Eastern Financiers

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Gujarat Pipavav Port Ltd (GPPL) — ACCUMULATE

CMP	₹ 198.40

Company Profile

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. Port Pipavav is a successful public-private enterprise, managed and operated by APM Terminals (shareholding 43.01%). The company handles four cargo types: container, dry bulk, liquid bulk, and Roll-on Roll-off (RoRo).

Handling capacity: The port container capacity is at 1.35 million TeUs, bulk capacity at 4-5 million MT and liquid capacity at 2 million MT. The RoRo yard facility at APM Terminals Pipavav can handle 250,000 vehicles annually.

Equity (₹ Cr)	483.44
FV (₹)	10
M. Cap (₹ Cr)	9,591.45
52 Wk High (BSE)	215.50
52 Wk Low (BSE)	97.60
Book Value (₹ Cr)	47.80
P/B	4.15
TTM EPS (₹)	7.73
TTM P/E	25.67

Share Holding Pattern

	Sep-23	Dec-23
Promoters	44.01	44.01
FIIs	20.12	19.81
DIIs	21.23	20.01
Public	14.65	16.19

Financials (₹ Cr)

	FY21	FY22	FY23	FY24 (9M FY24 A)
Revenue	734	741	917	983
Growth (%)	-0.3%	1.1%	23.7%	7.2%
EBITDA	422	410	502	554
EBITDA Margin (%)	57.5%	55.4%	54.8%	56.4%
PAT	222	197	313	368
PAT Margin (%)	30.3%	26.6%	34.1%	37.5%
EPS (₹)	4.6	4.1	6.5	7.3

Price Chart

Investment Rationale

- **Strong Promoter Background:** APM Terminals is among the world's largest port and terminal operators, operating and managing 75+ port facilities in 40 countries and has inland services operations at over 100 locations in 50+ countries. It provides ports, terminals, inland services management, and operational services to over 60 container shipping lines. GPPL leverages the expertise, resources, and network of its parent in developing business with shipping lines. Maersk Line remains one of the largest customers (accounted for 23%+ of revenues).

- **Strategic Advantages:** Authorized Economic Operator (AEO) Status resulting in customers experiencing fewer physical inspections of imported/exported goods, faster release of shipments, preferential treatment by Customs Authorities and deferred payment of duties from the World Customs Organisation. As such, it can offer higher levels of efficiency and faster export-import services. Strategic geographical location and capital intensive nature of its business creates high entry barrier.

- **Dedicated Freight Corridor (DFC):** DFC will carry 70% India's goods trains & train speeds will also rise. GPPL is 1st port to connect to DFC at 2 points and inherently will benefit as the scale of operations expands.

- **Extension of concession agreement:** GPPL and Gujarat Maritime Board signed an MoU at the Vibrant Gujarat Global Summit to facilitate necessary permissions for the construction of liquid berth, container berth and yard, container handling equipment, and marine infrastructure development at Pipavav Port, estimated to cost some ₹ 3,320 cr.

- **Q3FY24 Performance:** Container volumes grew 27% yoy at 589,000 TEUs led by higher EXIM volumes while dry bulk segment suffered (on lower fertilizer and coal volumes) and declined 23% yoy to 757,023 MT. Liquid volumes were lower 5% yoy on lower Non-LPG volumes albeit RORO volume was higher 175% yoy at 29,254 units. Revenue was higher 12% yoy/7% qoq at ₹252cr led by higher container, liquid & RORO revenues (on higher ocean freight rates). EBITDA margin stood at 59% vs 56% in Q3FY23 and 60% in Q2FY24. Net profit was higher 39% yoy/3% qoq at Rs 147 crore.

Outlook & Valuation: Ocean freight rates have gone through the roof due to the ongoing red sea crisis. However, it poses challenges to volumes as Indian exporters can't pass on the higher freight costs thus making their products uncompetitive. Nevertheless, GPPL is backed by strong promoter and Maersk Line accounts for over 23% of revenues and which provides comfort. At CMP, the scrip is trading at 26.6x TTM EPS - over 40% premium than 5-year median P/E and appears expensive. However, we recommend '**ACCUMULATE**' at every dip given strong fundamentals, strong promoter and debt-free status.