

## Global trade headwinds impacting volumes...

**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

**Q3FY23 Results:** Volumes impacted but margins maintained.

- Revenues remained flattish YoY at ₹ 341 crore (volumes declined 13%)
- EBITDA has also remained flattish at ₹ 91 crore with margins of 26.7% (vs. 26.8% in Q3FY22)
- However, PAT grew 14% YoY as flattish operating performance was supported by lower depreciation and interest expense

**What should investors do?** Global headwinds and unavailability of containers has been impacting CTO operation, thereby also impacting double stacking operation. While the trend is expected to continue in the near to medium term, GDL has been maintaining margins (despite lowered operating leverage) and also inorganically bound to improve volumes in FY24).

- We change our stance from BUY to **HOLD** recommendation

**Target Price and Valuation:** We value the stock at ₹ 75 i.e. 16x P/E on FY25E 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 the 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 improve existing monthly volumes run-rate from newer markets. This would translate into strong FCF generation (>9% yield in FY24E)

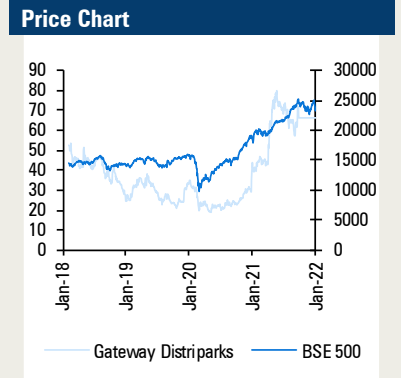
**Alternate Stock Idea:** Apart from GDL, we remain positive on Container Corp

- Concor is the dominant player in the CTO business (58% 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 led by DFC (shift of cargo from road to rail)



Particulars	
Market Capitalisation (₹ cr)	3,297.6
Debt (FY22) (₹ cr)	503.0
Cash (FY22) (₹ cr)	190.3
EV (₹ cr)	3,610.3
52 Week High / Low (₹)	87/63
Equity Capital (₹ cr)	499.6
Face Value (₹ cr)	10.0

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



- Recent event & key risks**
- Commercialisation of newer ICDs in Kashipur and Jaipur
  - **Key Risk:** (i) Rising competitiveness in the rail segment (ii) lower Exim trade

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### Key Financial Summary

₹ crore	FY22	5 years CAGR	FY23E	FY24E	FY25E	3 years CAGR
Net Sales	1,373.7	28.4%	1,423.0	1,562.9	1,777.8	9.0%
EBITDA	368.5	32.1%	377.1	428.2	487.1	9.7%
PAT	223.8	24.9%	169.9	191.5	235.2	1.7%
P/E (x)	14.7		19.4	17.2	14.0	
M.Cap/Sales (x)	2.4		2.3	2.1	1.9	
RoCE (%)	15.4		14.5	16.8	19.1	
RoE (%)	13.7		9.9	10.5	11.9	

## Key takeaways

### Q3FY23 Results: Volumes drop due to imbalance in trade

- With China entering the holiday season again, imports are expected to decline (due to lower manufacturing) in Q4. However, Kashipur ICD is expected to provide higher growth in FY24
- On a YoY basis, CFS volumes remains impacted due to lower Exim movement and surrendering of Punjab Conaware operations (handled 1 lakh TeUs)

### Q3FY23 Earnings Conference Call highlights

- QoQ exports have dropped 15-20%, while imports dropped mere 1%, creating imbalance of trade and lowered double stacking ability
- However, EBITDA per TeU (₹ 9000 per TeUs for rail segment) remained largely unchanged due to higher realisation from import volumes (60:40 ratio)
- Kashipur ICD volumes (3000 TeU monthly) would be added from Q4 onwards and would help to company cross 28-29000 TeU monthly mark
- The company expects growth only in the rail segment while CFS is expected to remain flat to negative. Similarly, GDL has maintained its capex guidance (to be utilised mainly in the rail segment). The company plans to build one more ICDs (Jaipur) in north and in the medium term and purchase three train sets (with upgraded axle load) in the near term
- FY23 volumes are expected to remain flattish YoY while the management aspires to reach 6000/TeU EBITDA levels in the medium term
- Net debt to EBITDA levels expected to remain below 1:1
- GDL market share at NCR region has improved to 16% (9M) from earlier 12% while it has maintained its Ludhiana market share at 35%

## Financial Summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY22	FY23E	FY24E	FY25E
Total Operating Income	1,373.7	1,423.0	1,562.9	1,777.8
Growth (%)	16.5	3.6	9.8	13.7
Operating expenses	843.3	868.0	937.8	1,066.7
Gross Profit	530.4	555.0	625.2	711.1
Gross Profit Margins (%)	38.6	39.0	40.0	40.0
Employee Expenses	65.8	71.2	79.7	90.7
Other Expenditure	96.0	106.7	117.2	133.3
Total Operating Expenditure	1,005.1	1,045.9	1,134.7	1,290.7
EBITDA	368.5	377.1	428.2	487.1
Growth (%)	17.7	2.3	13.6	13.7
Interest	64.7	47.1	38.3	30.4
Depreciation	127.7	120.2	149.6	160.2
Other Income	33.2	14.2	15.6	17.8
PBT before Exceptional Items	209.3	224.0	256.0	314.3
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	209.3	224.0	256.0	314.3
Total Tax	-13.7	56.4	64.4	79.1
PAT before MI	223.0	167.6	191.6	235.2
Minority Interest	0.0	0.0	0.0	0.0
Profit from Associates	0.8	2.3	0.0	0.0
PAT	223.8	169.9	191.5	235.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	223.8	169.9	191.5	235.2
Add: Depreciation & Amortization	127.7	120.2	149.6	160.2
Add: Interest Paid	64.7	47.1	38.3	30.4
Net Increase in Current Assets	14.6	-39.3	-16.5	-24.8
Net Increase in Current Liabilities	-29.0	23.3	12.6	18.7
Others	-38.4	0.0	0.0	0.0
CF from Operating activities	363.4	321.1	375.5	419.7
(Purchase)/Sale of Fixed Assets	-44.9	-100.0	-100.0	-100.0
Long term Loans & Advances	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0
Others	-83.4	-152.2	-152.4	-214.0
CF from Investing activities	-83.4	-152.2	-152.4	-214.0
(inc)/Dec in Loan	-61.5	-100.0	-100.0	-90.0
Dividend & Dividend tax	-87.1	-87.1	-87.1	-87.1
Less: Interest Paid	-54.1	-36.3	-27.3	-19.2
Other	0.0	0.0	0.0	0.0
CF from Financing activities	-202.7	-223.4	-214.4	-196.3
Net Cash Flow	77.4	-54.5	8.7	9.4
Cash and Cash Equivalent at the beginning	113.0	190.3	135.9	144.6
Cash and Cash Equivalent at the end	190.3	135.9	144.6	153.9

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Equity Capital	499.6	499.6	499.6	499.6
Reserve and Surplus	1,137.1	1,219.9	1,324.3	1,472.4
Total Shareholders funds	1,636.8	1,719.5	1,823.9	1,972.0
Minority Interest	9.8	9.8	9.8	9.8
Total Debt	503.0	403.0	303.0	213.0
Deferred Tax Liability	7.0	7.0	7.0	7.0
Long-Term Provisions	1.3	1.3	1.3	1.3
Other Non Current Liabilities	127.4	130.0	132.6	135.2
Source of Funds	2,285.4	2,270.7	2,277.7	2,338.4
Gross Block - Fixed Assets	2,425.1	2,565.1	2,705.1	2,845.1
Accumulated Depreciation	635.3	755.5	905.1	1,004.0
Net Block	1,789.8	1,809.6	1,800.0	1,841.1
Capital WIP	10.1	10.1	10.1	10.1
Fixed Assets	1,799.9	1,819.7	1,810.1	1,851.2
Investments	25.1	25.1	25.1	25.1
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Deferred Tax Assets	83.4	83.4	83.4	83.4
Other non-Current Assets	196.9	200.8	204.9	209.0
Inventory	0.0	0.0	0.0	0.0
Debtors	118.5	156.8	172.2	195.9
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	20.4	21.5	22.5	23.7
Cash	190.3	135.9	144.6	153.9
Total Current Assets	329.2	314.1	339.3	373.5
Creditors	94.2	116.4	127.8	145.4
Provisions	0.0	0.0	0.0	0.0
Other Current Liabilities	55.0	56.1	57.2	58.4
Total Current Liabilities	149.2	172.5	185.1	203.8
Net Current Assets	180.0	141.6	154.2	169.7
Application of Funds	2,285.4	2,270.6	2,277.7	2,338.4

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
Reported EPS	4.5	3.4	3.8	4.7
BV per share	32.8	34.4	36.5	39.5
Cash per Share	3.8	2.7	2.9	3.1
Dividend per share	1.7	1.7	1.7	1.7
Operating Ratios (%)				
Gross Profit Margins	38.6	39.0	40.0	40.0
EBITDA margins	26.8	26.5	27.4	27.4
PAT Margins	16.3	11.9	12.3	13.2
Inventory days	0.0	0.0	0.0	0.0
Debtor days	31.5	40.2	40.2	40.2
Creditor days	25.0	29.9	29.9	29.9
Asset Turnover	0.6	0.6	0.6	0.6
Return Ratios (%)				
RoE	13.7	9.9	10.5	11.9
RoCE	15.4	14.5	16.8	19.1
RoIC	15.3	14.9	17.4	19.7
Valuation Ratios (x)				
P/E	14.7	19.4	17.2	14.0
EV / EBITDA	9.8	9.5	8.1	6.9
EV / Net Sales	2.6	2.5	2.2	1.9
Market Cap / Sales	2.4	2.3	2.1	1.9
Price to Book Value	2.0	1.9	1.8	1.7
Solvency Ratios				
Debt / EBITDA	1.4	1.1	0.7	0.4
Debt / Equity	0.3	0.2	0.2	0.1
Current Ratio	0.9	1.0	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	720	1,000	BUY	1,46,286	21.9	28.7	43.2	29.3	30.1	25.1	20.0	18.8	16.4	12.7	9.5	11.5	16.3	10.7	12.5		
Container Corporation	650	890	BUY	43,382	17.3	27.0	27.5	97.9	78.4	37.5	6.2	9.8	5.6	10.9	4.5	10.2	12.1	5.4	9.6		
Transport Corp. of India	610	810	BUY	4,450	37.3	41.6	49.8	32.2	16.4	14.7	17.8	10.9	9.8	13.3	20.3	19.9	12.9	20.5	18.8		
Gujarat Pipavav	94	110	BUY	4,544	4.1	5.6	6.7	23.0	16.8	14.1	8.9	7.5	6.4	12.1	15.7	18.6	8.6	11.7	13.8		
TCI Express	1,840	2,195	BUY	7,043	26.2	33.5	40.0	79.1	70.3	55.0	58.0	52.5	40.4	36.3	31.9	33.4	29.5	26.1	26.6		
Mahindra Logistics	475	610	BUY	3,406	5.2	9.5	16.9	91.9	50.0	28.1	16.2	11.9	8.7	12.2	33.7	40.0	6.3	10.6	16.2		
BlueDart Express	6,800	8,000	HOLD	16,157	160.9	202.8	246.8	158.7	42.3	33.5	22.9	15.3	13.6	40.7	77.5	71.2	12.8	39.7	40.8		
Gateway Distriparks	66	75	HOLD	3,298	4.5	3.4	3.8	32.0	35.0	14.7	12.7	12.0	9.8	9.9	11.7	15.4	5.6	6.4	13.7		

Source: Bloomberg, ICICI Direct Research

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