

## Introduction

Gujrat Pipavav Port Ltd. (GPPL) started its operations as India's first private port operator in 1998 by commissioning an all-weather deep draft port on the western coast of India in [Pipavav](#), Gujarat. The company was originally set up by [SKIL Infrastructure](#) with APM Terminals (a part of [AP Moller - Maersk](#) group) acquiring a majority stake in 2005. The company today can handle 4 varieties of cargos i.e. *Containers* (1.35 Million [TEU](#)), *Dry Bulk* (4-5 MTPA), *Liquids* (2 MTPA), and *RORO* (250000 Vehicles).

## Q1 FY25 Financial Performance

GPPL reported a solid Q1FY25 performance with revenues rising 14% YoY to Rs. 246 crores, EBITDA increasing 41% to Rs. 149.5 crores, EBITDA Margins came in at 60.8% an improvement of 1169 bps YoY, and the PAT came in at 104.6 crores up 59% YoY. The strong performance on the topline was driven by robust growth in Liquid (344,694 Metric Tons) and RORO volumes (38,586 Units) up 32% and 175% respectively. The Container (165223 TEU) and Dry Bulk (552965 Metric Tons) segments were subdued. The containers segment registered a volume decline of 17% due to withdrawal of a *trans-shipment* product [Jade](#) by *Maersk* owing to [Red Sea Crisis](#). The dry bulk segment registered a volume decline of 18% on account of lower fertilizer volumes and zero coal volumes. The strong operating performance (EBITDA & Margins) was driven by a change of mix towards high margin Liquid & RORO businesses and no *trans-shipment* volumes in the container segment which was a low margin business. One-off costs (600 bps EBITDA impact) related to [DG Sets](#) due to power outage in the base quarter also make the operating numbers look optically better.

## CAPEX: Liquefying Growth

GPPL currently operates a liquid jetty (Design Capacity of 2MTPA) at Pipavav on landlord model with the operations being managed by [Aegis Logistics Ltd.](#) The jetty can handle semi-pressurized [VLGC](#) LPG carriers and other liquid cargo carriers with a maximum throughput capacity of 1.4 MTPA (depending on the cargo). The company has announced plans to increase the design capacity by 3.2 MTPA for an estimated capex of \$90 Million. The new capex will come on stream by Q3 FY26, taking the total capacity to 5.2 MTPA. The new capacity will be able to handle fully loaded gas carriers and thus will have better throughput (80-90% vs 70%).

Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>285</b>	<b>25%</b>

### Market Data

Current price	Rs	227.95
Market Cap (Rs. Bn)	(Rs Bn)	111
Market Cap (US\$ Mn)	(US\$ Mn)	1322
Face Value	Rs	10
52 Week High/Low	Rs	250 / 116
Average Daily Vol	('000)	4,917
BSE Code		533248
Bloomberg		GPPV.IN
Source: Bloomberg		

% Shareholding	Jun-24	Mar-24
Promoters	44.01	44.01
Public	55.99	55.99
<b>Total</b>	<b>100</b>	<b>100</b>
Source: Bloomberg		

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### Change in Cargo Mix: To Drive Profitability

GPPL over the past few years has been focusing on alternative cargos i.e. Liquid & RORO. The volumes of both Liquids and RORO have registered a CAGR of 12% and 20% respectively over FY22-24 as against containers and dry bulk volumes growing at a CAGR - 2% and 4% respectively. These alternative cargos have relatively higher profitability than the cargos that traditionally dominated (Containers & Dry Bulk) the cargo mix of the company. Going forward we expect Liquids and RORO volumes to grow at 43% and 30% respectively over FY25-27 as against containers and dry bulk growing at a CAGR of 2% and -1.5% respectively. The growth of liquid volumes will be driven by the new liquid jetty, while growth for RORO will be driven by export focus of key customers (Maruti Suzuki & Honda Cars). Container and dry bulk volumes are expected to be subdued on account lack of capacity expansion on the container side (due to [lack of clarity](#) on concession agreement) and [lower fertilizer imports](#) on the dry bulk side.

### Concession Agreement Overhang

GPPL's 30-year [concession agreement](#) with the Gujarat Maritime Board (GMB) for operating the Pipavav Port is coming to an end in September 2028. The company has been making representations with the regulatory authorities for the extension of the concession agreement but hasn't been able to secure an extension (lack of policy clarity on the part of GMB). This remains a key overhang on the stock, although the management has been guiding that they don't see any red flags in the conversations with the regulator. The company has gone ahead and signed an [MOU](#) with the Gujarat government to invest close to Rs. 3320 Crores (including the \$90 million being spent on the liquid jetty) in the state at the [Vibrant Gujarat Global Summit 2024](#). Any negative news on the extension can cause near term volatility in the stock price, however in such event we believe the company becomes an attractive M&A target.

### Dholera Smart City: The Big Opportunity

The Government of Gujarat has announced a plan to build Dholera a smart industrial city. With the Tata Group announcing plans to set up a semiconductor factory in Dholera, things might have finally started to move on the ground, the company believes it could be a significant growth driver going forward given that Pipavav port is in close vicinity of Dholera. However, progress on this front must be closely monitored.

### Valuation & Outlook

Based on our estimated FY27 EBITDA of Rs. 920 crores we value the company at *15x* FY27E EV/EBITDA. Our view is driven by strong growth outlook on the liquid and the RORO segments for the company. We assign a **target price of 285 per share which implies an upside potential of 25%**.

## Financial Data

Particulars	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue from operations (Cr.)	735	733	744	917	988	1029	1197	1483
Growth (YoY)		0%	1%	23%	8%	4%	16%	24%
Gross Profit (Cr.)	608	596	597	725	814	843	984	1232
Gross Margins (%)	83%	81%	80%	79%	82%	82%	82%	83%
EBITDA (Cr.)	447	422	413	502	573	609	720	920
EBITDA Margins (%)	61%	58%	55%	55%	58%	59%	60%	62%
PBT (Cr.)	386	330	307	413	479	540	605	783
PBT Margins	52%	45%	41%	45%	49%	52%	51%	53%
(-) Tax Expense (Cr.)	66	108	109	100	137	154	172	223
ETR (%)	17%	33%	36%	24%	29%	29%	29%	29%
PAT (Cr.)	319	222	197	313	342	386	432	560

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