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Kejal Mehta  
kejalmehta@plindia.com  
+91-22-66322246

Dhrushil Jhaveri  
dhrushiljhaveri@plindia.com  
+91-22-66322232

Rating	Accumulate
Price	Rs58
Target Price	Rs66
Implied Upside	13.8%
Sensex	18,145
Nifty	5,505

(Prices as on February 22, 2012)

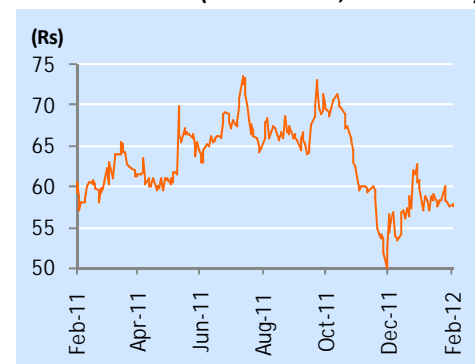
Trading data	
Market Cap. (Rs bn)	24.5
Shares o/s (m)	423.6
3M Avg. Daily value (Rs m)	18.7

Major shareholders	
Promoters	43.01%
Foreign	27.83%
Domestic Inst.	18.76%
Public & Other	10.40%

Stock Performance			
(%)	1M	6M	12M
Absolute	(3.8)	(12.6)	(4.6)
Relative	(12.2)	(23.6)	(3.8)

How we differ from Consensus			
EPS (Rs)	PL	Cons.	% Diff.
2012	2.5	2.4	4.0
2013	3.6	3.5	3.9

Price Performance (RIC: GPPL.BO, BB: GPPV IN)



Source: Bloomberg

■ **Higher realizations drive performance:** Gujarat Pipavav (GPPV) declared results above ours as well as consensus estimates. Owing to 1>higher proportion of reefer cargo, plus 2>increased marine charges aided by currency depreciation, coupled with 3> certain volume (year-end adjustments based on committed and actual volumes) and demurrage write-backs, the quarter saw a sharp 18% sequential increase in revenues. Revenues grew 33% YoY and 18% QoQ to Rs1,159m.

Higher revenues led to margin expansion continuing in Q4CY11, as EBITDA margins (adjusted for volume and demurrage write-backs) improved ~200 bps QoQ to 48%. Reported EBITDA margins stood at 50.9% compared to 43.9% in Q4CY10. Also, other income at Rs48m was higher in Q4CY11 on Rs21m of sundry write-backs. As a result, PAT stood at Rs270m, a growth of 142% YoY and 104% QoQ.

■ **Container volume growth slows down:** Container volumes remained stable QoQ, clocking 170,380 TEUs, while bulk volumes increased ~15% QoQ to 0.9mt, aided by higher fertilizer volumes during the quarter. A general slowdown in the west coast container market (8-9% growth) has resulted in a slower ~20% YoY growth in Q4CY11 container volumes at GPPV (compared to a 31% full year growth). Also, as GPPV's exclusivity agreement with Maersk line ends in March 2012, Maersk has decided to start a new service calling at Mundra port which could affect container volume growth at the port. However, the management is currently negotiating longer term (1 year+) contracts, with shipping lines to garner higher volume commitments in order to enhance volume growth visibility at GPPV.

Contd...2				
Key financials (Y/e December)	2010	2011	2012E	2013E
Revenues (Rs m)	2,839	3,968	4,667	5,615
Growth (%)	29.6	39.8	17.6	20.3
EBITDA (Rs m)	1,174	1,829	2,310	3,111
PAT (Rs m)	(509)	572	1,071	1,545
EPS (Rs)	(1.2)	1.4	2.5	3.6
Growth (%)	(66.3)	(212.4)	87.2	44.2
Net DPS (Rs)	—	0.1	0.5	0.8

Profitability & Valuation	2010	2011	2012E	2013E
EBITDA margin (%)	41.3	46.1	49.5	55.4
RoE (%)	(9.8)	7.5	12.9	16.6
RoCE (%)	2.3	7.6	10.6	13.1
EV / sales (x)	10.7	7.5	6.2	5.2
EV / EBITDA (x)	26.0	16.4	12.6	9.4
PE (x)	(48.0)	42.7	22.8	15.8
P / BV (x)	3.3	3.1	2.8	2.5
Net dividend yield (%)	—	0.2	1.0	1.4

Source: Company Data; PL Research

- **Capex update:** Container yard capacity expansion to ~850k TEUs has been completed during the quarter. The company is planning to spend ~Rs10bn in CY12 for a> three Rail Mounted Gantry Cranes for ~Rs500m to handle increased rail container traffic, expected to be commissioned by Q4 CY12 and b> ~Rs500m on fertilizer shed expected to be completed by Q3CY12.
- **Maintain 'Accumulate':** We reiterate our positive stance on the stock, given the favourable long-term volume growth prospects, and resultant margin expansion expectations. Based on our DCF-based approach, our SOTP-based target price stands at Rs66/share. We maintain '**Accumulate**' on the stock.

**Exhibit 1: Q4CY11 Result Overview (Rs m)**

Y/e Dec	Q4CY11	Q4CY10	YoY gr. (%)	Q3CY11	CY11	CY10	YoY gr. (%)
<b>Net Sales</b>	<b>1,159</b>	<b>875</b>	<b>32.5</b>	<b>979</b>	<b>3,968</b>	<b>2,840</b>	<b>39.7</b>
Operating exp	406	331	22.6	372	1,505	1,140	32.0
<i>% of Sales</i>	<i>35.0</i>	<i>37.9</i>		<i>38.1</i>	<i>37.9</i>	<i>40.2</i>	
Personnel exp	80	73	9.8	80	341	269	27.0
<i>% of Sales</i>	<i>6.9</i>	<i>8.3</i>		<i>8.2</i>	<i>8.6</i>	<i>9.5</i>	
Administration & other exp	84	87	(0.0)	76	290	304	
<i>% of Sales</i>	<i>0.1</i>	<i>0.1</i>		<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	
Total Expenses	569	491	15.9	528	2,137	1,713	24.7
<b>EBITDA</b>	<b>590</b>	<b>384</b>	<b>53.7</b>	<b>450</b>	<b>1,831</b>	<b>1,127</b>	<b>62.5</b>
<i>Margins (%)</i>	<i>50.9</i>	<i>43.9</i>		<i>46.0</i>	<i>46.2</i>	<i>39.7</i>	
Depreciation	161	128	25.6	131	558	493	13.2
<b>EBIT</b>	<b>429</b>	<b>256</b>	<b>67.8</b>	<b>319</b>	<b>1,273</b>	<b>634</b>	<b>NA</b>
Interest	208	176	18.2	211	852	1,271	(33.0)
Other Income	48	31	54.4	24	149	126	18.7
<b>PBT</b>	<b>270</b>	<b>111</b>		<b>132</b>	<b>571</b>	<b>(547)</b>	<b>NA</b>
Tax	-	-		-	-	-	
<i>Effective tax rate (%)</i>	<i>-</i>	<i>-</i>		<i>-</i>	<i>-</i>	<i>-</i>	
Extraordinary	-	-		-	-	(35)	
<b>PAT</b>	<b>270</b>	<b>111</b>		<b>132</b>	<b>571</b>	<b>(547)</b>	<b>NA</b>

Source: Company Data, PL Research

### Income Statement (Rs m)

Y/e December	2010	2011	2012E	2013E
<b>Net Revenue</b>	<b>2,839</b>	<b>3,968</b>	<b>4,667</b>	<b>5,615</b>
Raw Material Expenses	1,141	1,505	1,661	1,741
Gross Profit	1,699	2,463	3,005	3,874
Employee Cost	272	341	382	428
Other Expenses	253	293	314	335
<b>EBITDA</b>	<b>1,174</b>	<b>1,829</b>	<b>2,310</b>	<b>3,111</b>
Depr. & Amortization	493	558	627	674
Net Interest	1,271	852	772	789
Other Income	81	153	160	170
<b>Profit before Tax</b>	<b>(509)</b>	<b>572</b>	<b>1,071</b>	<b>1,817</b>
Total Tax	—	—	—	273
<b>Profit after Tax</b>	<b>(509)</b>	<b>572</b>	<b>1,071</b>	<b>1,545</b>
Ex-Od items / Min. Int.	(77)	—	—	—
<b>Adj. PAT</b>	<b>(509)</b>	<b>572</b>	<b>1,071</b>	<b>1,545</b>
<b>Avg. Shares O/S (m)</b>	<b>423.6</b>	<b>423.6</b>	<b>423.6</b>	<b>423.6</b>
<b>EPS (Rs.)</b>	<b>(1.2)</b>	<b>1.4</b>	<b>2.5</b>	<b>3.6</b>

### Cash Flow Abstract (Rs m)

Y/e December	2010	2011	2012E	2013E
C/F from Operations	(189)	1,010	1,938	2,351
C/F from Investing	(1,105)	(246)	(1,050)	(2,000)
C/F from Financing	2,445	(1,224)	(353)	(585)
Inc. / Dec. in Cash	1,151	(460)	535	(234)
Opening Cash	798	1,949	1,273	2,024
Closing Cash	1,949	1,488	1,808	1,790
FCFF	(1,145)	459	938	351
FCFE	(4,063)	(755)	853	152

### Key Financial Metrics

Y/e December	2010	2011	2012E	2013E
<b>Growth</b>				
Revenue (%)	29.6	39.8	17.6	20.3
EBITDA (%)	166.4	55.8	26.3	34.7
PAT (%)	(54.6)	(212.4)	87.2	44.2
EPS (%)	(66.3)	(212.4)	87.2	44.2
<b>Profitability</b>				
EBITDA Margin (%)	41.3	46.1	49.5	55.4
PAT Margin (%)	(17.9)	14.4	22.9	27.5
RoCE (%)	2.3	7.6	10.6	13.1
RoE (%)	(9.8)	7.5	12.9	16.6
<b>Balance Sheet</b>				
Net Debt : Equity	0.8	0.7	0.5	0.5
Net Wrkng Cap. (days)	(216)	(143)	(229)	(270)
<b>Valuation</b>				
PER (x)	(48.0)	42.7	22.8	15.8
P / B (x)	3.3	3.1	2.8	2.5
EV / EBITDA (x)	26.0	16.4	12.6	9.4
EV / Sales (x)	10.7	7.5	6.2	5.2
<b>Earnings Quality</b>				
Eff. Tax Rate	—	—	—	15.0
Other Inc / PBT	(16.0)	26.7	14.9	9.4
Eff. Depr. Rate (%)	2.9	3.2	3.4	3.3
FCFE / PAT	798.5	(132.0)	79.7	9.9

Source: Company Data, PL Research.

### Balance Sheet Abstract (Rs m)

Y/e December	2010	2011	2012E	2013E
Shareholder's Funds	7,359	7,930	8,733	9,892
Total Debt	7,973	6,759	6,674	6,476
Other Liabilities	—	—	—	—
<b>Total Liabilities</b>	<b>15,332</b>	<b>14,689</b>	<b>15,407</b>	<b>16,367</b>
Net Fixed Assets	12,907	12,604	13,027	14,353
Goodwill	—	—	—	—
Investments	830	830	830	830
Net Current Assets	1,595	1,040	1,550	1,185
<i>Cash &amp; Equivalents</i>	<i>1,949</i>	<i>1,273</i>	<i>2,024</i>	<i>1,790</i>
<i>Other Current Assets</i>	<i>899</i>	<i>912</i>	<i>1,218</i>	<i>1,375</i>
<i>Current Liabilities</i>	<i>1,253</i>	<i>1,145</i>	<i>1,692</i>	<i>1,980</i>
Other Assets	—	—	—	—
<b>Total Assets</b>	<b>15,332</b>	<b>14,474</b>	<b>15,407</b>	<b>16,367</b>

### Quarterly Financials (Rs m)

Y/e December	Q1CY11	Q2CY11	Q3CY11	Q4CY11
<b>Net Revenue</b>	<b>831</b>	<b>999</b>	<b>979</b>	<b>1,159</b>
<b>EBITDA</b>	<b>381</b>	<b>409</b>	<b>450</b>	<b>590</b>
% of revenue	45.9	41.0	46.0	50.9
Depr. & Amortization	134	131	131	161
Net Interest	219	214	211	208
Other Income	32	45	24	48
<b>Profit before Tax</b>	<b>60</b>	<b>109</b>	<b>132</b>	<b>270</b>
Total Tax	—	—	—	—
<b>Profit after Tax</b>	<b>60</b>	<b>109</b>	<b>132</b>	<b>270</b>
<b>Adj. PAT</b>	<b>60</b>	<b>109</b>	<b>132</b>	<b>270</b>

### Key Operating Metrics

Y/e December	2010	2011	2012E	2013E
<b>Volumes</b>				
Container (m TEU)	—	0.6	0.7	0.8
Bulk (mt)	3	4	4	4.2

Source: Company Data, PL Research.

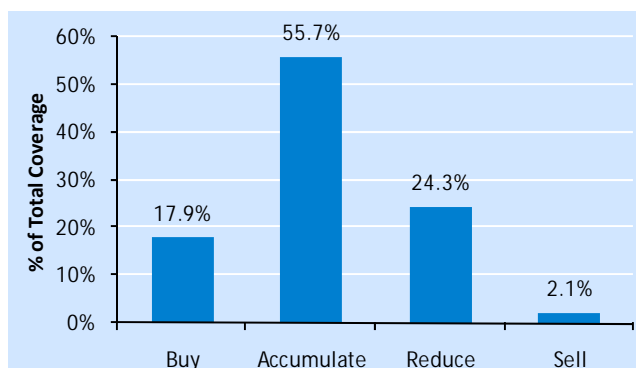


Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

#### Rating Distribution of Research Coverage



#### PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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