

## Hikes prices by 5-6% from Q3 onwards...

Gujarat Pipavav (GPPL) reported a muted set of Q2FY21 numbers. Consolidated revenues de-grew 8% YoY to ₹ 183 crore. While container volumes de-grew 25% (transshipment volumes contracted the most, leading to a favourable container mix), bulk volumes, on the other hand, saw 36% growth (mainly due to higher fertiliser volumes). Hence, due to higher handling expenses led by growth in the fertiliser segment, gross margins, EBITDA margins contracted 560 bps, 730 bps to 77.6%, 56.3%, respectively. Absolute EBITDA de-grew 19% to ₹ 80 crore. Subsequently, due to lower profit from Pipavav Rail Corp (mainly due to adjustments of prior quarter), lower other income and higher tax rate, PAT de-grew 35% to ₹ 50 crore.

## Volumes expected to normalise in Q3

In Q2, while July, August posted good uptake of container volumes, the company experienced a tough September due to disruption in the domestic trade patterns (more exports), shortages of empty containers and skipped calls (19 in Q2), thereby leading to a 50-60% hike in ocean freight along some routes. However, the management saw volumes returning in October, November (no skipped calls seen so far). Going ahead, GPPL expects the situation (surcharges by shippers) to largely normalise. The bulk segment continued to witness growth (up 36%) while the liquid, RoRo segment remained weak (port is working on upgrading facilities to support partially loaded LPG VLGCs). Port services (60-65% of cargo) are Far East oriented, which continues to show positive signs of recovery.

## Extension of concession agreement, key trigger

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 a month or two. They also expect the terms of the concession agreement to remain the same as before and do not envisage a greater revenue share payout.

## Valuation & Outlook

On DFC front, GPPL expects the line to be completed in Q4FY21 (electrification being performed on Pipavav rail line, DFC). The management plans to incur ₹ 100 crore for the work. 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 ₹ 110 (at FY22E P/E multiple of 17). We maintain **BUY** rating.

### Key Financial Summary

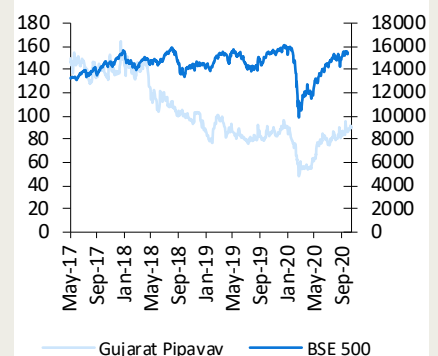
₹ crore	FY18	FY19	FY20	FY21E	FY22E	CAGR (%)
Net Sales	648.9	702.0	735.4	699.4	803.0	5.5
EBITDA	374.1	388.9	446.6	410.6	483.4	6.6
EBITDA margins (%)	57.6	55.4	60.7	58.7	60.2	
PAT	221.0	236.7	319.4	265.6	319.4	9.6
P/E (x)	19.7	18.4	13.6	16.4	13.6	
P/B (x)	2.0	2.0	1.9	1.9	1.9	
RoCE (%)	12.1	12.2	13.2	11.4	13.7	
RoE (%)	9.2	9.4	12.6	10.0	12.0	

Source: Company, ICICI Direct Research



Particulars	Amount
Market Capitalisation (₹cr)	4,351.0
Total Debt (FY 20) (₹cr)	-
Cash (FY 20) (₹cr)	649.5
EV (₹cr)	3,701.5
52 week H/L	99/46
Equity Capital (₹Crore)	483.4
Face Value (₹)	10.0

### Price Performance



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## Financial summary

Exhibit 1: Profit and loss statement					Exhibit 2: Cash flow statement				
₹ crore					₹ crore				
(Year-end March)	FY19	FY20	FY21E	FY22E	(Year-end March)	FY19	FY20	FY21E	FY22E
Total operating Income	702.0	735.4	699.4	803.0	Profit after Tax	236.7	319.4	265.6	319.4
Growth (%)	8.2	4.8	-4.9	14.8	Add: Depreciation	112.8	131.5	135.2	146.8
Operating Expenses	125.5	105.0	104.9	112.4	Less: Interest Expense	0.4	7.4	7.5	7.7
Waterfront Royalty	18.8	22.0	21.0	24.1	(Inc)/dec in Current Ass	-42.0	30.7	1.6	-1.2
Power and fuel	24.9	24.6	23.8	27.3	Inc/(dec) in CL and Provi	11.4	-44.9	1.7	9.3
Repairs-plant, mach & e	34.2	33.1	31.5	36.1	Others	0.0	-100.8	0.0	0.0
Employee Cost	59.7	56.7	62.9	68.3	CF from operating activit	319.3	343.4	411.7	482.0
Other Expenses	50.0	47.2	44.8	51.4	(Inc)/dec in Fixed Assets	-31.4	-14.8	-244.3	-200.0
Total Expenditure	313.1	288.8	288.9	319.6	(Inc)/dec in Investments	-28.8	-45.6	-3.2	-3.3
EBITDA	388.9	446.6	410.6	483.4	Others	41.1	67.3	-24.4	-24.4
Growth (%)	4.0	14.9	-8.1	17.7	CF from investing activiti	-19.1	7.0	-272.0	-227.7
Depreciation	112.8	131.5	135.2	146.8	Issue/(Buy back) of Equi	0.0	0.0	0.0	0.0
Interest	0.4	7.4	7.5	7.7	Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Other Income	45.2	47.1	42.0	48.2	Dividends	-197.7	-227.2	-240.3	-288.9
PBT	320.9	354.9	309.8	377.1	Add: Interest Expense	-0.4	-7.4	-7.5	-7.7
Tax	115.3	66.3	78.1	95.0	Others	0.0	0.0	0.0	0.0
PAT	205.6	288.6	231.7	282.1	CF from financing activiti	-198.1	-234.5	-247.8	-296.6
Share of Profit from As	31.1	30.8	33.9	37.3	Net Cash flow	102.1	115.8	-108.1	-42.3
Adjusted PAT	236.7	319.4	265.6	319.4	Opening Cash	431.6	533.7	649.5	541.4
Growth (%)	3.6	40.4	-19.7	21.7	Closing Cash	533.7	649.5	541.4	499.1
EPS	4.9	6.6	5.5	6.6					

Source: Company, ICICI Direct Research

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Exhibit 3: Balance sheet					Exhibit 4: Key ratios				
₹ crore					₹ crore				
(Year-end March)	FY19	FY20	FY21E	FY22E	(Year-end March)	FY19	FY20	FY21E	FY22E
Sources of Funds					Per share data (₹)				
Equity Capital	483.4	483.4	483.4	483.4	EPS	4.9	6.6	5.5	6.6
Reserve and Surplus	1,714.0	1,804.8	1,830.2	1,860.6	Cash EPS	6.6	8.7	7.6	8.9
Total Shareholders func	2,197.4	2,288.3	2,313.6	2,344.1	BV	45.5	47.3	47.9	48.5
Total Debt	0.0	0.0	0.0	0.0	DPS	3.0	5.6	4.1	5.0
Long term Provisions	0.0	0.0	0.0	0.0	Cash Per Share	11.0	13.4	11.2	10.3
Other Long term liabilitie	71.7	105.8	106.9	107.9	Operating Ratios (%)				
Deferred Tax Liability	47.50	50.88	25.44	0.00	EBITDA Margin (%)	55.4	60.7	58.7	60.2
Total Liabilities	2,316.64	2,445.0	2,445.9	2,452.0	PBT / Total Operating inc	82.5	79.5	75.5	78.0
Application of Funds					PAT Margin	29.3	39.2	33.1	35.1
Gross Block	2,007.6	2,131.3	2,331.3	2,531.3	Inventory days	4.4	3.8	4.0	4.0
Less: Acc Depreciation	417.5	548.8	684.0	830.9	Debtor (Days)	26.5	22.8	23.0	20.0
Net Block	1,590.1	1,582.5	1,647.3	1,700.4	Creditor days	16.9	14.8	15.0	16.0
Capital WIP	45.4	5.7	50.0	50.0	Return Ratios (%)				
Total Fixed Assets	1,635.4	1,588.2	1,697.3	1,750.4	RoE	9.4	12.6	10.0	12.0
Non-current Investment	259.4	286.4	289.3	292.2	RoCE	12.2	13.2	11.4	13.7
Other Non current inv	4.9	22.1	22.3	22.5	RoIC	19.7	23.3	18.6	21.7
Deferred Tax Asset	0.0	0.0	0.0	0.0	Valuation Ratios (x)				
Current tax assets	14.2	15.6	15.8	15.9	P/E	18.4	13.6	16.4	13.6
Inventory	8.4	7.6	7.7	8.8	EV/EBITDA	9.8	8.3	9.3	8.0
Debtors	51.0	45.9	44.1	44.0	EV/Sales	5.4	5.0	5.4	4.8
Loans and Advances	0.5	0.6	0.6	0.6	Market Cap / Sales	6.2	5.9	6.2	5.4
Other Current Assets	38.1	13.3	13.4	13.5	Price to Book Value	2.0	1.9	1.9	1.9
Cash	533.7	649.5	541.4	499.1	Solvency Ratios				
Total Current Assets	631.7	716.9	607.2	566.1	Debt/EBITDA	0.0	0.0	0.0	0.0
Creditors	32.6	29.9	28.7	35.2	Debt / Equity	0.0	0.0	0.0	0.0
Other liab & Provisions	196.5	154.3	157.1	159.9	Current Ratio	2.8	3.9	3.3	2.9
Total Current Liabilities	229.0	184.2	185.8	195.1					
Net Current Assets	402.7	532.7	421.3	371.0					
Application of Funds	2,316.6	2,445.0	2,445.9	2,452.0					

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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