

Gateway Distriparks (GATDIS)

CMP: ₹ 70

Target: ₹ 85 (21%)

Target Period: 12 months

BUY

August 4, 2022

DFC expected to further lower turnaround time...

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 ~70% of consolidated revenues, with the rest being contributed by CFS
- Has five intermodal terminals, built on owned land at key areas along WDFC

Q1FY23 Results: Changes in segmental reporting, impairs clarity on rail business.

- Revenues remained flattish YoY at ₹ 344 crore (flattish throughput)
- EBITDA has also remained flattish at ₹ 87 crore with margins of 25.4% (vs. 27.1% in Q1FY22)
- However, PAT grew 36% YoY as flattish operating performance was supported by lower depreciation and interest expense

What should investors do? With an upgraded capex guidance and higher asset turnover (owing to DFC), GDL sits on a sweet spot, whereby its existing infrastructure (mainly on train side) is providing higher revenues and profitability while it continues to build capacities for future value addition (mainly on terminal side).

- We remain positive on the stock and maintain our **BUY** recommendation

Target Price and Valuation: We value the stock at ₹ 85 i.e. 19x P/E on FY24E EPS.

Key triggers for future price performance: 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 (from GPPL, Mundra to NCR region) in the medium to long term; leading to higher road to rail shift.

- GDL plans to pass on higher inflation component and cost increases to customers in near term, in spite of higher competitive intensity
- The management expects to sustainably improve its margins beyond ₹ 9000 TeU levels and at the same time reach 1 lakh TeU/quarterly rail volume run-rate. This would translate into strong FCF generation (>9% yield in FY24E)

Alternate Stock Idea: Apart from GDL, we remain positive on Container Corp

- Concor is the dominant player in the CTO business (66-67% market share) with nearly 60 terminals. With the expected commissioning of the WDFC, Concor has infrastructure/facilities close to the DFC route and would be well placed to garner higher volume growth post commissioning of DFC (shift of cargo from road to rail)
- We have a BUY rating on the stock, with a target price of ₹ 750



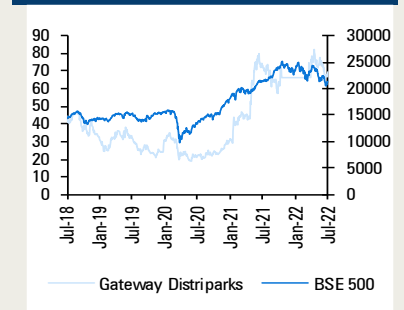
Particulars

Market Capitalisation (₹ cr)	3,497.5
Debt (FY22) (₹ cr)	503.0
Cash (FY22) (₹ cr)	190.3
EV (₹ cr)	3,810.2
52 Week High / Low (₹)	87/64
Equity Capital (₹ cr)	499.6
Face Value (₹ cr)	10.0

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	32.1	32.1	32.1	32.1
Others	67.9	67.9	67.9	67.9

Price Chart



Recent event & key risks

- Commercialisation of newer terminals in NCR region
- **Key Risk:** (i) Rising competitiveness in the rail segment (ii) lower Exim trade

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Harshal Mehta
harshal.mehta@icicisecurities.com

Key Financial Summary

₹ crore	FY21	FY22P	5 years CAGR	FY23E	FY24E	2 years CAGR
Net Sales	1,179.4	1,373.7	36.7%	1,541.1	1,749.9	12.9%
EBITDA	313.0	368.5	41.6%	419.2	476.0	13.6%
PAT	94.3	223.8	32.0%	175.4	218.5	-1.2%
P/E (x)	37.1	15.6		19.9	16.0	
M.Cap/Sales (x)	3.0	2.5		2.3	2.0	
RoCE (%)	11.7	15.4		16.2	18.6	
RoE (%)	6.4	13.7		10.2	11.8	

Source: Company, ICICI Direct Research

Key takeaways

Q1FY23 Results: MoM rail volumes continue to soar

- With easing of container movement (opening up of Chinese ports and relocation of Baltic assets post Russia Ukraine war), GDL saw MoM improvement in volumes (July was exceptionally good)
- On a YoY basis, CFS volumes remains impacted due surrendering of Punjab Conaware operations (handled 1 lakh TeUs) and lower container volumes at Krishnapatnam port

Q1FY23 Earnings Conference Call highlights

- The management has changed the reporting parameters citing competitive disadvantage and merged structure of company
- While rail volumes continued to grow, CFS saw de-growth during the quarter
- The company expects growth only in the rail segment, while CFS is expected to remain flat to negative. Similarly, GDL has upgraded its capex guidance (to be utilised mainly in the rail segment). The company plans to build two new ICDs in north and also in the medium to long term, purchase nine train sets (with upgraded axle load)
- Overall volumes (CFS+rail) is expected to grow 6-7% over the next few quarters and EBITDA per TeU to remain at ₹ 5000-5100 levels
- Net debt to EBITDA levels expected to remain at 1:1
- GDL currently utilises 50-60% of its current capacity at ICDs, which can be further expanded to 4x the current usage
- Turnaround time can be lowered to 24 hrs from GPPL and Mundra, once feeder route in DFC are compliant (JNPT will take some time)

Financial Summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E
Total Operating Income	1,179.4	1,373.7	1,541.1	1,749.9
Growth (%)	-8.7	16.5	12.2	13.5
Operating expenses	710.2	843.3	924.7	1,049.9
Gross Profit	469.2	530.4	616.4	700.0
Gross Profit Margins (%)	39.8	38.6	40.0	40.0
Employee Expenses	67.6	65.8	81.7	92.7
Other Expenditure	88.6	96.0	115.6	131.2
Total Operating Expenditure	866.3	1,005.1	1,121.9	1,273.9
EBITDA	313.0	368.5	419.2	476.0
Growth (%)	-0.1	17.7	13.7	13.5
Interest	79.5	64.7	55.1	44.4
Depreciation	131.4	127.7	146.0	157.1
Other Income	11.3	33.2	15.4	17.5
PBT before Exceptional Items	113.4	209.3	233.5	292.0
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	113.4	209.3	233.5	292.0
Total Tax	19.0	-13.7	58.8	73.5
PAT before MI	94.5	223.0	174.7	218.5
Minority Interest	0.1	0.0	0.0	0.0
Profit from Associates	0.0	0.8	0.8	0.0
PAT	94.3	223.8	175.4	218.5
PAT Growth (%)	-224.1	137.2	-21.6	24.5
EPS (Adjusted)	1.9	4.5	3.5	4.4

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E
Profit/(Loss) after taxation	94.3	223.8	175.4	218.5
Add: Depreciation & Amortization	131.4	127.7	146.0	157.1
Add: Interest Paid	79.5	64.7	55.1	44.4
Net Increase in Current Assets	53.4	14.6	-52.3	-24.1
Net Increase in Current Liabilities	-26.3	-29.0	32.9	18.2
Others	-24.7	-38.4	0.0	0.0
CF from Operating activities	307.6	363.4	357.1	414.1
(Purchase)/Sale of Fixed Assets	-38.1	-44.9	-100.0	-100.0
Long term Loans & Advances	0.0	0.0	0.0	0.0
Investments	60.0	0.0	0.0	0.0
Others	-34.8	-83.4	-152.2	-152.4
CF from Investing activities	25.2	-83.4	-152.2	-152.4
(inc)/Dec in Loan	-180.7	-61.5	-100.0	-100.0
Dividend & Dividend tax	-50.0	-87.1	-87.1	-87.1
Less: Interest Paid	-61.9	-54.1	-44.3	-33.3
Other	64.2	0.0	0.0	0.0
CF from Financing activities	-228.4	-202.7	-231.4	-220.4
Net Cash Flow	104.4	77.4	-26.5	41.2
Cash and Cash Equivalent at the beginning	8.6	113.0	190.3	163.8
Cash and Cash Equivalent at the end	113.0	190.3	163.8	205.1

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	499.6	499.6	499.6	499.6
Reserve and Surplus	975.2	1,137.1	1,225.4	1,356.8
Total Shareholders funds	1,474.8	1,636.8	1,725.1	1,856.4
Minority Interest	9.8	9.8	9.8	9.8
Total Debt	564.5	503.0	403.0	303.0
Deferred Tax Liability	5.2	7.0	7.0	7.0
Long-Term Provisions	1.3	1.3	1.3	1.3
Other Non Current Liabilities	168.2	127.4	130.0	132.6
Source of Funds	2,223.8	2,285.4	2,276.2	2,310.2
Gross Block - Fixed Assets	2,207.4	2,279.7	2,419.7	2,559.7
Accumulated Depreciation	362.2	489.9	635.9	793.0
Net Block	1,845.1	1,789.8	1,783.8	1,766.7
Capital WIP	29.1	10.1	10.1	10.1
Fixed Assets	1,874.2	1,799.9	1,793.9	1,776.8
Investments	22.0	25.1	25.1	25.1
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Deferred Tax Assets	53.2	83.4	83.4	83.4
Other non-Current Assets	186.1	196.9	200.8	204.9
Inventory	0.0	0.0	0.0	0.0
Debtors	130.0	118.5	169.8	192.8
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	23.6	20.4	21.5	22.5
Cash	113.0	190.3	163.8	205.1
Total Current Assets	266.5	329.2	355.1	420.4
Creditors	96.5	94.2	126.0	143.1
Provisions	0.0	0.0	0.0	0.0
Other Current Liabilities	81.7	55.0	56.1	57.2
Total Current Liabilities	178.2	149.2	182.1	200.3
Net Current Assets	88.3	180.0	172.9	220.0
Application of Funds	2,223.8	2,285.4	2,276.2	2,310.2

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Reported EPS	1.9	4.5	3.5	4.4
BV per share	29.5	32.8	34.5	37.2
Cash per Share	2.3	3.8	3.3	4.1
Dividend per share	1.2	1.7	1.7	1.7
Operating Ratios (%)				
Gross Profit Margins	39.8	38.6	40.0	40.0
EBITDA margins	26.5	26.8	27.2	27.2
PAT Margins	8.0	16.3	11.4	12.5
Inventory days	0.0	0.0	0.0	0.0
Debtor days	40.2	31.5	40.2	40.2
Creditor days	29.9	25.0	29.9	29.9
Asset Turnover	0.5	0.6	0.6	0.7
Return Ratios (%)				
RoE	6.4	13.7	10.2	11.8
RoCE	11.7	15.4	16.2	18.6
RoIC	11.9	15.3	16.9	19.8
Valuation Ratios (x)				
P/E	37.1	15.6	19.9	16.0
EV / EBITDA	12.6	10.3	8.9	7.6
EV / Net Sales	3.3	2.8	2.4	2.1
Market Cap / Sales	3.0	2.5	2.3	2.0
Price to Book Value	2.4	2.1	2.0	1.9
Solvency Ratios				
Debt / EBITDA	1.8	1.4	1.0	0.6
Debt / Equity	0.4	0.3	0.2	0.2
Current Ratio	0.9	0.9	1.1	1.1

Source: Company, ICICI Direct Research

Exhibit 5: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap			EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating	(₹ Cr)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E		
APSEZ	800	900	BUY	1,62,540	21.2	35.9	44.3	32.5	34.5	22.3	21.8	22.2	15.3	12.7	9.6	13.7	16.3	11.3	16.5		
Container Corporation	710	750	BUY	36,558	17.3	30.4	36.8	85.6	41.0	23.4	10.9	6.3	4.9	4.5	10.2	12.2	5.4	9.6	14.8		
Transport Corp. of India	720	860	BUY	5,252	37.3	42.4	50.8	38.0	19.3	17.0	20.9	12.8	11.4	13.3	20.3	20.2	12.9	20.5	19.1		
TCI Express	1,830	2,000	BUY	7,005	26.2	33.5	41.4	78.6	69.9	54.7	57.7	52.2	40.2	36.3	31.9	33.4	29.5	26.1	26.6		
Mahindra Logistics	475	550	BUY	3,406	5.2	9.0	14.9	91.9	53.1	32.0	16.2	12.2	9.2	12.2	33.1	38.4	6.3	10.1	14.6		
Gateway Distriparks	70	85	BUY	3,498	4.5	3.5	4.4	37.1	15.6	19.9	12.6	10.3	8.9	11.7	15.4	16.2	6.4	13.7	10.2		

Source: Bloomberg, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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