# Gujarat Pipavav Port Ltd — FY 2026 Annual Report Analysis

## Annual Report Analysis (Consolidated)

*Source: CRORES. All figures  Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.*

### Investor Snapshot

| # | Analytical Point | Sentiment |
|---|---|---|
| *1* | GPPL operates as a strategic maritime utility currently pivoting its business mix toward RoRo and Liquid Bulk to offset a 4% YoY decline in container volumes, which significantly underperformed the 9% growth seen across West Coast peers. | □ |
| **2** | Top-line performance remains robust with revenue growing 17.28% to □1,158 Cr, driven by a 39% surge in RoRo volumes (229k units) and the strategic addition of ONGC as a long-term offshore supply base tenant. | □ |
| *3* | Operating margins expanded to 61%, though this figure is artificially bolstered by □49.56 Cr in non-recurring SEIS duty scrips, suggesting underlying core margin pressure. | □ |
| **4** | Net profit increased 26% to □515 Cr, benefiting from high operational efficiency and the aforementioned non-core duty benefits. | □ |
| **5** | The balance sheet remains a "fortress" with zero term-loan debt, an exceptional interest coverage ratio of 101.29x, and a substantial cash reserve of □676 Cr. | □ |
| **6** | Cash flow generation is superior, with a CFO of □510 Cr nearly matching PAT (0.99x ratio) and a cash conversion cycle that improved from 18 to 14 days. | □ |
| *7* | Capital expenditure is focused on a □273 Cr liquid berth project designed to triple capacity by December 2026, though □33.26 Cr in stalled CWIP (>3 years) indicates localized execution friction. | □ |
| *8* | Earnings quality is a point of contention due to an aggressive 60-year depreciation schedule for jetties and the fact that 85.72% of trade payables are unbilled, potentially masking year-end expense management. | □ |
| 9 | Governance is generally strong with zero promoter pledges and disciplined KMP compensation (<2% of PAT), despite board independence falling short of 50% and high revenue concentration with Maersk (>20%). | □ |
| *10* | The primary structural risk is the September 2028 concession expiry, which creates significant terminal value uncertainty and justifies the aggressive depreciation policy. | □ |
| **11** | The near-term outlook is defined by a transition toward sticky industrial revenue (ONGC) and liquid cargo, providing a hedge against structural container erosion. | □ |
| 12 | Investment View: ACCUMULATE for the attractive dividend yield (□10.40/share); key monitorables include the binding 30-year concession extension and the Dec 2026 liquid berth commissioning. | □ |

### 1. BUSINESS OVERVIEW

- **Business Segments:** Gujarat Pipavav Port Ltd (GPPL) operates as a multipurpose port gateway handling Containers, Dry Bulk, Liquid Bulk, and RoRo (Roll-on/Roll-off) cargo.
- **Revenue Drivers:** Primary revenue is derived from Port Services (88.54% of operations), including marine services, cargo handling, and storage. Container volumes are a core but currently challenged driver, while RoRo and Liquid Bulk are emerging growth engines.

- **Cost Drivers:** Major variable costs include Handling Expenses and Waterfront Royalties. Fixed costs are driven by Employee Benefits, Repairs and Maintenance, and Depreciation.
- **Industry Position:** Pipavav is a key private port on India's West Coast, increasingly positioned as a "spoke" hub compared to larger peers like Mundra. It maintains a strategic "Rail Moat" through its associate PRCL and connection to the Dedicated Freight Corridor (DFC).
- **Expansion Plans:** The company is executing a major pivot toward Liquid Bulk, with a $90M Liquid Berth project (Dec 2026 commissioning) expected to triple capacity from 2.0 to 5.2 Mn MT.
- **Strategic Partnerships:** Significant entry of **ONGC** to set up an offshore supply base, transforming the port into a strategic industrial base with sticky lease income.
- **Capacity Additions: CWIP surged to ₹286.00 Cr**, primarily driven by the Liquid Bulk Berth project (₹273.80 Cr).
- **Segment Performance:** RoRo volumes grew 39% (229k units); Liquid volumes grew 8%; however, Container volumes fell 4% YoY (668k TEUs) due to vessel schedule unreliability and geopolitical crises.
- **Geographical Presence:** Located in Gujarat, India, with 82.46% of revenue from India and 17.54% from outside India.

## 2. MANAGEMENT COMMENTARY & OUTLOOK

- Management is navigating a "Concession Cliff" with the current 30-year concession ending in September 2028; while a **₹17,000 Cr MoU** was signed with the Gujarat Maritime Board, it remains non-binding and subject to long-term extension.
- The strategy is shifting from a "Container Port" to a "Multipurpose Gateway" to offset structural market share erosion in containers where peers are outgrowing GPPL.
- Growth guidance is heavily weighted toward the Liquid segment, with the new berth progressing for a December 2026 launch to provide a buffer against container volatility.
- Management is doubling down on the automotive "Rail-to-Port" moat, highlighted by an MoU with NYK to handle 500,000 cars per annum.
- The demand environment for containers remains impacted by the Red Sea and Strait of Hormuz crises, leading to "skip calls" by major shipping lines.
- The entry of **ONGC** for an offshore supply base is viewed as a long-term strategic moat, providing decoupled lease income from global trade cycles.
- Management continues to leverage the Dedicated Freight Corridor (DFC) to evacuate LPG to the hinterland at lower costs than road transport.
- The "highest ever dividend" (₹10.40/share) signals a transition to a **Yield Play** while large-scale container reinvestment is paused pending concession clarity.
- Management Tone: The tone is **Defensive-Aggressive**. Management is defensive regarding the core container business headwinds but aggressive in cargo diversification and disciplined in capital allocation to protect shareholder yields during the strategic transition toward the 2028 expiry.

## 3. FINANCIAL ANALYSIS

### 3.1 Financial Statements

*Source: Screener.in — all monetary values in Crores. Use these numbers directly.*

## P&L Statement (□Crores)

| Line Item | Mar 2026 | Mar 2025 |
|---|---|---|
| Sales - | 1,158.00 | 988.00 |
| Sales Growth % | 17.28 | -0.08 |
| Expenses - | 450.00 | 410.00 |
| Manufacturing Cost % | 0.00 | 27.40 |
| Employee Cost % | 7.88 | 8.87 |
| Other Cost % | 30.98 | 5.23 |
| Operating Profit | 708.00 | 578.00 |
| OPM % | 61.00 | 58.00 |
| Other Income - | 114.00 | 98.00 |
| Exceptional items | 19.00 | 0.00 |
| Other income normal | 94.00 | 98.00 |
| Interest | 7.00 | 6.00 |
| Depreciation | 126.00 | 117.00 |
| **Profit before tax** | 689.00 | 552.00 |
| Tax % | 25.00 | 28.00 |
| **Net Profit -** | 515.00 | 397.00 |
| Exceptional items AT | 15.00 | 0.00 |
| Profit excl Excep | 501.00 | 397.00 |
| Profit for PE | 501.00 | 397.00 |
| Profit for EPS | 515.00 | 397.00 |
| Profit Growth % | 26.00 | 4.00 |
| EPS in Rs | 10.66 | 8.21 |
| Dividend Payout % | 47.00 | 100.00 |

## Balance Sheet (₹Crores)

| Line Item | Mar 2026 | Mar 2025 |
|---|---|---|
| Equity Capital | 483.00 | 483.00 |
| Reserves | 1,905.00 | 1,854.00 |
| Borrowings - | 37.00 | 63.00 |
| Lease Liabilities | 36.87 | 63.36 |
| Other Liabilities - | 598.00 | 535.00 |
| Trade Payables | 57.00 | 47.00 |
| Advance from Customers | 0.00 | 6.00 |
| Other liability items | 541.00 | 482.00 |
| **Total Liabilities** | 3,024.00 | 2,935.00 |
| Fixed Assets - | 1,295.00 | 1,329.00 |
| Land | 0.00 | 35.35 |
| Building | 0.00 | 770.48 |
| Plant Machinery | 0.00 | 1,081.27 |
| Ships Vessels | 0.00 | 386.92 |
| Furniture n fittings | 0.00 | 3.45 |
| Railway sidings | 0.00 | 47.92 |
| Vehicles | 0.00 | 3.26 |
| Intangible Assets | 2.61 | 0.00 |
| Other fixed assets | 0.00 | 9.56 |
| Gross Block | 0.00 | 2,338.21 |
| Accumulated Depreciation | 0.00 | 1,009.42 |
| CWIP | 286.00 | 83.00 |
| Investments | 355.00 | 338.00 |
| Other Assets - | 1,088.00 | 1,186.00 |
| Inventories | 12.00 | 10.00 |
| Trade receivables | 44.00 | 48.00 |
| Cash Equivalents | 676.00 | 1,069.00 |
| Loans n Advances | 5.00 | 11.00 |
| Other asset items | 351.00 | 48.00 |
| **Total Assets** | 3,024.00 | 2,935.00 |

### Cash Flow Statement (□Crores)

| Line Item | Mar 2026 | Mar 2025 |
|---|---|---|
| Cash from Operating Activity - | 510.00 | 446.00 |
| Profit from operations | 739.00 | 583.00 |
| Receivables | 3.00 | 10.00 |
| Inventory | -1.00 | -2.00 |
| Payables | 8.00 | -16.00 |
| Loans Advances | 0.00 | 0.00 |
| Other WC items | -70.00 | 10.00 |
| Working capital changes | -61.00 | 2.00 |
| Direct taxes | -167.00 | -140.00 |
| Cash from Investing Activity - | -18.00 | -56.00 |
| Fixed assets purchased | -290.00 | -95.00 |
| Fixed assets sold | 0.00 | 0.00 |
| Interest received | 58.00 | 78.00 |
| Other investing items | 214.00 | -39.00 |
| Cash from Financing Activity - | -495.00 | -401.00 |
| Interest paid fin | -2.00 | 0.00 |
| Dividends paid | -464.00 | -372.00 |
| Financial liabilities | -29.00 | -28.00 |
| Other financing items | 0.00 | 0.00 |
| **Net Cash Flow** | -3.00 | -11.00 |
| Free Cash Flow | 220.00 | 351.00 |
| CFO/OP | 96.00 | 101.00 |

### Key Ratios (□Crores)

| Line Item | Mar 2026 | Mar 2025 |
|---|---|---|
| Debtor Days | 14.00 | 18.00 |
| Inventory Days | 0.00 | 0.00 |
| Days Payable | 0.00 | 0.00 |
| Cash Conversion Cycle | 14.00 | 18.00 |
| Working Capital Days | -11.00 | -105.00 |
| ROCE % | 28.00 | 23.00 |

## 3.2 Financial Analysis Summary

- **Revenue** grew by **17.28% YoY to □1,158.00 Cr**, primarily driven by **Income from Port Services** (□1,025.66 Cr) and a **84.78%** surge in **Other Operating Revenue** (□132.72 Cr) due to non-core SEIS duty benefits.

- **Operating Profit** margin (**OPM**) expanded to **61.00%** from 58.00% as revenue growth outpaced the 9.75% increase in expenses, despite a **₹3.17 Cr** structural step-up in **Employee Cost** due to the new Labour Code.
- **Net Profit** increased by **26.00% to ₹515.00 Cr**, bolstered by an **Exceptional Item** gain of **₹19.00 Cr** (net of a ₹42.65 Cr insurance settlement and ₹18.83 Cr GMB dispute settlement).
- **Cash from Operating Activity (CFO)** rose to **₹510.00 Cr**, representing a high cash conversion with **CFO/PAT** at **0.99**, while the **Cash Conversion Cycle** improved from 18 to 14 days.
- **Trade Receivables** decreased to **₹44.00 Cr** despite revenue growth, reflecting superior collection efficiency; however, **Other Assets** reached **₹1,088.00 Cr** due to **₹49.56 Cr** in SEIS receivables and **₹48.58 Cr** in **Capex** advances.
- The company remains debt-free on a term-loan basis, with **Total Debt** consisting only of **Lease Liabilities** which fell 39% to **₹37.00 Cr**, resulting in an **Interest Coverage Ratio** of **101.29**.
- **Capital Work-in-Progress (CWIP)** surged to **₹286.00 Cr**, with **₹273.80 Cr** tied to the overdue Liquid Bulk Berth project, causing **Fixed assets purchased** to rise to **₹290.00 Cr**.
- **ROCE** stands at a high **28.00%**, though this is supported by aggressive **Depreciation** policies (60-year life for jetties) that assume a concession extension beyond 2028.
- **Dividend Payout** totaled **₹464.00 Cr**, funded entirely by **CFO**, though this exceeded the **Free Cash Flow (FCF)** of **₹220.00 Cr**, utilizing the company's large cash reserves.
- **Other Expenses** included **₹156.63 Cr** in Legal and Professional fees and **₹58.20 Cr** in **Trade Receivables** written off as part of a balance sheet cleanup.
- **Other Liabilities** are dominated by **Accruals of Incentives/Rebates** at **₹1,302.68 Cr**, a high-judgment area flagged by auditors that effectively acts as an interest-free float.
- The dominant financial theme of the year is the **successful conversion of operational growth into high cash yields to fund a massive, non-debt-funded pivot into liquid bulk capacity while maintaining a fortress balance sheet.**

### 3.3 Contingent Liabilities & Commitments

- **Capital Commitments:** Tripled to **₹2,745.15 Cr** (from ₹776.48 Cr), almost entirely tied to the Liquid Bulk Berth project.
- **Provision for Claims:** **₹814.65 Cr** in non-current liabilities for long-standing commercial or regulatory disputes.
- **GMB Settlement:** A proposed final settlement of **₹188.31 Cr** regarding a bank guarantee invocation; approved by the Board but pending final GMB approval.
- **Tax Disputes:** The effective tax rate is aligned with statutory rates, but the company manages ongoing assessments typical of large infrastructure entities.

### 3.9 Earnings Quality & Forensic Checks

| # | Check | Impact | Status | Evidence | Notes Detail |
|---|---|---|---|---|---|
| 1 | PAT vs CFO trend | Neutral — high cash conversion; PAT of □515 Cr is strongly backed by □510 Cr CFO. | □ | PAT □515 Cr; CFO □510 Cr (FY26). | CFO/OP at 96% indicates high quality of earnings and minimal accrual-based inflation (p.182). |
| 2 | Receivables & channel-stuffing signal | Profit ↑ — efficient collections; receivables decreased 8.3% while revenue grew 17.28% YoY. | □ | Revenue □1,158 Cr; Receivables □44 Cr (FY26) vs □48 Cr (FY25). | Note 8(a)(i): 98.97% of receivables are <6 months old; credit-impaired assets reduced via write-offs (p.206). |
| 3 | Revenue timing (unbilled/contract assets) | Revenue ↑↓ — timing risk; high unbilled payables and incentive accruals suggest complex cut-off management. | □ | Unbilled payables 85.72%; Incentive accruals □1,302.68 Cr. | Note 18(a): Refund liability for volume-based incentives is a high-judgment Key Audit Matter (p.174, 216). |
| 4 | Revenue from related parties % | Neutral — low dependency; related party service income is immaterial at 3% of total revenue. | □ | Service income from group □35.83 Cr; Total Revenue □1,158 Cr. | Note 10(c): Transactions are primarily service-based and represent a small fraction of port operations (p.217). |
| 5 | Inventory vs revenue growth | Neutral — immaterial inventory; port services model carries negligible stores and spares relative to revenue. | □ | Inventory □12 Cr (1.0% of sales); Revenue growth 17.28%. | Note 9: Inventory consists only of stores and spares, typical for a service-heavy port utility (p.181). |
| 6 | Inventory valuation method change | Neutral — consistent policy; no changes in valuation methods for stores and spares were reported. | □ | Inventory □12 Cr; No policy change noted. | Note 2: Accounting policies for inventory valuation remain consistent with the prior reporting period (p.191). |
| 7 | Exceptional items in operating profit | Profit ↑ — non-recurring gain; insurance settlement of □426 Cr significantly inflates current year net earnings. | □ | Exceptional gain □19 Cr (P&L); Gross claim □426.53 Cr. | Note 26: Net gain includes cyclone insurance claims offset by GMB dispute and labor code costs (p.219). |
| 8 | Depreciation rate vs useful life policy | Profit ↑ — aggressive estimates; useful lives exceed standard schedules, reducing annual non-cash depreciation charges. | □ | Jetties 60 years; Dredging 50 years. | Note 2.11: Technical estimates significantly exceed Schedule II lives, assuming concession extension beyond 2028 (p.191). |
| 9 | Provision reversals boosting PAT | Profit ↑ — provision cleanup; reversal of credit impairment charges provides one-time boost to reported PAT. | □ | ECL reversal □57.39 Cr; Bad debts written off □58.20 Cr. | Note 2.9/25: Significant reversal of prior year provisions suggests a shift in conservative estimation or collection (p.218). |
| 10 | Tax rate consistency | Neutral — statutory alignment; effective tax rate of 25.26% matches Indian corporate tax standards. | □ | Tax rate 25% (P&L); Cash tax paid □167 Cr. | Note 27: Effective tax rate is 25.26%, showing no aggressive tax shielding or deferred tax manipulation (p.221). |
| 11 | CWIP age and stalling projects | Profit ↓ — impairment risk; significant CWIP aging over three years may require future asset write-downs. | □ | CWIP □286 Cr (BS); □332.62 Cr > 3 years (Notes). | Note 3(c): Liquid Bulk Berth project is overdue; 11.6% of CWIP is aged over three years (p.200). |
| 12 | Deferred tax asset recognition | Neutral — conservative recognition; no evidence of aggressive deferred tax asset booking to inflate equity. | □ | Tax % 25.00; Net Profit □515 Cr. | Note 27: Deferred tax movements are consistent with temporary differences in depreciation and provisions (p.221). |

| # | Check | Impact | Status | Evidence | Notes Detail |
|---|---|---|---|---|---|
| 13 | RPT quantum and trend | Neutral — promoter returns; high dividend payouts and capex through group channels reflect promoter-led structure. | □ | Dividend to APM □2,042 Cr; RP Capital Creditors □588.78 Cr. | Note 12: Sharp increase in capital creditors to related parties suggests group-linked execution of major capex (p.210). |
| 14 | Dividend paid vs FCF adequacy | Profit ↓ — cash drain; dividend payout exceeds free cash flow, utilizing existing large cash reserves. | □ | Dividends paid □464 Cr; Free Cash Flow □220 Cr. | Note 10(c): High payout ratio policy returns excess cash to promoters, exceeding annual FCF generation (p.208). |
| 15 | Auditor KAM: Incentive Estimation | Revenue ↑↓ — Estimation risk; volume-based rebates (□1,451 Cr) require high management judgment. | □ | Refund liability □1,302.68 Cr. | Auditor performed look-back analysis; manual journals remain a monitoring point for revenue cut-off (p.174). |
| 16 | Non-Core Revenue Dependency | Profit ↑ — Quality risk; 84.78% surge in other operating revenue driven by government duty scrips. | □ | SEIS benefits □49.56 Cr. | Stripping this out, underlying operating leverage is weaker than headline numbers suggest (p.216). |
| 17 | Unbilled Payables Management | Profit ↑ — Cash flow timing; 85.72% of trade payables are unbilled at year-end. | □ | Unbilled payables □490 Cr (calc). | Suggests aggressive year-end cut-off management that artificially boosts CFO by delaying vendor outflows (p.215). |

## 4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified Opinion by MSKA & Associates LLP. * **KAM 1: Incentives and Rebates:** Estimation of volume-based rebates (□1,302.68 Cr) is a high-judgment area. Management uses a "Refund Liability" mechanism. Auditor performed look-back analysis and found no material discrepancies, but manual journals are a monitoring point. * **Emphasis of Matter:** Proposed final settlement of □188.31 Cr to GMB regarding a bank guarantee invocation. Pending final GMB approval. * **Auditor Fees:** Statutory audit fees are part of "Legal and Professional Fees" (□156.63 Cr). Auditor is in the first year of a five-year term.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | |:---|:---|:---|:---|:---| | ***Maersk A/S*** | Promoter Group | Port Service Income | Not disclosed | ***Material ecosystem dependency; contract approved via postal ballot*** | | **APM Terminals** | Promoter | Dividend Paid | 204.25 Cr | 44.01% of total dividend payout | | ***Related Party Receivables*** | Promoter Group | Trade Dues | 14.58 Cr | 33.14% of total trade receivables | | ***Capital Creditors (RP)*** | Promoter Group | Capex Procurement | 58.88 Cr | ***Significant surge; suggests capex execution via group channels*** | | **PRCL** | Associate | Share of Profit | 21.09 Cr | 26.36% YoY increase; high-margin contribution |

C. Shareholding * **Promoters:** 44.01% (Unchanged) * **FIIs:** 22.15% (vs 21.88% LY) * **DIIs:** 20.45% (vs 21.12% LY) * **Public:** 13.39% (vs 12.99% LY) * **Promoter Pledge:** 0.00%

D. Board Composition + KMP Compensation * **Total Directors:** 9 | **Independent:** 33.33% (SEBI compliant, but below 50% best practice). * **Women Directors:** 2 (Ms. Matangi Gowrishankar, Ms. Harjeet Kaur Joshi). * **KMP Compensation:** * Girish Aggarwal (MD): □3.77 Cr (+13.90% YoY) | 0.53% of EBITDA. * Santosh Breed (CFO): □1.05 Cr (+9.38% YoY) | 0.15% of EBITDA. * Manish Agnihotri (CS): □1.07 Cr (+9.18% YoY) | 0.15% of EBITDA. * **Analysis:** KMP pay growth (~10.8%) is lower than Operating Profit growth (22.49%), indicating disciplined pay-for-performance. MD pay is 13.71x median employee pay.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | |:---|---:|---:|---:|:---| | **Dividends Paid** | 464.00 Cr | 372.00 Cr | 90.98 | **Value-Creating** | | **Capex (Fixed Assets)** | 290.00 Cr | 95.00 Cr | 56.86 | **Value-Creating** | | **Interest Received** | 58.00 Cr | 78.00 Cr | 11.37 | **Positive** | | ***Lease Liabilities*** | 29.00 Cr | 28.00 Cr | 5.69 | ***Deleveraging*** | | **Investments (Associate)** | 355.00 Cr | 338.00 Cr | 69.61 | **Value-Neutral** |

- **CFO Coverage of Capex:** 1.76x. CFO (□510 Cr) comfortably covers capex (□290 Cr).
- **Nature of Capex:** Growth-oriented. **CWIP surged to □286.00 Cr**, driven by the Liquid Bulk Berth project.
- **Deployment Efficiency:** Efficiency is currently low as the major Liquid Berth project is not yet commissioned (expected Dec 2026).
- **Key Takeaways:** Peak investment cycle to pivot from containers; **capital commitments have tripled to □274.51 Cr**.

H. Risks * **Concession Expiry (High):** Current 30-year concession ends Sept 2028. **Impact:** Terminal value risk; potential for massive accelerated depreciation or impairment if not renewed. * **Geopolitical Conflict (High):** Red Sea/Hormuz crisis. **Impact:** -4% Container volume; skip calls and unreliable schedules. * **GMB Litigation (Medium):** Bank guarantee dispute. **Impact:** □188.31 Cr proposed settlement; cash outflow pending final approval. * **Concentration Risk (Medium):** Dependency on Maersk A/S. **Impact:** >20% Revenue dependency; ecosystem risk if promoter strategy shifts. * **Climate Change (Low):** Extreme weather. **Impact:** Reduced food production impacting fertilizer imports.

## 5. SCORECARD & VERDICT

### Part A: Scorecard

| Dimension | Rating (1–5) | Delta | Key Evidence | One-line Rationale |
|---|---|---|---|---|
| Business Quality | 3 | → | Container vol -4%; RoRo +39%; ONGC win | Strong niche moats (RoRo/Rail) offset by structural container erosion and cyclicality. |
| Financial Health | 5 | → | D/E 0.0x; Interest Coverage 101x; CFO □510 Cr | Debt-free balance sheet with massive cash reserves and strong operational cash flow. |
| Earnings Quality | 3 | ↓ | CFO/PAT 0.99; SEIS benefit □49.5 Cr; 60-yr jetty life | Strong cash backing but propped up by non-recurring duty scrips and aggressive depreciation. |
| Management & Governance | 4 | → | 0% Pledge; Clean Audit; MD pay 0.5% of EBITDA | High transparency and disciplined compensation, though RPT concentration remains a monitorable. |
| Capital Allocation & Earnings Visibility | 3 | ↓ | Capex □290 Cr; Concession ends 2028 | Disciplined reinvestment but terminal value visibility is clouded by the 2028 expiry. |

**BUSINESS POSITIVES (for this company this year)** * □**Strong Cash Conversion: CFO of □510 Cr** almost perfectly matches **PAT of □515 Cr**, indicating high-quality earnings. * □**RoRo Segment Growth:** Volume increased by **39% to 229k units**, establishing a dominant automotive export moat. * □**Debt-Free Status:** Maintained a **zero-debt position** on term loans with an **Interest Coverage Ratio of 101.29**. * □**Strategic Diversification:** Secured **ONGC** as a long-term tenant for an offshore supply base, providing sticky non-trade revenue. * □**Liquid Capacity Expansion:** Progressing on a **$90M Liquid Berth** to triple capacity by Dec 2026. * □**Efficient Working Capital:** Improved **Cash Conversion Cycle from 18 to 14 days** and reduced receivables by 8.3%.

**BUSINESS NEGATIVES / CONCERNS (for this company this year)** * □**Concession Expiry Risk:** The **Sept 2028 expiry** remains a binary risk with only a non-binding MoU for extension. * □**Container Volume Decline:** Volumes fell **4% YoY** in a market where peers grew 9%, signaling market share loss. * □**Non-Core Earnings Boost:** Operating profit was propped up by **□49.56 Cr in SEIS duty scrips**, which are non-recurring. * □ **Aggressive Depreciation:** Useful life of **60 years for jetties** significantly exceeds standard schedules, inflating PAT. * □**CWIP Stalling:** **□33.26 Cr of CWIP** has been stalled for >3 years, indicating potential execution hurdles. * □**RPT Concentration: 33.14% of trade receivables** are due from related parties, and Maersk remains a material dependency.

**OVERALL SCORECARD SUMMARY** Gujarat Pipavav Port is a financially robust utility currently operating in a strategic "holding pattern." While its balance sheet is a fortress with zero debt and high cash conversion, the quality of earnings is slightly flattered by non-recurring duty benefits and aggressive depreciation policies. Governance is strong with disciplined KMP pay and zero promoter pledging, but the business is on a stable-to-cautious trajectory as it pivots toward liquid cargo to offset structural container weakness. The ultimate verdict rests on the 2028 concession renewal, which remains the primary hurdle for long-term capital appreciation.

## Part B: Governance Check Matrix

| # | Check | Status | Evidence |
|---|---|---|---|
| 1 | Audit opinion clean? | □ | Unqualified opinion (p.174) |
| 2 | Promoter pledge = 0? | □ | 0.00% pledge (Screener) |
| 3 | KMP pay < 5% of PAT? | □ | Total KMP pay ~□5.89 Cr vs □515 Cr PAT (<2%) |
| 4 | RPT quantum < 5% of revenue? | □ | Maersk A/S is a "material transaction" > 20% revenue |
| 5 | Board > 50% independent? | □ | 33.33% (3 out of 9 directors) |
| 6 | At least 1 woman director? | □ | 2 Women Directors (p.3) |
| 7 | No statutory dues outstanding? | □ | No material defaults reported |
| 8 | No fraud reported? | □ | No fraud reported by auditors |
| 9 | Audit trail enabled? | □ | Prior year issues noted; IT controls under observation |
| 10 | Frequent Auditor change | □ | MSKA in 1st year of 5-year term |
| Final line: "Total: 7/10 □— Governance Rating: 4" | | | |

## Part C: Investor Verdict

THESIS: GPPL is a high-yield maritime utility successfully pivoting to liquid and RoRo cargo to mitigate a structural container decline and a 2028 lease expiry.

## OVERALL STANCE: ACCUMULATE

RATIONALE: Strong dividend yield (□10.40/share) backed by a debt-free balance sheet and high cash conversion provides a margin of safety during the capacity pivot. RE-EVALUATE WHEN: Concession extension is either signed or officially denied by GMB. BULL CASE: Binding 30-year concession extension + Liquid Berth commissioning leads to a 20% EBITDA CAGR. BEAR CASE: Failure to renew concession by 2027 leads to a massive impairment of the ₹2,000 Cr+ asset base. KEY MONITORABLE: Liquid Berth Commissioning: Current Status (CWIP ₹273 Cr) → Dec 2026 Deadline.

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## 7. YEAR-OVER-YEAR ANALYSIS

### 7.1 Changes

| Metric / Theme | Summary A Status (FY25) | Summary B Status (FY26) | Forensic Takeaway |
|---|---|---|---|
| **Revenue Trajectory** | Stagnant growth (-0.08%); volume-led container decline. | Strong growth (17.28%); driven by RoRo and non-core duty scrips. | The top-line has pivoted to double-digit growth, though the quality is diluted by a significant reliance on non-recurring government incentives. |
| **Capital Allocation** | Strategic paralysis; ₹362 Cr in commitments. | Aggressive pivot; ₹2,745 Cr in commitments. | Management has exponentially scaled its capital bets on liquid infrastructure to mitigate the terminal value risk of the container segment. |
| **Margin Trajectory** | OPM at 58%; impacted by container volume loss. | OPM at 61%; expanded via operating leverage and SEIS benefits. | Margins have reached a new peak, but the expansion is partially artificial due to the inclusion of ₹49.5 Cr in duty benefits. |
| **Working Capital** | Debtor days at 18; receivables at ₹48 Cr. | Debtor days at 14; receivables at ₹44 Cr. | Collection efficiency has been tightened to peak levels, reflecting a disciplined effort to maximize cash extraction ahead of the concession cliff. |
| **Management Tone** | Defensive; focused on "Concession Paralysis." | Defensive-Aggressive; focused on "Multipurpose Gateway" pivot. | Management has shifted from strategic hesitation to an aggressive diversification phase centered on liquid bulk and automotive cargo. |
| **Forensic Risk** | Audit trail lapse; edit logs unavailable. | 85% of payables unbilled; IT controls under observation. | Persistent weaknesses in IT audit trails and a surge in unbilled payables suggest ongoing aggressive year-end accounting management. |

### 7.2 Persistent Patterns

- **The September 2028 concession expiry remains the primary structural risk, creating significant terminal value uncertainty and capping long-term reinvestment in container modernization.**
- **The company maintains a "Fortress Balance Sheet" characterized by zero gross debt and a massive cash reserve that provides a buffer against geopolitical volatility.**
- **A "Harvesting Strategy" persists, where management returns the majority of operating cash flows to shareholders via high dividend payouts rather than retaining capital for container expansion.**
- **Extreme ecosystem dependency continues, with Maersk A/S and the APM Terminals group accounting for a material portion of revenue and receivables.**
- **The "Rail Moat" remains a consistent competitive advantage, driving sustained high-growth performance in the RoRo (automotive) segment through the Dedicated Freight Corridor.**
- **Cash flow quality remains structurally high, with Cash Flow from Operations (CFO) consistently tracking or exceeding Net Profit, indicating genuine cash backing of earnings.**
- **Aggressive depreciation policies, specifically the 60-year jetty life, persist as a mechanism to support reported PAT despite the looming 2028 lease end.**

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