

Shubh Nivesh



Increase in terminals to aid higher growth prospects...

About the stock: Gateway Distriparks (GDL) has a diversified presence in logistics verticals like container train operators (CTO), cold chain logistics, container freight stations.

- Rail segment comprises 78%+ of consolidated revenues, with the rest being contributed by CFS
- Has five intermodal terminals, built on owned land at key areas along WDFC

Investment Rationale:

- Newer locations to keep revenue run-rate higher:** The company expects Jaipur ICD to commence operations from Q1FY25 and initially began with 1000-1500 TeUs per month in H1 and then proceed towards 3000-4000 TeUs in H2. The management also expects to add two new ICDs in the near term (₹200 cr capex) and is adding 3 more rakes to service the volumes. Kashipur ICD volumes too could see an improvement to 4000-5000 TeUs per month from current 3000 run-rate, based on improvement in EXIM volumes in medium term
- Road to rail shift to provide continued long-term growth:** Western DFC has been 70% commissioned (800 kms in usage, ~550 kms left), and its entire route commissioning would get shifted to FY25. The WDFC electrified route connectivity is expected to gradually shift 1-2% road market share to railways each year (better turnaround times, double stacking, IR haulage charges could lower etc). Better macros such as rising GDP, normalisation of EXIM volumes alongwith double stacking of containers in all major routes would boost long term growth prospects for CTOs such as GDL
- Rail margin guidance intact, with projected 12%+ RoE in FY25E:** The management has targeted EBITDA per TeU improvement to ₹10000 per TeUs in the long term (from current ₹9000) and at the same time improve existing monthly volumes run-rate from newer markets. This would translate into strong FCF generation (~6% yield in FY25E)

Rating and Target Price

- Higher double stacking on the route (both export and import direction) in the near term, de-bottlenecking at critical junctions and electrification of the entire route in the medium to long term would lead to further improvement in GDL fortunes
- Assigning a PE multiple of 24x FY25E, we ascribe target of ₹ 125 per share and a **BUY** rating



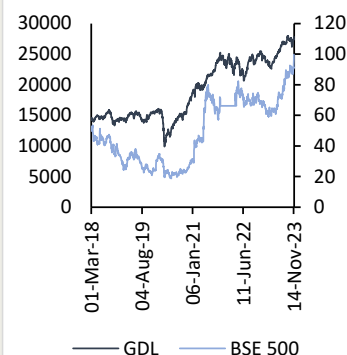
Particulars

Market Capitalisation (₹ cr)	4,996.4
Debt (H1FY23) (₹ cr)	368.4
Cash (H1FY23) (₹ cr)	37.3
EV (₹ cr)	5,327.5
52 Week High / Low (₹)	103/59
Equity Capital (₹ cr)	499.6
Face Value (₹ cr)	10.0

Shareholding pattern

(in %)	Dec-22	Mar-23	Jun-23	Sep-23
Promoter	32.1	32.3	32.3	32.3
Others	67.9	67.7	67.7	67.7

Price Chart



Recent Event & Key risks

- Commercialisation of newer ICD Jaipur and other locations
- Key Risk:** (i) Rising competitiveness in the rail segment (ii) lower Exim trade

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Key Financial Summary

₹ crore	FY21	FY22	FY23	5 years CAGR	FY24E	FY25E	2 years CAGR
Net Sales	1,179.4	1,373.7	1,420.9	29.1%	1,572.0	1,788.1	12.2%
EBITDA	313.0	368.5	368.5	34.2%	415.0	472.1	13.2%
PAT	94.3	223.8	241.9	26.3%	218.4	261.0	3.9%
P/E (x)	53.0	22.3	20.7		22.9	19.1	
M.Cap/Sales (x)	4.2	3.6	3.5		3.2	2.8	
RoCE (%)	11.7	15.4	14.0		17.6	19.5	
RoE (%)	6.4	13.7	13.5		11.4	12.4	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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