



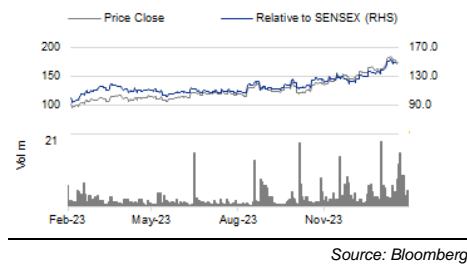
India

REDUCE (previously ADD)

Consensus ratings*:	Buy 6	Hold 3	Sell 2
Current price:	Rs174		
Target price:	Rs156 ▲		
Previous target:	Rs148		
Up/downside:	-10.3%		
InCred Research / Consensus:	15.9%		
Reuters:	GPPL.NS		
Bloomberg:	GPPV IN		
Market cap:	US\$1,015m	Rs84,288m	
Average daily turnover:	US\$6.6m	Rs549.1m	
Current shares o/s:	483.4m		
Free float:	56.0%		
*Source: Bloomberg			

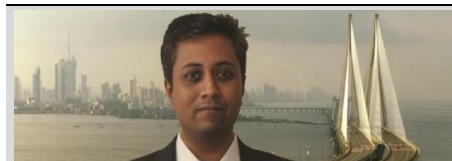
Key changes in this note

- Reduce FY24F/25F EBITDA by 5%/ 2% respectively.
- Introduce FY26F estimates.
- Roll forward our target price to Mar 2025F.



Price performance	1M	3M	12M
Absolute (%)	5.4	25.1	78.6
Relative (%)	6.9	13.5	50.9

Major shareholders	% held
APM Terminals Mauritius Limited	44.0
ICICI Prudential	7.9
HDFC Trustee Company Ltd.	7.4

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Gujarat Pipavav Port Ltd

Steady 3Q; risk-reward ratio not favourable

- 3Q EBITDA rose by 16% yoy despite a 1% yoy dip in cargo. GPPV attributed this to a better cargo mix as the high-margin EXIM containers grew 19% yoy.
- We believe that an extension of the concession at ~25% revenue share is factored in at the CMP and the risk-reward ratio is not favourable.
- We roll forward our valuation to Mar 2025F. We downgrade the stock to REDUCE (ADD earlier) with a higher target price of Rs156 (vs. Rs148 earlier).

Sharp growth in core segment; tariff hike in 4Q is an added boost

3QFY24 EBITDA of Gujarat Pipavav Port or GPPV rose by 16% yoy, respectively, despite a 1% yoy dip in cargo. GPPV attributed this to a better cargo mix as the high-margin EXIM container traffic grew by 19% yoy. No tariff hike was taken in 3QFY24, but GPPV had taken ~7% tariff hike in Jan 2024. We note that inland container depot cargo grew by 25% yoy, ahead of EXIM containers. Containers (2104TEU; 73% of total cargo) grew by 6% yoy. Bulk cargo (1.1mt) declined by 17% yoy, as Ultratech Cement's jetty (close to GPPV), which was damaged by a cyclone during 1-2QFY22, regained its volume.

Strong volume growth likely in FY25F

GPPV's EXIM container cargo grew in line with Mundra (up 19% yoy) and ahead of JNPT (up 10% yoy). Connectivity to the Dedicated Freight Corridor or DFC is likely to boost GPPV in FY25F while JNPT could be connected in FY26F. Of the three main ports on the west coast (JNPT, Mundra and GPPV), GPPV has the highest proportion of cargo using rail (~60%) vs. JNPT (13%) and Mundra (~30%).

Update on claims from an insurer

In FY22, GPPV got Rs300m from an insurer for cyclone-related repairs while incurring an expense of Rs346m. In 1HFY24/ FY23, GPPV booked Rs60m/ Rs372m of cyclone-related expenses and received Rs50m/ nil from the insurer. In 3QFY24, GPPV booked Rs1m of cyclone-related expenses. It sees the overall cyclone-related expenses at Rs800m.

Awaits clarity on extension of concession (expires in 2029)

A 20-year extension at a 25% revenue share (vs. 3% now) can add Rs17 to our target price (TP) while an extension at current revenue share (3%) can add Rs96 to our TP. In our TP, we factor in a 70% probability of concession extension with a 25% revenue share, in line with recent port agreements, and a 30% probability of depreciated replacement value.

Roll forward our valuation to Mar 2025F; downgrade to REDUCE

We reduce our FY24F/25F EBITDA estimates by 5%/ 2%, respectively, and introduce our FY26F estimates. Over FY24F-26F, we factor in sales/volume/ EBITDA CAGR of 15%/ 10%/ 17%, respectively. We roll forward our valuation to Mar 2025F and raise our DCF-based target price to Rs156 (Rs148 earlier). We downgrade the stock's rating to REDUCE (from ADD earlier) after an 83% rise in the CMP in the last one year. GPPV trades at 10x FY25F EV/EBITDA. We believe that an extension of the concession at ~25% revenue share is factored in the CMP and the risk-reward ratio is not favourable. Upside risk: Renewal of the concession at a low revenue share.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	7,435	9,170	10,050	11,956	13,270
Operating EBITDA (Rsm)	4,184	5,061	5,793	7,123	7,996
Net Profit (Rsm)	1,932	2,918	3,818	4,884	5,629
Core EPS (Rs)	4.1	6.7	7.9	10.1	11.6
Core EPS Growth	(10.2%)	61.3%	18.4%	27.9%	15.3%
FD Core P/E (x)	43.62	28.88	22.08	17.26	14.97
DPS (Rs)	4.0	6.1	7.0	5.9	6.7
Dividend Yield	2.76%	4.22%	4.81%	4.08%	4.65%
EV/EBITDA (x)	17.90	14.72	12.59	9.89	8.49
P/FCFE (x)	30.00	29.60	15.01	14.28	9.61
Net Gearing	(42.1%)	(43.1%)	(51.2%)	(59.0%)	(65.7%)
P/BV (x)	4.15	4.06	4.10	3.83	3.56
ROE	9.8%	15.7%	18.5%	23.0%	24.6%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Steady 3Q; risk-reward ratio unfavourable

Figure 1: Quarterly financials

(Rs. m)	3QFY24	3QFY23	% Chg	2QFY24	% Chg
Net Sales	2,696	2,464	9	2,526	7
EBITDA	1,593	1,375	16	1,506	6
Other income	190	118	61	216	(12)
Depreciation	292	296	(1)	288	1
Interest	20	19		22	
Extraordinary income	(1)	(102)		36	
Tax	367	282	30	372	(1)
Reported PAT	1,103	793	39	1,077	2
Adjusted PAT	1,104	869	27	1,050	5
EBITDA margin (%)	59.1	55.8		59.6	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Key metrics

	3QFY24	3QFY23	% chg	2QFY24	%chg
Container (kTEU)	204	191	6	216	(6)
Bulk (mt)	1.1	1.3	(17)	1.1	(0)
Total (mt) - derived	4.1	4.1	(1)	4.3	(4)
EBITDA/t (Rs) - derived	390	333	17	353	11

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Container volume in main ports on the country's west coast

(kTEU)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
JNPT	1,474	1,507	1,478	1,483	1,491	1,599	1,526	1,587	1,645
yoy growth (%)	14	4	8	11	1	6	3	7	10
Mundra	1,671	1,605	1,646	1,636	1,607	1,711	1,718	1,855	1,906
yoy growth (%)	5	(9)	2	1	(4)	7	4	13	19
GPPV	157	163	187	187	191	199	199	216	204
yoy growth (%)	(21)	(16)	24	19	22	22	7	16	6
Total	3,302	3,275	3,311	3,306	3,289	3,509	3,443	3,659	3,754
yoy growth (%)	7	(4)	6	6	(0)	7	4	11	14

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Sum-of-the-parts or SOTP-based target price valuation with sensitivity

(Rs/ sh)	Target Price	No extension	Extension 50% cash flows continue *	Extension 100% cash flows continue
Port EV	48	48	48	48
Depreciated Replacement value/ Extension	75	36	91	171
Net cash	27	27	27	27
PRCL stake	6	6	6	6
Total	156	117	172	252

* implies ~25% revenue share post renewal

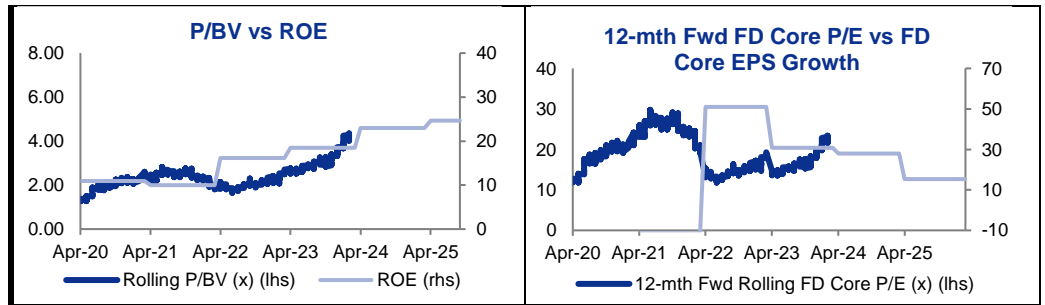
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Our revised earnings estimates

(Rs m)	FY24F		FY25F		FY26F
	Old	New	Old	New	
Sales	10,731	10,050	12,483	11,956	13,270
% change		(6)		(4)	
EBITDA	6,117	5,793	7,245	7,123	7,996
% change		(5)		(2)	
PAT	4,006	3,818	4,903	4,884	5,629
% change		(5)		(0)	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	7,435	9,170	10,050	11,956	13,270
Gross Profit	6,204	7,522	8,388	10,115	11,288
Operating EBITDA	4,184	5,061	5,793	7,123	7,996
Depreciation And Amortisation	(1,293)	(1,162)	(1,207)	(1,237)	(1,267)
Operating EBIT	2,891	3,899	4,587	5,887	6,729
Financial Income/(Expense)	238	430	504	625	776
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	3,129	4,329	5,091	6,512	7,505
Exceptional Items	(104)	(410)			
Pre-tax Profit	3,025	3,919	5,091	6,512	7,505
Taxation	(1,093)	(1,001)	(1,273)	(1,628)	(1,876)
Exceptional Income - post-tax					
Profit After Tax	1,932	2,918	3,818	4,884	5,629
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	1,932	2,918	3,818	4,884	5,629
Recurring Net Profit	1,999	3,224	3,818	4,884	5,629
Fully Diluted Recurring Net Profit	1,999	3,224	3,818	4,884	5,629

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	4,184	5,061	5,793	7,123	7,996
Cash Flow from Invt. & Assoc.					
Change In Working Capital	150	15	189	354	
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	(104)	(410)			
Other Operating Cashflow					
Net Interest (Paid)/Received	238	430	504	625	776
Tax Paid	(994)	(1,083)	(1,023)	(1,450)	
Cashflow From Operations	3,474	4,014	5,463	6,652	8,772
Capex	(665)	(1,167)	152	(750)	
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(665)	(1,167)	152	(750)	
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(2,330)	(3,554)	(4,051)	(3,437)	
Preferred Dividends					
Other Financing Cashflow	825	(475)			
Cash Flow From Financing	(1,505)	(4,029)	(4,051)	(3,437)	
Total Cash Generated	1,304	(1,181)	1,564	2,465	8,772
Free Cashflow To Equity	2,809	2,847	5,615	5,902	8,772
Free Cashflow To Firm	2,857	2,927	5,695	5,982	8,852

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	8,558	8,948	10,512	12,977	15,572
Total Debtors	520	856	754	897	996
Inventories	102	76	97	116	129
Total Other Current Assets	635	1,081	905	1,076	1,194
Total Current Assets	9,815	10,961	12,268	15,066	17,891
Fixed Assets	14,572	14,577	13,219	12,732	12,215
Total Investments	830	830	830	830	830
Intangible Assets					
Total Other Non-Current Assets					
Total Non-current Assets	15,402	15,407	14,049	13,562	13,045
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	2,919	3,691	3,622	4,309	4,783
Other Current Liabilities					
Total Current Liabilities	2,919	3,691	3,622	4,309	4,783
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities					
Total Provisions	1,974	1,894	2,144	2,322	2,446
Total Liabilities	4,893	5,585	5,767	6,631	7,229
Shareholders Equity	20,324	20,783	20,550	21,997	23,708
Minority Interests					
Total Equity	20,324	20,783	20,550	21,997	23,708

Key Ratios

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	1.4%	23.3%	9.6%	19.0%	11.0%
Operating EBITDA Growth	(3.2%)	21.0%	14.5%	23.0%	12.2%
Operating EBITDA Margin	56.3%	55.2%	57.6%	59.6%	60.3%
Net Cash Per Share (Rs)	17.70	18.51	21.74	26.84	32.21
BVPS (Rs)	42.04	42.99	42.51	45.50	49.04
Gross Interest Cover	60.66	48.74	57.33	73.59	84.11
Effective Tax Rate	36.1%	25.5%	25.0%	25.0%	25.0%
Net Dividend Payout Ratio	114.4%	106.8%	106.1%	70.4%	69.6%
Accounts Receivables Days	23.59	27.39	29.24	25.21	26.03
Inventory Days	30.65	19.69	19.03	21.15	22.52
Accounts Payables Days	825.42	732.08	802.85	786.45	837.52
ROIC (%)	21.1%	30.2%	35.6%	51.9%	64.0%
ROCE (%)	14.7%	20.0%	23.3%	28.9%	31.1%
Return On Average Assets	7.2%	11.2%	12.6%	15.5%	16.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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