

Global container market showing growth spurts

About the stock: Gujarat Pipavav 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

Q1FY23 Results: QoQ lower bulk volumes impacted EBITDA.

- Net revenues de-grew 6% QoQ to ₹ 208 crore
- EBITDA de-grew 12% to ₹ 113 crore with margins at 54.4% (vs. 58.4% in Q4FY22)
- Subsequently, PAT de-grew 20% to ₹ 59 crore as a weak operational performance was further impacted by an exceptional loss of ₹ 13 crore

What should investors do? 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 ₹ 100 i.e. 15x P/E on FY24E EPS.

Key triggers for future price performance: With GPPL planning to build capacities in warehousing, its JV PRCL looking at growing CTO business and parent entity Maersk planning to build an end-to-end logistics infra in the country (could benefit GPPL); the company remains a play on growing logistics sector in India. However, extension of agreement with GMB remains a key event to watch.

- 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



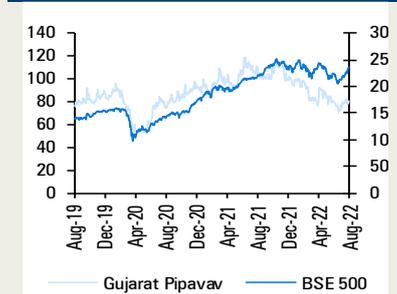
Particulars

Particular	Amount
Market Capitalisation (₹ cr)	3,867.5
Total Debt (FY22) (₹ cr)	-
Cash (FY22) (₹ cr)	855.8
EV (₹ cr)	3,011.7
52 week H/L	119/70
Equity Capital (₹ Crore)	483.4
Face Value (₹)	10.0

Shareholding pattern

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

₹ crore	FY20	FY21	FY22	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	270.2	322.9	27.9
P/E (x)	12.1	17.4	19.6		14.3	12.0	
P/B (x)	1.7	1.7	1.7		1.7	1.7	
RoCE (%)	13.2	12.4	12.1		15.7	18.6	
RoE (%)	12.6	9.6	8.6		11.7	13.8	

Key takeaways

Q1FY23 Results:

- Exim cargo grew 5% QoQ while overall container volumes grew 15%, indicating higher growth in transshipment volumes
- Bulk volumes de-grew 36% QoQ and were largely impacted due to lower mineral stocking by clients
- Liquid and RoRo largely stayed range bound at 0.23 MMT and 6400 levels, respectively

Q1FY23 Earnings Conference Call highlights

- 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 on the FY22 levels, helped by higher UltraTech cement volumes
- The management is seeing slight ease on skipped calls, with container freight charges falling and port waiting time going down
- July was a strong month for container movement
- Handled wood pulp and Guar gum during the quarter, thus providing opportunity for GPPL to diversify products within its bulk segment
- Transshipment opportunity will remain for rest of the year (due to unrest in Sri Lanka and spill over impact on Colombo port)
- The LPG terminal expansion (for very large oil tankers) is expected to be completed by mid-September

Financial Summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)	FY21	FY22	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	123.9	129.4
Interest	6.3	4.8	4.9	5.0
Other Income	40.4	28.6	42.8	49.3
PBT	322.8	307.1	408.7	489.1
Tax	108.2	109.3	143.1	171.2
PAT	214.6	197.9	265.7	317.9
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	270.2	322.9
Growth (%)	-25.6	-10.0	37.5	19.7
EPS	4.6	4.1	5.6	6.7

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Profit after Tax	222.0	197.3	270.2	322.9
Add: Depreciation	133.5	129.3	123.9	129.4
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	399.1	457.6
(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	44.2	2.4	2.4
CF from investing activities	-35.2	-11.9	-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	-233.2	-244.4	-292.1
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	-238.0	-249.3	-297.0
Net Cash flow	75.9	130.4	0.8	12.6
Opening Cash	649.5	725.4	855.8	856.6
Closing Cash	725.4	855.8	856.6	869.2

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22	FY23E	FY24E
Sources of Funds				
Equity Capital	483.4	483.4	483.4	483.4
Reserve and Surplus	1,755.7	1,760.1	1,785.8	1,816.6
Total Shareholders funds	2,239.2	2,243.5	2,269.3	2,300.1
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	2,515.0	2,548.3
Application of Funds				
Gross Block	2,106.0	2,153.1	2,253.1	2,353.1
Less: Acc Depreciation	638.7	744.9	868.8	998.2
Net Block	1,467.3	1,408.2	1,384.3	1,354.9
Capital WIP	52.8	49.0	50.0	50.0
Total Fixed Assets	1,520.0	1,457.2	1,434.3	1,404.9
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	856.6	869.2
Total Current Assets	796.7	938.3	949.8	973.5
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	693.0	705.2
Application of Funds	2,428.1	2,486.8	2,515.1	2,548.3

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY21	FY22	FY23E	FY24E
Per share data (₹)				
EPS	4.6	4.1	5.6	6.7
Cash EPS	7.2	6.7	8.1	9.3
BV	46.3	46.4	46.9	47.6
DPS	5.6	4.0	4.2	5.0
Cash Per Share	15.0	17.7	17.7	18.0
Operating Ratios (%)				
EBITDA Margin (%)	57.6	55.5	57.8	58.3
PBT / Total Operating incom	76.5	73.3	82.6	85.2
PAT Margin	29.3	26.0	31.0	32.3
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	11.7	13.8
RoCE	12.4	12.1	15.7	18.6
RoIC	23.6	25.9	34.7	42.9
Valuation Ratios (x)				
P/E	17.4	19.6	14.3	12.0
EV/EBITDA	7.4	7.3	6.1	5.2
EV/Sales	4.3	4.1	3.5	3.0
Market Cap / Sales	5.3	5.2	4.5	3.9
Price to Book Value	1.7	1.7	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

Source: Company, ICICI Direct Research

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