0	0.0	0.0	0.0	
Current tax assets	14.2	15.6	15.8	15.9	
Inventory	8.4	7.6	7.8	8.9	
Debtors	51.0	45.9	44.7	44.4	
Loans and Advances	0.5	0.6	0.6	0.6	
Other Current Assets	38.1	13.3	13.4	13.5	
Cash	533.7	649.5	551.0	518.1	
Total Current Assets	631.7	716.9	617.4	585.6	
Creditors	32.6	29.9	29.1	35.5	
Other liab & Provisions	196.5	154.3	157.1	159.9	
Total Current Liabilities	229.0	184.2	186.2	195.4	
Net Current Assets	402.7	532.7	431.2	390.2	
Application of Funds	2,316.6	2,445.0	2,446.4	2,451.7	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios		₹ crore			
(Year-end March)	FY19	FY20	FY21E	FY22E	
Per share data (₹)					
EPS	4.9	6.6	5.6	6.4	
Cash EPS	6.6	8.7	7.9	8.9	
BV	45.5	47.3	47.9	48.5	
DPS	3.0	5.6	4.2	4.8	
Cash Per Share	11.0	13.4	11.4	10.7	
Operating Ratios (%)					
EBITDA Margin (%)	55.4	60.7	60.5	60.7	
PBT / Total Operating inc	82.5	79.5	74.0	74.5	
PAT Margin	29.3	39.2	33.5	33.8	
Inventory days	4.4	3.8	4.0	4.0	
Debtor (Days)	26.5	22.8	23.0	20.0	
Creditor days	16.9	14.8	15.0	16.0	
Return Ratios (%)					
RoE	9.4	12.6	10.3	11.7	
RoCE	12.2	13.2	11.7	13.7	
RoIC	19.7	23.3	19.3	21.9	
Valuation Ratios (x)					
P/E	15.5	11.5	13.6	11.8	
EV/EBITDA	8.1	6.8	7.3	6.4	
EV/Sales	4.5	4.1	4.4	3.9	
Market Cap / Sales	5.2	5.0	5.2	4.5	
Price to Book Value	1.7	1.6	1.6	1.6	
Solvency Ratios					
Debt/EBITDA	0.0	0.0	0.0	0.0	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	2.8	3.9	3.3	3.0	

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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