

**Result Update**

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**Q3CY11 Operational Highlights**

**Robust container volume**

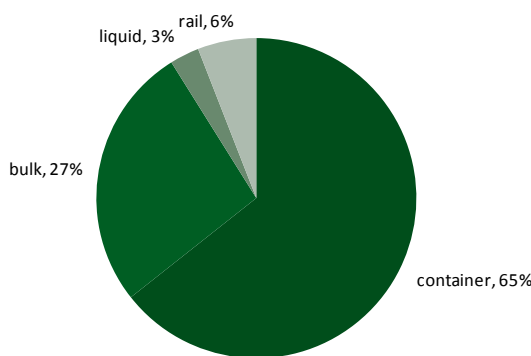
The container volume growth was healthy during the quarter which stood at 168,983 TEUs (+30% YoY and +26% QoQ). During the quarter, the company handled the highest volume of container cargo ever in the month of September. The no. of rakes handled during the quarter were 692 rakes (highest volume handled in a quarter till date) i.e. a growth of 53% on a QoQ basis and 73% on YoY basis. Rail cargo stood at 1.79 MT i.e. a growth of 61% on a QoQ basis and 127% on a YoY basis.

**but ... slowdown in bulk volume**

On drop of bulk volumes, Q3 CY11 witnessed 1.6% de-growth QoQ (23% YoY growth in revenues) at Rs. 925 mn. GPPL handled lesser bulk volume of 0.78 MT in the quarter (-43% QoQ and -36% YoY). Low coal volumes (imported Indonesian coal went down significantly on the back of spurt in prices) along with subdued fertilizer volumes (Government did not place any orders for the import of fertilizers due to increased prices) dragged down the volume. Change in the bulk mix of cargo handled also a contributing factor for decline in revenue.

For 9 months ended Sept 2011, the revenues stood at Rs. 2.62bn i.e. a growth of 45%. Thus, the company has surpassed the revenues clocked in the whole of CY10. Overall a 35% growth in container volumes (439863 TEUs) and 7% growth in bulk volumes (2.78 MT) were registered. The rakes handled stood at 847 i.e. a growth of a whopping 78% and volumes handled were 2.05 MT with 85% growth.

**Q3CY11 Revenue Mix**



Source: Company, Networth Research

Rating	Hold
Target Price	₹69
CMP	₹71
Upside	-2%
Sensex	17555

Key Data	
Bloomberg Code	GPPV IN
Reuters Code	GPPL.BO
NSE Code	GPPL
Current Share o/s (mn)	423.6
Diluted Share o/s (mn)	423.6
Mkt Cap (₹bn/\$mn)	30.3/621.5
52 WK H/L (₹)	75.25/48
Daily Vol. (3M NSE Avg)	632863
Face Value (₹)	10
Beta	--
1 USD/₹	48.8

Shareholding Pattern	(%)
Promoters	43.0
FII	26.3
Others	30.7

Price Performance (%)			
	1M	6M	1yr
GPPL	9.5	0.8	19.1
NIFTY	7.8	-2.8	-11.5

Source: Bloomberg; \*As on 31<sup>st</sup> Oct, 2011

	Q3 CY11	Q2 CY11	QoQ (%)	Q3 CY10	YoY (%)	9m CY11	9m CY10	%	CY10
Container volume (TEUs)	168983	134370	25.76	130271	29.72	439863	323858	35.82	466138.00
Bulk volume (MT)	0.78	1.36	-42.65	1.22	-36.07	2.78	2.59	7.34	3.37
<b>RAIL</b>									
# Of rakes.	692	451	53.44	398	73.87	1509.00	847.00	78.16	1296.00
Rail volume (MT)	1.79	1.11	61.26	0.79	126.58	3.80	2.05	85.37	3.09

Source: Company, Networth Research

## Q3CY11 Financial Highlights

### Margins improved despite lull in revenue growth

Sequentially, during the quarter GPPL witnessed a decline of 10.3% in costs as against 1.6% decline in revenues as a result EBITDA grew by 10% at Rs. 451 mn which boosted margins by a whopping 513 bps at 46%. This significant improvement was thanks to the couple of non-recurring expenditures amounting to ~Rs. 29 mn incurred during the last quarter viz. pre monsoon resurface repairs of the road and legal charges. Also there was a decline in operating expenses due to a decline in bulk cargo handled as well as a change in cargo mix of bulk volumes. On a YoY basis, the EBITDA grew by 29% with higher margin at 46% (+280bps). For 9 months ended Sept 2011, EBITDA stood at Rs. 1238 mn clocking a growth of 64% over the same period previous year due to a 30% increase in costs as against a 43% increase in revenues.

GPPL registered a net profit of Rs. 132 mn i.e. a QoQ growth of 21%. The Margins also improved by 257 bps at 13.5%. This was led by a drop in finance costs as the company paid off a debt ahead of schedule amounting to Rs. 400 mn. During the period, the company's tax liability is nil because of tax holiday status till March 2017. For 9 months ended Sept 2011, PAT stood at Rs. 301 mn and PAT margin was 10.7%.

### Other Highlights

- ◆ GPPL's partners (IMC and Aegis Logistics) for liquid business are in the process of acquiring the necessary regulatory approvals. The construction of tanks and pipelines is likely to commence by Q2 CY12 and scheduled to be completed by the end of CY12. GPPL has its allied infrastructure ready.
- ◆ **Engineering workshop** is complete and put to use.
- ◆ All **fenders** have been replaced. Jetty strengthening work is in progress and is likely to complete by Q4 CY11. This will enable the company to handle larger vessels.
- ◆ Phase I of **Container Yard** is complete and operational and Phase II is likely to be complete by Q4 CY11. The current capacity of the container yard has increased to 720000 TEUs from 600000 TEUs.
- ◆ During Q2 CY11, GPPL construction and commissioned the following:

### Construction of phase II yard is in progress and is likely to be completed by Q4 CY11.

- ◆ During the quarter the company had achieved:
  - Highest container cargo in Sept @ 59505 TEUs.
  - Highest no. of rakes handled during the quarter @ 692 rakes
  - Handled largest parcel ever of 85751 MT of M V Drummond Voyager.
- ◆ The company was awarded as the fastest growing port in 2011 by MALA for the second consecutive year.

## Valuations

We continue to value the stock based on DCF methodology (WACC -11.9% Terminal Growth Rate – 3% Beta – 0.98) to arrive at a valuation of Rs. 67 per share. Investment in Pipavav Railway Corporation Ltd based upon 1x investment value yields ~Rs.2/share. Thus, our SOTP valuation for the share adds upto Rs. 69. We have “Hold” rating on the stock.

## Financials

Income Statement (Rs in mn)	Q3 CY11	Q2 CY11	QoQ (%)	Q3 CY10	YoY (%)	9m CY11	9m CY0	%
Net Sales	925	940	-1.60	754	22.68	2620	1813.00	44.51
Other Operating Income	54	59	-8.47	54	0.00	188	151.00	24.50
	<b>979</b>	<b>999</b>	<b>-2.00</b>	<b>808</b>	<b>21.16</b>	<b>2808</b>	<b>1964</b>	<b>42.97</b>
Expenditure:								
Operating Expenses	372	407	-8.60	339	9.73	1099	809.00	35.85
Employee's Cost	81	111	-27.03	59	37.29	262	196.00	33.67
Administrative & Other Expenses	76	72	5.56	61	24.59	209	203.00	2.96
	<b>529</b>	<b>590</b>	<b>-10.34</b>	<b>459</b>	<b>15.25</b>	<b>1570</b>	<b>1208</b>	<b>29.97</b>
<b>EBIDTA</b>	<b>450</b>	<b>409</b>	<b>10.02</b>	<b>349</b>	<b>28.94</b>	<b>1238</b>	<b>756</b>	<b>63.76</b>
<i>EBIDTA Margin (%)</i>	<i>46.0</i>	<i>40.94</i>	<i>12.27</i>	<i>43.2</i>	<i>6.42</i>	<i>44.1</i>	<i>38.5</i>	<i>14.54</i>
		<i>5.02</i>						
Depreciation	131	131	0.00	123	6.50	397	365.00	8.77
<b>EBIT</b>	<b>319</b>	<b>278</b>	<b>14.75</b>	<b>226</b>	<b>41.15</b>	<b>841</b>	<b>391</b>	<b>115.09</b>
Finance Cost	211	214	-1.40	338	-37.57	644	1078.00	-40.26
Other Income	24	45	-46.67	14	71.43	104	63.00	65.08
Extraordinary Item	0	0	-	0	-	0	35.00	-100.00
<b>PBT</b>	<b>132</b>	<b>109</b>	<b>21.10</b>	<b>-98</b>	<b>-234.69</b>	<b>301</b>	<b>-659</b>	<b>-145.68</b>
Tax	0	0	0.00	0		0	0.00	0.00
<b>PAT</b>	<b>132</b>	<b>109</b>	<b>21.10</b>	<b>-98</b>	<b>-234.69</b>	<b>301</b>	<b>-659</b>	<b>-145.68</b>
<i>PAT Margin (%)</i>	<i>13.5</i>	<i>10.91</i>	<i>23.57</i>	<i>-</i>	<i>-</i>	<i>10.7</i>	<i>-33.6</i>	<i>-131.95</i>

## Income Statement

(Rs mn)	CY10	CY11e	CY12e	CY13e
Sales	2839.3	3855.0	4467.5	5222.9
Expenditure				
Operating expenses	1393.6	1703.0	1778.7	2095.5
Employee cost	271.8	253.6	296.4	349.2
	<b>1665.5</b>	<b>1956.7</b>	<b>2075.1</b>	<b>2444.7</b>
EBITDA	1173.8	1898.4	2392.4	2778.2
EBITDA Margins (%)	41.3	49.2	53.6	53.2
<b>EBIT</b>	<b>681.2</b>	<b>1344.9</b>	<b>1817.6</b>	<b>2151.3</b>
Finance costs	1271.4	743.0	810.5	734.9
Other income	81.4	100.0	100.0	100.0
<b>EBT &amp; extra ordinary items</b>	<b>(508.9)</b>	<b>701.9</b>	<b>1107.0</b>	<b>1516.4</b>
Extraordinary items	(38.4)	0.0	0.0	0.0
<b>PBT</b>	<b>(547.2)</b>	<b>701.9</b>	<b>1107.0</b>	<b>1516.4</b>
Provision for taxes	0.0	(9.8)	0.0	0.0
<b>EAT</b>	<b>(547.2)</b>	<b>711.8</b>	<b>1107.0</b>	<b>1516.4</b>
EAT Margins (%)	(19.3)	18.5	24.8	29.0
EPS	(1.3)	1.7	2.6	3.6

## Balance Sheet

(Rs mn)	CY10	9m CY11	CY11e	CY12e	CY13e
<b>SOURCES OF FUNDS</b>					
<b>SHAREHOLDERS' FUNDS</b>					
Share capital	4236	4236	4236	4236	4236
Reserves and surplus	3123	3425	3835	5014	6599
Networth	7359	7661	8070	9249	10834
<b>LOAN FUNDS</b>					
a. Secured loans	7654	6759	6754	6154	5554
b. Unsecured loans	319	0	0	0	0
Total Loans	7973	6759	6754	6154	5554
<b>Sources of Funds</b>	<b>15332</b>	<b>14420</b>	<b>14825</b>	<b>15404</b>	<b>16389</b>
<b>APPLICATION OF FUNDS</b>					
<b>FIXED ASSETS</b>					
Gross block	16883	17105	17187	17687	19287
Less: Accumulated Depreciation & Impairment	4280	2914	4834	5408	6035
Less: Impairment	0	1756	0	0	0
Net block	12603	12435	12354	12279	13252
Capital work in progress	304	461	500	2000	1500
	12907	12896	12854	14279	14752
<b>INVESTMENTS</b>	<b>830</b>	<b>830</b>	<b>830</b>	<b>830</b>	<b>830</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
Inventories	75	62	93	98	116
Sundry debtors	295	246	377	441	519
Cash and bank balances	1949	1094	1309	581	1157
Loans and advances	530	732	750	630	680
Total current assets	2848	2134	2529	1749	2472
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>					
a. Current liabilities	868	1050	1074	1141	1352
b. Provisions	385	390	313	313	313
Total current liabilities	1253	1440	1387	1454	1665
<b>NET CURRENT ASSETS</b>	<b>1595</b>	<b>694</b>	<b>1141</b>	<b>295</b>	<b>807</b>
<b>Uses of Funds</b>	<b>15332</b>	<b>14420</b>	<b>14825</b>	<b>15404</b>	<b>16389</b>

## About Gujarat Pipavav Port Ltd

Incorporated in 1992, Gujarat Pipavav Port Ltd (GPPL) is India's first private-sector port equipped with multi-cargo and multi-user features. The company has signed a concession agreement with the Gujarat Maritime Board to build, operate, develop and maintain Pipavav port till September 2028. Initially the company was established as a joint venture between SKIL Infrastructure and Gujarat Maritime Board, the company is currently being promoted by APM Terminals which is globally one of the largest container terminal operators with a presence in 34 countries. The port has a capacity to handle 5 MT of bulk cargo and 1.2 mn TEUs of container cargo besides a berth capable of handling 2 MT LPG cargos.

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