

**GUJARAT PIPAVAV PORT LTD**

Industry **Marine Port & Services**  
 Bloomberg **GPPV IN**  
 BSE Code **533248**  
 NSE Code **GPPL**

Friday, August 10, 2018

RATING	NEUTRAL
<b>CMP</b>	<b>114</b>
<b>Price Target</b>	<b>110</b>
<b>Previous Target</b>	<b>124</b>
<b>Potential Upside</b>	<b>-4%</b>

**Stock Info**

52wk Range H/L	102/164
Mkt Capital (Rs Cr)	5530
Free float (%)	54%
Avg. Vol 1M (,000)	625
No. of Shares (Crore)	48
Promoters Pledged %	0%

**Change in Volume mix impacted EBITDA**

**Key Highlights**

- ☑ GPPL is the one of the major ports on the west coast of the country. The container is the main contributor in volume and revenue. Nearly 70% revenue is from container business and remaining from Bulk, Liquid and RoRo business.
- ☑ During the last quarter company has added couple new services in container business. Full impact has seen in Q1FY19 and volume is up by 18% YoY. Based on this management expects to handle 0.8 mn TEUs in FY19 which translate into growth of 14%.
- ☑ Bulk cargo volume was up by 133% QoQ and 23% YoY after 13% de growth in FY18. Contribution in total cargo volume increased from 7.9% to 17.5% QoQ and which resulted into lower EBITDA margin.

**1Q FY19 Result:**

GPPL had a mix result with revenue for the Q1FY19 being Rs 176 Cr compared Rs 153 Cr in Q4FY18 and Rs 169 Cr in Q1FY18 a growth of 4.1% YoY and 6.4% QoQ. The growth is mainly driven by higher bulk volume. EBITDA de grew in Q1FY19 due to increase in operational expenses on account of change in volume mix and maintenance dredging expense of Rs 4.5 Cr included in other expenses. PAT de grew by 15.4% YoY and 3% QoQ.

**View and Valuation**

Management focusing on capacity utilisation as the competition is higher on the west coast. GPPL has added couple new service line last quarter and expect to do container volume of 0.8 mn in FY19. But higher volume from bulk cargo will keep EBITDA under pressure. Additionally, from past couple of quarter liquid cargo is also under pressure due to capacity addition in the industry. Hence, we maintain our NEUTRAL stance on the stock with target price of Rs.110 (20x FY EPS).

**Key Risks to our rating and target**

- ◆ Higher than expected volume from Bulk cargo will result into lower EBITDA margin
- ◆ Sharp change in exchange rate

\* Data for 15 months

KEY FINANCIAL/VALUATIONS	FY15*	FY16	FY17	FY18	FY19E	FY20E
Net Sales	867	660	683	649	697	771
EBITDA	501	376	419	374	366	428
EBIT	418	279	312	271	252	318
PAT	432.1	191	246	198	185	237
EPS (Rs)	8.0	4.7	5.8	4.6	4.3	5.4
EPS growth (%)	121%	-41%	24%	-22%	-6%	25%
ROE	21%	11%	13%	10%	9%	12%
ROCE	22%	13%	15%	13%	11%	14%
BVPS	37	43	44	45	46	47
P/B (X)	6.5	4.1	3.7	3.2	2.5	2.4
P/E (x)	30.2	37.6	28.3	31.7	26.5	21.3

**Research Analyst**

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## 1QFY19 Results:- Mixed set of numbers

Financials	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	169	152	163	153	176	4.1%	15.4%	683	649	-5.0%
Other Income	9	12	7	8	11	15.8%	29.7%	32	37	17.4%
COGS	29	31	32	26	39	33.1%	50.8%	121	119	-2.3%
Emp. Exp.	13	13	13	14	15	14.1%	9.0%	48	53	9.2%
Other Exp.	23	25	23	33	31	33.5%	-6.8%	95	103	9.1%
Total Exp.	65	69	68	73	85	29.4%	16.8%	265	275	3.9%
<b>EBITDA</b>	<b>104</b>	<b>83</b>	<b>95</b>	<b>93</b>	<b>91</b>	<b>-11.9%</b>	<b>-1.7%</b>	<b>419</b>	<b>374</b>	<b>-10.6%</b>
<b>EBITDA M (%)</b>	<b>61%</b>	<b>55%</b>	<b>58%</b>	<b>56%</b>	<b>52%</b>			<b>61%</b>	<b>58%</b>	
Depreciation	26	25	25	27	27	2.1%	1.1%	107	104	-2.8%
EBIT	77	57	70	66	64	-16.7%	-2.8%	312	271	-13.3%
Interest	0	0	0	0	0	144.3%	1059%	0	0	-13.6%
Except. Item	-	-	-	-	-	NA	NA	-	-	NA
PBT	86	70	77	74	75	-13.3%	0.7%	343	307	-10.5%
Tax	31	25	27	26	28	-9.4%	7.6%	97	109	12.0%
PAT	56	44	50	49	47	-15.4%	-3.0%	246	198	-19.4%
<b>PAT %</b>	<b>33%</b>	<b>29%</b>	<b>31%</b>	<b>29%</b>	<b>27%</b>			<b>41%</b>	<b>34%</b>	

### Shift in Volume towards Bulk cargo dented the EBITDA M %

Strong growth in bulk cargo volume led to growth in revenue. Bulk cargo volume was up by 133% QoQ and 23% YoY. Container volume was down to 5% QoQ, whereas grew by 18% YoY. Volume was sequentially down due to lower transshipment volume. Higher competition in liquid business led volume de growth of 24% QoQ and 25% YoY. RoRo business performance is directly related to performance of Ford. Cargo volume was down by 30% QoQ and 38% YoY. The shift in volume towards Bulk cargo has led to lower EBITDA margin as the operational cost is higher on fertilizer cargo. EBITDA margin was down by 430 bps QoQ and 940 bps YoY. Other expense was also high YoY due to Rs.4.5 Cr of dredging expenses. Management expect that the margin will remain in range of 52-54% going ahead.

### Capacity Utilisation continue to remain under pressure

Capacity utilisation across the segment remained under pressure. Capacity utilisation of container has come down QoQ from 60% to 57.8%. However it has increased YoY on account of new client addition. For the full year FY19 capacity utilisation of container business is expected to increase from 52% to 60%. Capacity addition in industry on west coast will keep liquid business capacity utilisation under pressure and we expect 35% capacity utilisation for the full year. Bulk business has shown strong growth in capacity utilisation and likely to maintain momentum.

### Concall Highlights:-

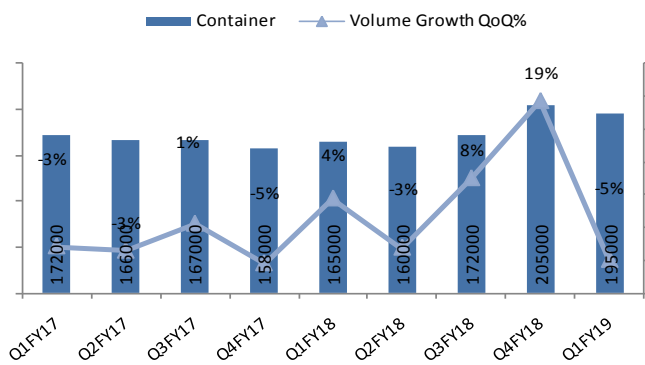
- ✓ Company maintained the full year guidance for container as stated in Q4FY18. Company is not focussing on tariff rate increase but on capacity utilisation.
- ✓ 70% of revenue is in dollar terms and rest is rupee dominated. So on account of rupee depreciation GPPL has benefited by 4% during the quarter.
- ✓ Increased yield in case of containers on account of lower Transshipment and Coastal volume and benefits in foreign exchange.
- ✓ Revenue Mix was Container 65-70%, Bulk 15-20%, Other 8-12%
- ✓ Realisation in case of container is in range of Rs 6000 - Rs 6200 and Bulk in range of Rs 450 - Rs 550
- ✓ Operating expense increased due to the increase in fertilizers volume, because fertilizers have high operational cost

**Cargo Volume**

	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	1QFY19E	YoY (+/-)	QoQ (+/-)
Container(TEUs)	167,000	158,000	165,000	160,000	172,000	205,000	195,000	18%	-5%
Bulk Volume (000' MT)	498	301	505	517	550	266	620	23%	133%
Liquid Cargo (000' MT)	230	250	213	276	324	210	160	-25%	-24%
RoRo Cargo (Nos.)	27,000	24,000	26,010	18,495	29,983	23,000	16,000	-38%	-30%

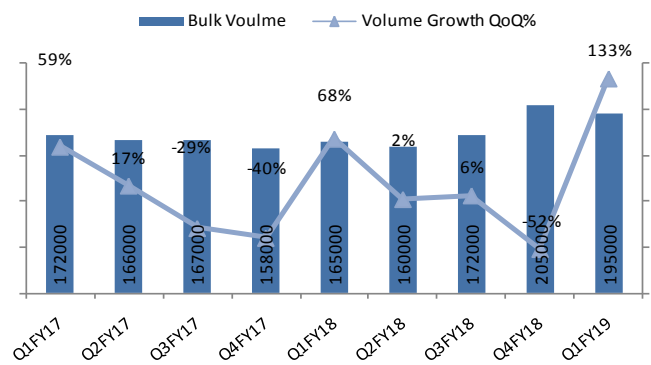
**Exhibit: Container Cargo Volume and Growth**

Lower Transshipment and costal volume hurt volume growth



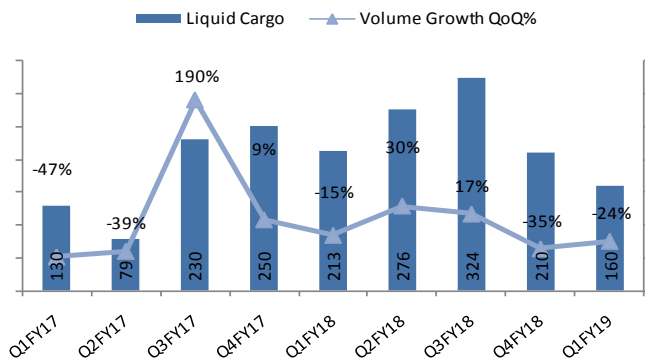
**Exhibit: Bulk Cargo Volume and Growth**

Strong fertilizer cargo led to 133% QoQ and 23% YoY volume growth



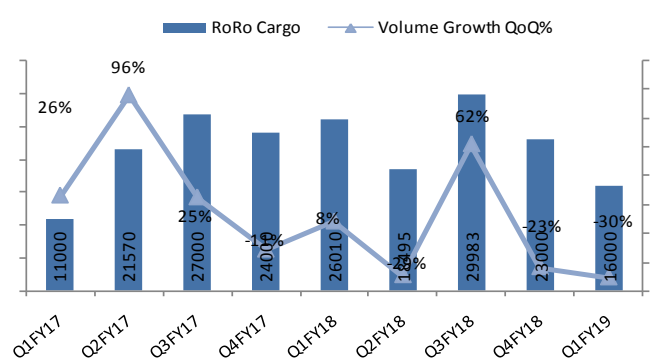
**Exhibit: Liquid Cargo Volume and Growth**

Higher competition on account of capacity addition



**Exhibit: RoRo Cargo Volume and Growth**

Dependency on single customer led to volatility in volume



## Financials Details

### Income Statement

Y/E March	FY13	FY15*	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	518	867	660	683	649	697	771
Change (%)	24%	67%	-24%	4%	-5%	7%	11%
<b>EBITDA</b>	<b>257</b>	<b>501</b>	<b>376</b>	<b>419</b>	<b>374</b>	<b>366</b>	<b>428</b>
Change (%)	41%	95%	-25%	11%	-11%	-2%	17%
Margin (%)	50%	58%	57%	61%	58%	53%	56%
Depr & Amor.	61	83	97	107	104	114	109
<b>EBIT</b>	<b>196</b>	<b>418</b>	<b>279</b>	<b>312</b>	<b>271</b>	<b>252</b>	<b>318</b>
Int. & other fin. Cost	37	26	0	0	0	0	0
Other Income	17	40	30	32	37	34	41
<b>EBT</b>	<b>175</b>	<b>432</b>	<b>309</b>	<b>343</b>	<b>307</b>	<b>286</b>	<b>359</b>
Exp Item	-	(45)	-	-	-	-	-
Tax	-	-	118	97	109	101	122
Min. Int & P/L share of Ass.	-	-	36	36	23	23	23
<b>Reported PAT</b>	<b>175</b>	<b>387</b>	<b>227</b>	<b>282</b>	<b>221</b>	<b>208</b>	<b>259</b>
<b>Adjusted PAT</b>	<b>175</b>	<b>432</b>	<b>227</b>	<b>282</b>	<b>221</b>	<b>208</b>	<b>259</b>
Change (%)		246%	53%	124%	78%	94%	125%
Margin(%)	34%	50%	34%	41%	34%	30%	34%

\* Data for 15 months

### Balance Sheet

Y/E March	FY13	FY15*	FY16	FY17	FY18	FY19E	FY20E
Share Capital	483	483	483	483	483	483	483
Reserves	920	1,377	1,604	1,659	1,676	1,717	1,769
<b>Networth</b>	<b>1,404</b>	<b>1,860</b>	<b>2,087</b>	<b>2,142</b>	<b>2,159</b>	<b>2,201</b>	<b>2,252</b>
<i>Debt</i>	282	-	-	-	-	-	-
Other Non Cur Liab	36	75	61	87	79	78	78
<b>Total Capital Employed</b>	<b>1,685</b>	<b>1,860</b>	<b>2,087</b>	<b>2,142</b>	<b>2,159</b>	<b>2,201</b>	<b>2,252</b>
<i>Net Fixed Assets (incl CWIP)</i>	1,464	1,469	1,734	1,768	1,719	1,594	1,535
<i>Non Cur Investments</i>	83	137	174	206	228	228	228
<i>Other Non Cur Asst</i>	57	193	108	89	18	18	18
Non Curr Assets	1,604	1,804	2,021	2,067	1,968	1,844	1,784
Inventory	12	13	15	16	14	15	16
Debtors	34	36	29	29	26	28	31
<i>Cash &amp; Bank</i>	202	250	295	352	432	604	727
<b>Other Curr Assets</b>	<b>14</b>	<b>22</b>	<b>9</b>	<b>10</b>	<b>17</b>	<b>18</b>	<b>20</b>
<i>Curr Assets</i>	262	321	348	407	488	664	793
Creditors	47	27	14	26	28	31	34
<i>Provisions</i>	17	36	36	37	37	39	43
Other Curr Liab	81	73	71	83	92	98	109
Curr Liabilities	145	190	221	243	218	229	247
<b>Net Curr Assets</b>	<b>117</b>	<b>131</b>	<b>127</b>	<b>163</b>	<b>270</b>	<b>435</b>	<b>546</b>
<b>Total Assets</b>	<b>1,867</b>	<b>2,125</b>	<b>2,369</b>	<b>2,473</b>	<b>2,456</b>	<b>2,508</b>	<b>2,578</b>

\* Data for 15 months

## Financials Details

### Cash Flow

Y/E March	FY13	FY15*	FY16	FY17	FY18**	FY19E	FY20E
PBT	192	387	345	379	330	308	381
(inc)/Dec in Working Capital	47	19	83	32	9	7	12
Non Cash Op Exp	61	83	97	107	104	114	109
Int Paid (+)	37	26	0	0	0	0	0
Tax Paid	(22)	(80)	(80)	(59)	(109)	(101)	(122)
others	(25)	8	(57)	(54)	-	-	-
CF from Op. Activities	290	444	389	406	334	329	381
(inc)/Dec in FA & CWIP	(91)	(114)	(365)	(143)	(54)	11	(50)
Free Cashflow	199	330	25	263	280	340	331
(Pur)/Sale of Inv	-	-	-	-	-	-	-
others	(85)	(104)	80	(102)	-	-	-
CF from Inv. Activities	(176)	(207)	(285)	(245)	(54)	11	(50)
inc/(dec) in NW	-	-	-	-	-	-	-
inc/(dec) in Debt	(17)	(304)	-	-	-	-	-
Int. Paid	(38)	(28)	(0)	(0)	(0)	(0)	(0)
Div Paid (inc tax)	-	-	-	(38)	(177)	(166)	(208)
others	-	-	-	-	-	-	-
CF from Fin. Activities	(54)	(332)	(0)	(227)	(178)	(167)	(208)
Inc(Dec) in Cash	60	(95)	104	(66)	103	173	122
Add: Opening Balance	51	111	16	120	352	432	604
Closing Balance	111	15	119	53	455	605	726

\* Data for 15 months

\*\* FY18 numbers are estimated

### Key Ratio

Y/E March	FY13	FY15*	FY16	FY17	FY18	FY19E	FY20E
ROE	12%	21%	11%	13%	10%	9%	12%
ROCE	12%	22%	13%	15%	13%	11%	14%
Asset Turnover	0.28	0.41	0.28	0.28	0.26	0.28	0.30
Debtor Days	24	15	16	15	14	14	14
Inv Days	8	6	9	8	8	8	8
Payable Days	33	11	8	14	16	16	16
Int Coverage	5	16	1,753	775	777	626	790
P/E	17	30	38	28	32	27	21
Price / Book Value	2	7	4	4	3	3	2
EV/EBITDA	12	23	22	19	19	15	12
FCF per Share	4	7	1	5	6	7	7
Div Yield	0.0%	0.0%	0.0%	-1.2%	2.1%	2.5%	3.1%

\* Data for 15 months

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