

Rail EBITDA performance provides DFC snapshot...

GDL's Q4FY21 revenues grew 17% YoY to ₹ 350 crore, led by 16% growth in the rail segment to ₹ 255 crore and 20% growth in the CFS segment to ₹ 96 crore. Rail volumes grew 15% YoY to 77772 TeUs and posted a record ~₹ 9926/TeU EBITDA performance. Subsequently, absolute EBITDA grew 48% to ₹ 95 crore (led by EBITDA margin expansion by 566 bps to 27.2%). However, PAT grew 3x to ₹ 47 crore as a stronger operational performance was further supported by lower depreciation and interest expense.

Rail business continues to drive profitability

DFC is expected to be connected to Pipavav port and Mundra port in Gujarat by CY21 end to early CY22, which should benefit CTOs like GDL in terms of higher volume growth. DFC is likely to enhance the operational metrics of CTOs with enhanced visibility on delivery time due to time tabled freight trains and higher share of double stacked trains enabling better operational efficiencies, among other triggers. The segment is witnessing stronger profitability owing to better turnaround time (EBITDA/TeU reached ~₹ 10000 levels in Q4FY21, partly supported by IR rebates on haulage charges for laden and empty containers). We expect GDL's rail volumes to grow at a CAGR of 15% in FY21-FY23E and EBITDA/TeU to be in the range of ~ ₹ 8200 -8600 over FY21-23E enabling a rail EBITDA CAGR of 13%.

Diversified segments expected to ride over current volatility

The management expects to improve its profitability in the CFS segment (lowered to ~2413/TeU in Q4FY21, ~3150/TeU in FY21), by executing more value added services, last mile logistics, etc. Also, the current volatility has the potential to again disrupt the port supply chain and create opportunities for higher realisation for CFS. The management also intends to expand pallet capacity in its cold chain business to 2 lakh in three years and has earmarked ₹ 400 crore capex (via equity infusion and internal accruals). Snowman continues to grow strongly (20-25% growth) in its pharma, e-com vertical (managing back-end of Amazon warehouses).

Valuation & Outlook

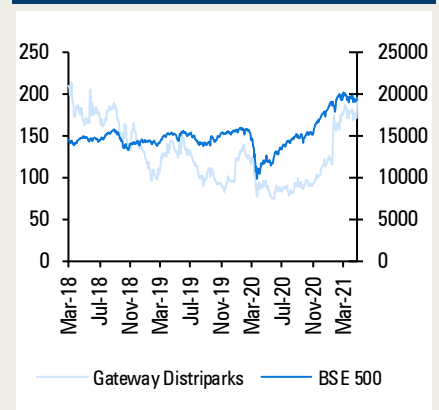
The management expects the rail EBITDA to normalise at 8000-8500/TeU levels, going forward, and also, incur a capex of ₹ 200 crore towards building two satellite feeder terminals in the NCR region (that would augment higher market share for GDL in NCR). Stable revenue growth and enhanced margins would translate into strong FCF generation (>10% yield in FY23E) and debt reduction (D/E: 0.2x in FY23E). We expect RoCE augmentation of 500 bps over FY21-23E to 17.3%. Gateway Distriparks stays a structural long term growth story in the logistics landscape. We maintain **BUY** rating on the stock with a revised target price of ₹ 260 (19x FY23E EPS, earlier TP ₹ 240).



Particulars

Market Capitalisation (₹ cr)	2,321.9
Debt (FY20) (₹ cr)	698.4
Cash (FY20) (₹ cr)	8.6
EV (₹ cr)	3,011.8
52 Week High / Low (₹)	203/70
Equity Capital (₹ cr)	124.8
Face Value (₹ cr)	10.0

Price Performance



Key risks to our call

- Rising competitive intensity in key regions
- Delay in commissioning of DFC and DFC related issues

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Key Financial Summary

₹ crore	FY19	FY20	FY21	FY22E	FY23E	CAGR
Net Sales	430.6	1,292.0	1,179.4	1,354.1	1,570.1	38.2%
EBITDA	82.4	313.4	313.0	365.6	427.1	50.9%
PAT	365.1	103.0	94.4	120.3	168.6	-17.6%
P/E (x)	6.4	22.5	24.6	19.3	13.8	
M.Cap/Sales (x)	5.4	1.8	2.0	1.7	1.5	
RoCE (%)	3.0	11.8	12.1	14.2	17.3	
RoE (%)	6.4	7.2	6.4	7.9	10.4	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY20	FY21	FY22E	FY23E
Total Operating Income	1,292.0	1,179.4	1,354.1	1,570.1
Growth (%)	200.0	-8.7	14.8	16.0
Operating expenses	819.8	710.2	812.5	942.1
Gross Profit	472.3	469.2	541.6	628.0
Gross Profit Margins (%)	36.6	39.8	40.0	40.0
Employee Expenses	59.8	67.6	74.5	83.2
Other Expenditure	99.1	88.6	101.6	117.8
Total Operating Expenditure	978.6	866.3	988.5	1,143.0
EBITDA	313.4	313.0	365.6	427.1
Growth (%)	280.4	-0.1	16.8	16.8
Interest	102.6	63.4	71.5	59.3
Depreciation	133.3	131.4	146.7	157.9
Other Income	17.6	11.3	13.5	15.7
PBT before Exceptional Items	95.1	129.5	160.9	225.5
Less: Exceptional Items	-8.1	0.0	0.0	0.0
PBT after Exceptional Items	103.1	129.5	160.9	225.5
Total Tax	-6.3	19.0	40.5	56.8
PAT before MI	109.4	110.5	120.4	168.8
Minority Interest	0.9	0.1	0.1	0.1
Profit from Associates	-5.5	0.0	0.0	0.0
PAT	103.0	110.4	120.3	168.6
PAT Growth (%)	-65.7	7.2	9.0	40.2
EPS (Adjusted)	7.6	7.6	9.6	13.5

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY20	FY21E	FY22E	FY23E
Profit/(Loss) after taxation	103.0	94.4	120.3	168.6
Add: Depreciation & Amortization	133.3	131.4	146.7	157.9
Add: Interest Paid	102.6	79.5	71.5	59.3
Net Increase in Current Assets	-3.8	53.4	-20.4	-25.0
Net Increase in Current Liabilities	13.1	56.8	17.6	21.0
Others	-38.1	-107.7	0.0	0.0
CF from Operating activities	310.1	307.6	335.7	381.9
(Purchase)/Sale of Fixed Assets	-49.4	-38.1	-200.0	-100.0
Long term Loans & Advances	0.0	0.0	0.0	0.0
Investments	30.1	60.0	0.0	0.0
Others	-109.3	-34.8	-254.6	-154.9
CF from Investing activities	-79.1	25.2	-254.6	-154.9
(inc)/Dec in Loan	-69.4	-180.7	-20.0	-100.0
Dividend & Dividend tax	-52.4	25.2	-72.5	-72.5
Less: Interest Paid	-86.5	-61.9	-57.2	-44.8
Other	-44.0	-11.0	0.0	0.0
CF from Financing activities	-252.4	-228.4	-149.8	-217.4
Net Cash Flow	-21.4	104.4	-68.7	9.6
Cash and Cash Equivalent at the beginnin	30.0	8.6	113.0	44.3
Cash and Cash Equivalent at the end	8.6	113.0	44.3	53.9

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21P	FY22E	FY23E
Equity Capital	108.7	124.8	124.8	124.8
Reserve and Surplus	1,208.0	1,349.7	1,397.4	1,493.5
Total Shareholders funds	1,316.7	1,474.5	1,522.3	1,618.4
Minority Interest	10.6	10.8	10.8	10.8
Total Debt	698.4	481.5	461.5	361.5
Deferred Tax Liability	3.8	2.2	2.2	2.2
Long-Term Provisions	1.3	1.3	1.3	1.3
Other Non Current Liabilities	201.2	168.2	171.6	175.0
Source of Funds	2,232.1	2,138.4	2,169.6	2,169.1
Gross Block - Fixed Assets	2,196.4	2,213.0	2,453.0	2,593.0
Accumulated Depreciation	236.5	367.9	514.7	672.6
Net Block	1,959.9	1,845.1	1,938.4	1,920.5
Capital WIP	5.4	29.1	29.1	29.1
Fixed Assets	1,965.3	1,874.2	1,967.4	1,949.5
Investments	31.8	22.0	22.0	22.0
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Deferred Tax Assets	32.0	50.2	50.2	50.2
Other non-Current Assets	192.0	186.8	190.5	194.3
Inventory	0.0	0.0	0.0	0.0
Debtors	129.8	130.0	149.2	173.0
Loans and Advances	59.7	0.0	0.0	0.0
Other Current Assets	17.4	23.6	24.8	26.0
Cash	8.6	113.0	44.3	53.9
Total Current Assets	215.5	266.5	218.2	252.9
Creditors	91.5	96.5	110.8	128.4
Provisions	0.0	0.0	0.0	0.0
Other Current Liabilities	113.0	164.7	168.0	171.4
Total Current Liabilities	204.4	261.2	278.8	299.8
Net Current Assets	11.0	5.3	-60.6	-46.9
Application of Funds	2,232.1	2,138.4	2,169.6	2,169.1

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Reported EPS	8.3	7.6	9.6	13.5
BV per share	105.5	118.1	121.9	129.6
Cash per Share	0.7	9.0	3.5	4.3
Dividend per share	4.2	5.8	5.8	5.8
Operating Ratios (%)				
Gross Profit Margins	36.6	39.8	40.0	40.0
EBITDA margins	24.3	26.5	27.0	27.2
PAT Margins	7.3	8.0	8.9	10.7
Inventory days	0.0	0.0	0.0	0.0
Debtor days	36.7	40.2	40.2	40.2
Creditor days	25.8	29.9	29.9	29.9
Asset Turnover	0.6	0.5	0.6	0.6
Return Ratios (%)				
RoE	7.2	6.4	7.9	10.4
RoCE	11.8	12.1	14.2	17.3
RoIC	11.0	12.5	14.1	17.2
Valuation Ratios (x)				
P/E	22.5	24.6	19.3	13.8
EV / EBITDA	9.6	8.6	7.5	6.2
EV / Net Sales	2.3	2.3	2.0	1.7
Market Cap / Sales	1.8	2.0	1.7	1.5
Price to Book Value	1.8	1.6	1.5	1.4
Solvency Ratios				
Debt / EBITDA	2.2	1.5	1.3	0.8
Debt / Equity	0.5	0.3	0.3	0.2
Current Ratio	1.0	0.6	0.6	0.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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