

## Gujarat Pipavav Port Limited

### Await recovery in EXIM container cargo

Gujarat Pipavav Port Limited's (GPPL) Q1FY23 recurring PAT grew by 70% YoY to Rs669m (estimate: Rs707m; consensus: Rs602m) on low base impacted by cyclone Tauktae. Reported PAT grew by 79% YoY to Rs575m and it includes exceptional expense of Rs125m pertaining to repair works for cyclone damages (PY PAT included repair works of Rs109m). Improvement in container cargo was mainly driven by addition of transshipment service from Maersk line and improved EXIM cargo. Average realisation and EBITDA margins remained constrained by adverse cargo mix (higher transshipment volumes). GPPL's strong balance sheet and dividend yield of 7% on FY23E basis restricts downside but a meaningful recovery in EXIM container cargo is still awaited. Maintain ADD with price target of Rs95.

#### Earnings grow on a low base; higher transshipment cargo keeps margin in check

Revenue/EBITDA grew by 30%/29% YoY on a low base (impacted by cyclone led disruption in PY) to Rs2.1bn/Rs1.13bn in Q1FY23. Average realization grew by 1% YoY to Rs570/MT (estimate: Rs566/MT) influenced by ~6% tariff hike in earlier quarters but constrained by higher transshipment cargo. EBITDA margin declined 0.5%YoY (down 6% QoQ) to Rs310/MT (estimate: Rs325/MT) and remained impacted by adverse cargo mix. In % terms, EBITDA margin at 54.4% was down 70bp YoY.

#### Cargo growth robust on low base; improved container volumes led by transshipment

Cargo grew by 29% YoY to 3.7mt in Q1FY23 on low base. Container volumes improved 14.4% QoQ to 187k TEUs led by addition of transshipment service from Maersk line (to continue till atleast Dec-22). Cargo improvement was also supported by lower skipped calls/higher EXIM cargo amid reduction in ocean freight rates from peak levels. Bulk cargo volumes were weak QoQ due to lower mineral cargo (ex-coal) as Q4FY22 saw higher volume due to build-up of inventory. Also Ultratech has been gradually taking some of the diverted cargo back to its capital jetty impacting bulk cargo volumes. Coal cargo saw strong growth. The upgraded liquid jetty (capable of handling VLGCs) will be ready by Sept-22 and will further boost liquid cargo volumes.

#### Proposing capex for container terminal upgradation; exploring warehousing space

GPPL has internally laid out capex plans for upgradation of container terminal. Also, the company is looking at opportunities in the warehousing space and plans are likely to get formalised in the near future. Consultant (A T Kearney) has given its recommendation to the GMB regarding the concession extension and the same is under evaluation.

#### Strong balance sheet and high dividend yield restrict downside; Maintain ADD

While GPPL's container cargo improved QoQ amid lower skipped calls and higher EXIM cargo, major improvement was led by addition of transshipment service from Maersk line. We have upgraded our FY23E/24E earnings by 4.6%/2.5% YoY factoring in improved volumes in Q1FY23. GPPL's strong balance sheet and dividend yield of 7% on FY23 basis restrict downside. However, a meaningful recovery in EXIM container cargo is still awaited. Stock trades at PE of 12.6x and 5.7x EBITDA on FY24E basis. Maintain ADD.

#### Financial and valuation summary

YE Mar (Rs mn)	1QFY23A	1QFY22A	YoY (%)	4QFY22A	QoQ (%)	FY22A	FY23E	FY24E
Revenues	2,081	1,596	30.4	2,207	(5.7)	7,447	8,876	9,219
EBITDA	1,132	879	28.8	1,290	(12.2)	4,138	4,868	5,159
EBITDA margin (%)	54.4	55.1		58.4		55.6	54.8	56.0
Adj. Net profit	669	393	70.4	683	(2.1)	1,974	2,911	3,174
Adj. EPS (Rs)	1.4	0.8	70.4	1.4	(2.1)	4.1	6.0	6.6
EPS growth (%)						(6.2)	47.4	9.0
PE (x)						20.3	13.8	12.6
EV/EBITDA (x)						7.6	6.3	5.7
PBV (x)						2.0	2.0	2.0
RoE (%)						9.7	14.3	15.6
RoCE (%)						9.9	14.6	15.9

Source: Company, Centrum Broking

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Result Update

India | Logistics

08 August, 2022

ADD

Price: Rs83

Target Price: Rs95

Forecast return: 14%

Institutional Research

#### Market Data

Bloomberg:	GPPV IN
52 week H/L:	119/70
Market cap:	Rs40.1bn
Shares Outstanding:	483.4mn
Free float:	56.0%
Avg. daily vol. 3mth:	738,340

Source: Bloomberg

#### Changes in the report

Rating:	ADD; unchanged
Target price:	Rs95; Unchanged
EPS:	FY23E: Rs6.0; +4.6% FY24E: Rs6.6; 2.5%

Source: Centrum Broking

#### Shareholding pattern

	Jun-22	Mar-22	Dec-21	Sep-21
Promoter	44.0	44.0	44.0	44.0
FIIs	21.5	22.8	22.3	22.0
DIIIs	20.2	20.3	20.6	20.7
Public/other	14.3	12.9	13.1	13.2

Source: BSE

#### Centrum estimates vs Actual results

Rsm	Centrum Q1FY23	Actual Q1FY23	Variance (%)
Revenue	2,070	2,081	0.6
EBITDA	1,189	1,132	(4.8)
EBITDA margin (%)	57.4	54.4	
PBT	945	899	(4.8)
Adj. PAT	707	669	(5.4)

Source: Bloomberg, Centrum Broking



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## Thesis Snapshot

### Estimate revision

YE Mar (Rsm)	FY23E New	FY23E Old	% chg	FY24E New	FY24E Old	% chg
Net Sales	8,876	8,282	7.2	9,219	9,042	2.0
EBITDA	4,868	4,647	4.7	5,159	5,040	2.4
EBITDA margin %	54.8	56.1		56.0	55.7	
Adj. PAT	2,911	2,783	4.6	3,171	3,094	2.5
Diluted EPS	6.0	5.8	4.6	6.6	6.4	2.5

Source: Centrum Broking

### Gujarat Pipavav Port versus Nifty Midcap 100

	1m	6m	1 year
GPPV IN	4.3	(13.1)	(19.8)
Nifty Midcap 100	9.8	0.4	9.5

Source: Bloomberg, NSE

### Key assumptions

Y/E Mar	FY21	FY22	FY23E	FY24E
Container volume growth	-14.2%	-16.1%	27.0%	-2.0%
Bulk volume growth	34.6%	33.6%	-2.3%	-1.9%
Liquid volume growth	-15.8%	17.3%	13.0%	13.0%
Blended realization growth	6.9%	5.0%	1.8%	5.0%
EBITDA Margins	57.6%	55.6%	54.8%	56.0%

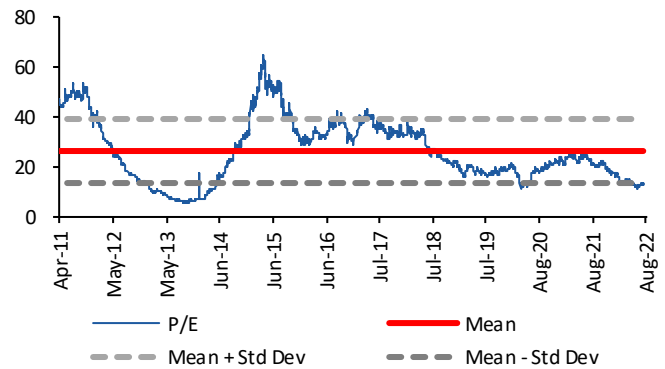
Source: Centrum Broking

### Valuations

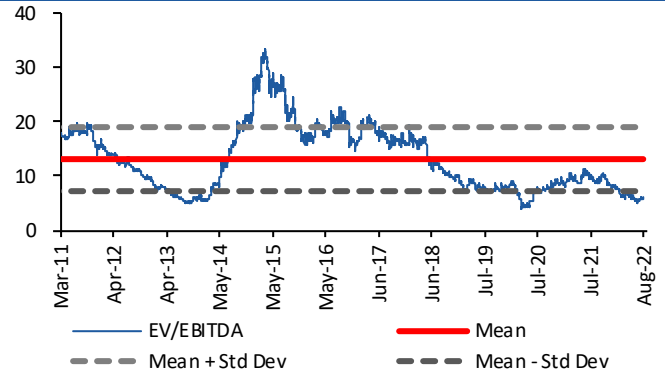
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Business (Rsbn)	Rs/share
Pipavav Port	71
PRCL	4
Free cash	20
<b>Total</b>	<b>95</b>

### P/E mean and standard deviation



### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

### Peer comparison

Company	Mkt Cap	EPS CAGR (FY22-24E)	PE (x)			P/Bv (x)			EV/EBITDA (x)			RoCE (%)
	(Rs mn)	(%)	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22
GPPL	40,077	26.7%	20.3	13.8	12.6	2.0	2.0	2.0	7.6	6.3	5.8	9.9
APSEZ	1,692,539	21.6%	31.2	32.9	22.9	4.1	3.7	3.3	21.5	18.5	14.5	9.3
Concor	424,648	21.1%	40.0	32.6	27.3	3.9	3.7	3.4	21.2	18.9	15.9	9.9
Gateway Distriparks	35,275	-0.7%	15.8	17.4	16.0	2.2	2.0	1.8	10.8	10.2	8.7	11.4

Source: Company, Centrum Broking

**Exhibit 1: Quarterly Financials**

Rsm	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	Comments
Net sales	7,335	1,596	1,947	1,686	2,207	7,447	2,081	Revenue growth led by 29% volume growth on low base (impacted by cyclone Tauktae)
EBIDTA	4,221	879	1,090	867	1,290	4,138	1,132	
<b>EBIDTA Margin</b>	<b>57.6</b>	<b>55.1</b>	<b>56.0</b>	<b>51.4</b>	<b>58.4</b>	<b>55.6</b>	<b>54.4</b>	
Other income	442	73	71	71	71	286	88	
Depreciation	1,335	334	333	318	307	1,293	300	
Interest	63	13	11	10	13	48	21	
PBT	3,266	605	816	609	1,041	3,083	899	
Tax	1,161	212	304	235	357	1,109	230	
Effective tax rate	35.6	35.1	37.2	38.6	34.3	36.0	25.6	
<b>Adj PAT</b>	<b>2,104</b>	<b>393</b>	<b>513</b>	<b>374</b>	<b>683</b>	<b>1,974</b>	<b>669</b>	
Extraordinary income	80	(71)	(57)	64	34	(30)	(94)	Pertains to repair expenses for cyclone damages (post-tax basis)
<b>Reported PAT</b>	<b>2,184</b>	<b>322</b>	<b>456</b>	<b>438</b>	<b>717</b>	<b>1,944</b>	<b>575</b>	
<b>NPM (%)</b>	<b>28.7</b>	<b>24.6</b>	<b>26.3</b>	<b>22.2</b>	<b>31.0</b>	<b>26.5</b>	<b>32.1</b>	
Outstanding shares (m)	483	483	483	483	483	483	483	
EPS	4.4	0.8	1.1	0.8	1.4	4.1	1.4	
<b>yoy growth (%)</b>								
Net Sales	(0.3)	0.4	6.6	(15.0)	14.1	1.5	30.4	
EBIDTA	(5.5)	(7.9)	5.9	(21.2)	11.6	(2.0)	28.8	
Other income	(13.1)	(34.1)	(46.9)	(16.0)	(24.9)	(35.3)	21.1	
Depreciation	1.5	0.8	(0.8)	(4.4)	(8.2)	(3.1)	(10.1)	
Interest	(14.5)	(21.3)	(31.4)	(28.7)	(16.3)	(24.5)	60.1	
PBT	(8.9)	(15.7)	0.7	(27.2)	15.6	(5.6)	48.6	
Adj PAT	(9.4)	(15.4)	(2.2)	(31.2)	19.4	(6.2)	70.4	
Reported PAT	(25.3)	(30.7)	(13.1)	(19.4)	10.0	(11.0)	78.9	

Source: Company, Centrum Broking

## Conference call takeaways and other highlights

- **Concession extension:** Consultant (A T Kearney) has given its recommendation to the GMB and the same is under evaluation
- **Realization: Containers: Rs6900-7200/TEU, Bulk: Rs450-550/MT and Liquid: Rs675-700/MT**
- PRCL PAT stood at Rs47m in Q1FY23. It remains impacted by lower revenue allocation from the Railways (not being compensated from electrification and still charged for fuel)

**Exhibit 2: Volume trend**

	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	FY23E	FY24E
Containers ('000 TEUs)	749	150	157	157	163	628	187	797	781
Bulk ('000 tonnes)	3,137	660	1,397	667	1,468	4,192	931	4,095	4,015
Liquid ('000 tonnes)	692	140	195	244	233	812	203	917	1,036
<b>Total (mt)</b>	<b>13.9</b>	<b>2.8</b>	<b>3.7</b>	<b>3.0</b>	<b>3.9</b>	<b>13.5</b>	<b>3.7</b>	<b>15.8</b>	<b>15.6</b>

**yoy growth (%)**

Containers	(14.2)	(19.4)	(6.5)	(21.1)	(16.3)	(16.1)	24.4	27.0	(2.0)
Bulk	34.6	57.5	53.1	(14.1)	42.6	33.6	41.1	(2.3)	(1.9)
Liquid	(15.8)	(34.3)	31.0	43.3	45.6	17.3	45.0	13.0	13.0
<b>Total</b>	<b>(6.7)</b>	<b>(10.1)</b>	<b>11.5</b>	<b>(16.6)</b>	<b>2.2</b>	<b>(3.3)</b>	<b>29.4</b>	<b>17.0</b>	<b>(1.1)</b>

Source: Company, Centrum Broking

**Exhibit 3: Key operating metrics**

In Rs/MT	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	FY23E	FY24E
<b>Average realization</b>	<b>526</b>	<b>565</b>	<b>525</b>	<b>556</b>	<b>565</b>	<b>553</b>	<b>570</b>	<b>563</b>	<b>591</b>
Operating expenses	99	103	112	100	117	109	110	114	114
<b>EBIDTA</b>	<b>303</b>	<b>311</b>	<b>294</b>	<b>286</b>	<b>330</b>	<b>307</b>	<b>310</b>	<b>309</b>	<b>331</b>

**yoy growth (%)**

Average realization	6.9	11.7	(4.4)	1.9	11.7	5.0	0.8	1.8	5.0
Cost	15.9	29.9	(9.0)	(5.5)	34.7	10.2	7.6	5.2	0.1
EBIDTA	1.3	2.5	(5.0)	(5.5)	9.2	1.3	(0.5)	0.5	7.2

Source: Company, Centrum Broking

**Exhibit 4: Annual cargo expectations**

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Containers ('000 TEUs)</b>	<b>703</b>	<b>903</b>	<b>873</b>	<b>749</b>	<b>628</b>	<b>797</b>	<b>781</b>
% yoy	6.0	28.5	(3.4)	(14.2)	(16.1)	27.0	(2.0)
<b>Bulk (mt)</b>	<b>1.8</b>	<b>2.0</b>	<b>2.3</b>	<b>3.1</b>	<b>4.2</b>	<b>4.1</b>	<b>4.0</b>
% yoy	(13.6)	10.3	16.0	34.6	33.6	(2.3)	(1.9)
<b>Liquid (mt)</b>	<b>1.0</b>	<b>0.6</b>	<b>0.8</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>1.0</b>
% yoy	49.2	(37.5)	28.5	(15.8)	17.3	13.0	13.0
<b>Total (mt)</b>	<b>12.3</b>	<b>14.8</b>	<b>14.9</b>	<b>13.9</b>	<b>13.5</b>	<b>15.8</b>	<b>15.6</b>

Source: Company, Centrum Broking

**Exhibit 5: Key assumptions for DCF**

	FY22	FY23	FY24	FY24-28	FY28-35	FY35-48
Container volume growth/ CAGR	-16.1%	27.0%	-2.0%	8.7%	5.7%	2.4%
Container volume exit rate (mTEUs)	0.6	0.8	0.8	1.1	1.6	2.2
Container Realization growth/ CAGR	6.5%	1.2%	7.1%	2.8%	2.8%	2.3%
Bulk volume growth/ CAGR	33.6%	-2.3%	-1.9%	1.5%	1.0%	0.8%
Liquid volume growth/ CAGR	17.3%	13.0%	13.0%	10.7%	5.4%	2.2%
Blended Realization growth/ CAGR	5.0%	1.8%	5.0%	2.4%	2.5%	2.2%
Avg EBITDA margin	55.6%	54.8%	56.0%	56.8%	55.2%	56.3%
Capex during the period (Rs mn)	665	268	400	18,095	25,898	47,493
Cumulative capex (FY22 onwards) (Rs mn)	665	933	1,333	19,028	39,681	83,283

Source: Company, Centrum Broking

**Exhibit 6: SOTP based price target of Rs95**

<b>Rsm</b>	<b>COE (%)</b>	<b>Equity value</b>	<b>Stake (%)</b>	<b>GPPL value</b>	<b>Rs/share</b>
Pipavav Port*	12.0%	34,426	100%	34,426	71
PRCL	12.0%	6,373	38%	1,939	4
Add: Free cash				9,494	20
<b>Total value</b>					<b>95</b>

Source: Company, Centrum Broking \*-factors extension period of 20 years

P&L					
YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Revenues</b>	<b>7,354</b>	<b>7,335</b>	<b>7,447</b>	<b>8,876</b>	<b>9,219</b>
Operating Expense	2,888	3,113	3,310	4,008	4,059
Employee cost	567	672	739	857	883
Others	719	746	745	919	999
<b>EBITDA</b>	<b>4,466</b>	<b>4,221</b>	<b>4,138</b>	<b>4,868</b>	<b>5,159</b>
Depreciation & Amortisation	1,315	1,335	1,293	1,280	1,383
<b>EBIT</b>	<b>3,152</b>	<b>2,887</b>	<b>2,845</b>	<b>3,588</b>	<b>3,776</b>
Interest expenses	74	63	48	85	85
Other income	509	442	286	389	553
<b>PBT</b>	<b>3,587</b>	<b>3,266</b>	<b>3,083</b>	<b>3,892</b>	<b>4,244</b>
Taxes	1,264	1,161	1,109	981	1,069
Effective tax rate (%)	35.3	35.6	36.0	25.2	25.2
<b>PAT</b>	<b>2,322</b>	<b>2,104</b>	<b>1,974</b>	<b>2,911</b>	<b>3,174</b>
Minority/Associates	0	0	0	0	0
<b>Recurring PAT</b>	<b>2,322</b>	<b>2,104</b>	<b>1,974</b>	<b>2,911</b>	<b>3,174</b>
Extraordinary items	602	80	(30)	(94)	0
<b>Reported PAT</b>	<b>2,924</b>	<b>2,184</b>	<b>1,944</b>	<b>2,818</b>	<b>3,174</b>

Ratios					
YE Mar	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Growth (%)</b>					
Revenue	4.8	(0.3)	1.5	19.2	3.9
EBITDA	14.9	(5.5)	(2.0)	17.6	6.0
Adj. EPS	12.9	(9.4)	(6.2)	47.4	9.0
<b>Margins (%)</b>					
Gross	78.2	76.9	75.5	74.9	76.4
EBITDA	60.7	57.6	55.6	54.8	56.0
EBIT	42.9	39.4	38.2	40.4	41.0
Adjusted PAT	31.6	28.7	26.1	31.7	34.4
<b>Returns (%)</b>					
ROE	11.3	10.2	9.7	14.3	15.6
ROCE	11.5	10.4	9.9	14.6	15.9
ROIC	14.8	14.4	15.7	25.8	29.8
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	0.3	0.3	0.3	0.4	0.4
Debtors	24	22	24	23	25
Inventory	18	19	21	15	13
Creditors	71	69	78	72	74
Net working capital	(93)	(97)	(109)	(92)	(83)
<b>Solvency (x)</b>					
Net debt-equity	(0.3)	(0.4)	(0.4)	(0.5)	(0.5)
Interest coverage ratio	60.5	66.9	86.8	57.3	60.7
Net debt/EBITDA	(1.5)	(1.7)	(2.1)	(2.0)	(2.0)
<b>Per share (Rs)</b>					
Adjusted EPS	4.8	4.4	4.1	6.0	6.6
BVPS	43.1	42.0	42.0	42.0	42.0
CEPS	7.5	7.1	6.8	8.7	9.4
DPS	5.6	4.5	4.0	5.8	6.6
Dividend payout (%)	92.6	99.6	99.5	100.0	100.0
<b>Valuation (x)</b>					
P/E	17.3	19.0	20.3	13.8	12.6
P/BV	1.9	2.0	2.0	2.0	2.0
EV/EBITDA	7.5	7.7	7.6	6.3	5.7
Dividend yield (%)	6.8	5.5	4.8	7.0	7.9

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Equity share capital	4,834	4,834	4,834	4,834	4,834
Reserves & surplus	16,014	15,488	15,490	15,490	15,490
Shareholders fund	20,848	20,322	20,324	20,324	20,324
Minority Interest	0	0	0	0	0
Total debt	0	0	0	0	0
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	494	1,007	1,451	1,412	1,412
<b>Total liabilities</b>	<b>21,342</b>	<b>21,329</b>	<b>21,775</b>	<b>21,736</b>	<b>21,736</b>
Gross block	21,314	21,495	22,198	22,756	23,356
Less: acc. Depreciation	(5,488)	(6,823)	(8,116)	(9,396)	(10,779)
Net block	15,825	14,673	14,082	13,360	12,577
Capital WIP	57	528	490	200	0
Net fixed assets	15,882	15,200	14,572	13,560	12,577
Non Current Assets	0	0	0	0	0
Investments	830	830	830	830	830
Inventories	76	105	102	81	75
Sundry debtors	459	441	520	608	631
Cash & Cash Equivalents	6,495	7,254	8,590	9,588	10,428
Loans & advances	5	5	6	6	6
Other current assets	510	585	629	629	629
Trade payables	298	339	445	439	445
Other current liab.	2,616	2,752	3,030	3,128	2,996
Provisions	0	0	0	0	0
Net current assets	4,630	5,298	6,373	7,346	8,329
<b>Total assets</b>	<b>21,342</b>	<b>21,329</b>	<b>21,775</b>	<b>21,736</b>	<b>21,736</b>

Cashflow					
YE Mar (Rs mn)	FY20A	FY21A	FY22A	FY23E	FY24E
Profit Before Tax	3,587	3,266	3,083	3,892	4,244
Depreciation & Amortisation	1,315	1,335	1,293	1,280	1,383
Net Interest	74	63	48	85	85
Net Change – WC	16	90	263	24	(143)
Direct taxes	(1,269)	(1,180)	(1,090)	(981)	(1,069)
<b>Net cash from operations</b>	<b>3,722</b>	<b>3,574</b>	<b>3,596</b>	<b>4,301</b>	<b>4,500</b>
Capital expenditure	(841)	(653)	(665)	(268)	(400)
Acquisitions, net	0	0	0	0	0
Investments	0	0	0	0	0
Others	1,611	76	(229)	0	0
<b>Net cash from investing</b>	<b>770</b>	<b>(577)</b>	<b>(894)</b>	<b>(268)</b>	<b>(400)</b>
<b>FCF</b>	<b>4,563</b>	<b>4,226</b>	<b>4,261</b>	<b>4,569</b>	<b>4,900</b>
Issue of share capital	0	0	0	0	0
Increase/(decrease) in debt	0	0	0	0	0
Dividend paid	(3,260)	(2,175)	(1,934)	(2,818)	(3,174)
Interest paid	(74)	(63)	(48)	(85)	(85)
Others	0	0	0	0	0
<b>Net cash from financing</b>	<b>(3,333)</b>	<b>(2,239)</b>	<b>(1,981)</b>	<b>(2,903)</b>	<b>(3,259)</b>
Net change in Cash	1,158	759	720	1,130	840

Source: Company, Centrum Broking

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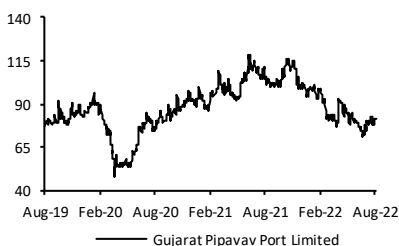
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#### Gujarat Pipavav Port Limited



Source: Bloomberg



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