

CMP: ₹ 85

Target: ₹ 105 (24%)

Target Period: 12 months

BUY

May 24, 2022

Bulk, container growth expected to buoy FY23...

About the stock: Gujarat Pipavav (GPPL) 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

Q4FY22 Results: Gujarat Pipavav's higher bulk volumes lifted profitability.

- Net revenues grew 14% YoY to ₹ 221 crore
- EBITDA grew 12% to ₹ 129 crore with margins at 58.4% (vs. 59.7% in Q4FY21)
- Subsequently, PAT grew 14% to ₹ 74 crore as strong operational performance was further supported by lower depreciation and an exceptional gain of ₹ 5 crore

What should investors do? Higher bulk volumes in FY22 have led to a diversified cargo base for GPPL. While the management expects bulk volumes to stay strong in FY23, container volumes are expected to make a comeback (led by DFC normalisation, lower congestion and freight volatility expected in FY23E).

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

Target Price and Valuation: We value the stock at ₹ 105 i.e. 16x P/E on FY24E EPS.

Key triggers for future price performance: 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

- Addition of three service lines in FY23 expected to boost Exim volumes
- DFC commissioning is expected from September onwards (higher market share and time tabled train running)
- Debt free company with RoIC reaching ~40%+ levels in FY24E

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	FY20	FY21	FY22E	5 years CAGR (FY17-22)	FY23E	FY24E	2 years CAGR (FY22-24E)
Net Sales	735.4	733.5	743.5	1.7	855.9	985.0	15.1
EBITDA	446.6	422.1	412.6	-0.3	494.7	574.3	18.0
EBITDA margins (%)	60.7	57.6	55.5		57.8	58.3	
PAT	319.4	222.0	197.3	-6.9	268.6	321.3	27.6
P/E (x)	12.4	17.9	20.1		14.8	12.3	
P/B (x)	1.7	1.8	1.8		1.7	1.7	
RoCE (%)	13.2	12.4	12.1		15.6	18.5	
RoE (%)	12.6	9.6	8.6		11.6	13.8	

Source: Company, ICICI Direct Research



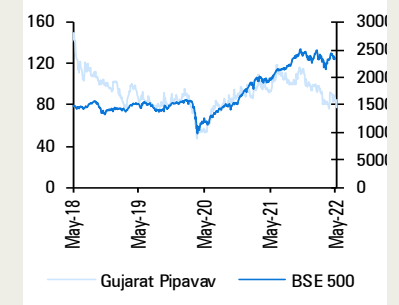
Particulars

Particular	Amount
Market Capitalisation (₹ cr)	3,964.2
Total Debt (FY22) (₹ cr)	-
Cash (FY22) (₹ cr)	855.8
EV (₹ cr)	3,108.4
52 week H/L	124/75
Equity Capital (₹ Crore)	483.4
Face Value (₹)	10.0

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
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

Q4FY22 Results:

- Favourable cargo mix during the quarter along with price hikes (4% in February 2022) led to higher margins
- Bulk volumes grew 44% YoY and more than doubled to 1.5 MMT during the quarter
- Liquid saw 44% YoY growth (6% de-growth QoQ) to 0.23 MMT during the quarter but RoRo continued to remain at subdued levels (6000 cars)

Q4FY22 Earnings Conference Call highlights

- The company took a 4% price hike in container segment in February, 2022
- PRCL profitability has been impacted due to higher cost allocations by IR, led by electrification projects
- 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
- The management expects bulk volumes to remain largely at FY22 levels, helped by higher UltraTech cement volumes
- GPPL is seeing incremental volume addition from NMG line and gain of transshipment volumes due to Colombo issue and lower skipped calls

Financial Summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Total operating Income	733.5	743.5	855.9	985.0
Growth (%)	-0.3	1.4	15.1	15.1
Operating Expenses	118.0	124.1	137.0	152.7
Waterfront Royalty	19.5	22.5	25.7	29.6
Power and fuel	22.1	25.5	29.1	33.5
Repairs-plant, mach & equi	40.5	33.7	38.5	44.3
Employee Cost	67.2	73.9	77.0	88.7
Other Expenses	44.1	51.4	53.9	62.1
Total Expenditure	311.3	331.0	361.2	410.8
EBITDA	422.1	412.6	494.7	574.3
Growth (%)	-5.5	-2.3	19.9	16.1
Depreciation	133.5	129.3	126.4	131.9
Interest	6.3	4.8	4.9	5.0
Other Income	40.4	28.6	42.8	49.3
PBT	322.8	307.1	406.3	486.7
Tax	108.2	109.3	142.2	170.3
PAT	214.6	197.9	264.1	316.3
Share of Profit from Associ	7.4	4.1	4.5	4.9
Exceptional item	0.0	-4.6	0.0	0.0
Adjusted PAT	222.0	197.3	268.6	321.3
Growth (%)	-25.6	-10.0	36.7	19.8
EPS	4.6	4.1	5.6	6.6

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Profit after Tax	222.0	197.3	268.6	321.3
Add: Depreciation	133.5	129.3	126.4	131.9
Less: Interest Expense	6.3	4.8	4.9	5.0
(Inc)/dec in Current Assets	-3.9	-11.2	-10.7	-11.2
Inc/(dec) in CL and Provisior	36.8	25.0	10.8	11.5
Others	-6.7	35.1	0.0	0.0
CF from operating activities	387.9	380.3	399.9	458.5
(Inc)/dec in Fixed Assets	-44.8	-51.1	-101.0	-100.0
(Inc)/dec in Investments	-8.3	-5.0	-50.4	-50.4
Others	17.9	-10.5	2.4	2.4
CF from investing activities	-35.2	-66.6	-149.0	-148.0
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	-270.6	-178.5	-243.0	-290.6
Add: Interest Expense	-6.3	-4.8	-4.9	-5.0
Others	0.0	0.0	0.0	0.0
CF from financing activities	-276.9	-183.3	-247.8	-295.6
Net Cash flow	75.9	130.4	3.1	14.9
Opening Cash	649.5	725.4	855.8	858.9
Closing Cash	725.4	855.8	858.9	873.8

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Sources of Funds				
Equity Capital	483.4	483.4	483.4	483.4
Reserve and Surplus	1,755.7	1,760.1	1,785.7	1,816.3
Total Shareholders funds	2,239.2	2,243.5	2,269.1	2,299.8
Total Debt	0.0	0.0	0.0	0.0
Long term Provisions	0.0	0.0	0.0	0.0
Other Long term liabilities	87.5	91.3	92.2	93.1
Deferred Tax Liability	101.34	152.07	153.59	155.13
Total Liabilities	2,428.1	2,486.8	2,514.9	2,547.9
Application of Funds				
Gross Block	2,127.7	2,197.9	2,297.9	2,397.9
Less: Acc Depreciation	660.4	789.7	916.0	1,047.9
Net Block	1,467.3	1,408.2	1,381.8	1,349.9
Capital WIP	52.8	49.0	50.0	50.0
Total Fixed Assets	1,520.0	1,457.2	1,431.8	1,399.9
Non-current Investments	290.0	294.1	344.1	394.1
Other Non current inv	24.4	23.0	23.3	23.5
Deferred Tax Asset	0.0	0.0	0.0	0.0
Current tax assets	18.0	20.3	20.5	20.7
Inventory	10.5	10.2	11.7	13.5
Debtors	44.1	52.0	61.0	70.2
Loans and Advances	0.6	0.7	0.7	0.7
Other Current Assets	16.1	19.6	19.8	20.0
Cash	725.4	855.8	858.9	873.8
Total Current Assets	796.7	938.3	952.1	978.2
Creditors	33.9	44.5	51.6	59.4
Other liab & Provisions	187.0	201.5	205.2	208.9
Total Current Liabilities	221.0	246.0	256.8	268.3
Net Current Assets	575.8	692.3	695.3	709.9
Application of Funds	2,428.1	2,486.8	2,514.9	2,548.0

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
EPS	4.6	4.1	5.6	6.6
Cash EPS	7.2	6.7	8.1	9.3
BV	46.3	46.4	46.9	47.6
DPS	5.6	3.1	4.2	5.0
Cash Per Share	15.0	17.7	17.8	18.1
Operating Ratios (%)				
EBITDA Margin (%)	57.6	55.5	57.8	58.3
PBT / Total Operating incom	76.5	73.3	82.1	84.7
PAT Margin	29.3	26.0	30.9	32.1
Inventory days	5.2	5.0	5.0	5.0
Debtor (Days)	22.0	25.5	26.0	26.0
Creditor days	16.9	21.8	22.0	22.0
Return Ratios (%)				
RoE	9.6	8.6	11.6	13.8
RoCE	12.4	12.1	15.6	18.5
RoIC	23.6	25.9	34.5	42.9
Valuation Ratios (x)				
P/E	17.9	20.1	14.8	12.3
EV/EBITDA	7.7	7.5	6.3	5.4
EV/Sales	4.4	4.2	3.6	3.1
Market Cap / Sales	5.4	5.3	4.6	4.0
Price to Book Value	1.8	1.8	1.7	1.7
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.6	3.8	3.7	3.6
Quick Ratio	3.6	3.8	3.7	3.6

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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