

## Rail margins continue to remain at 9000/TeU levels

**About the stock:** GDL has a diversified presence in logistics verticals like container train operators (CTO), cold chain logistics and 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

### Q1FY22 Results: Resilient performance led by rail segment

- Revenues grew 30% YoY to ₹ 330 crore (59% rail volume growth)
- EBITDA grew 28% QoQ to ₹ 89 crore with margins at 27.1% (vs. 27.7% in Q1FY21)
- Subsequently, PAT grew 3X to ₹44 crore

**What should investors do?** With Western DFC expected to be commercialised in September, 2021, GDL stands to gain in the medium to long term from enhanced delivery times, greater modal shift from road to rail and faster turnaround times

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

**Target Price and Valuation:** We value the stock at ₹ 340 i.e. 26x P/E on FY23E EPS

**Key triggers for future price performance:** GDL has been actively lowering its net debt position, which reached a high of ~ ₹ 740 crore in FY19 (due to buyback of Blackstone's entire stake in the rail segment for ₹ 850 crore), at ~₹ 470 crore in Q1FY22 (also paid ₹ 5 dividend in Q1).

- Double digit revenue growth expected from next year onwards (on a normalised base), due to commercialisation of DFC
- Stable revenue growth and enhanced margins (over ₹ 9000/TeU) would translate into strong FCF generation (>11% yield in FY23E)

### 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 45+ 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



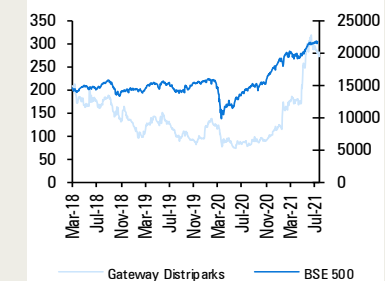
#### Particulars

Market Capitalisation (₹ cr)	3,620.2
Debt (FY21) (₹ cr)	481.5
Cash (FY21) (₹ cr)	113.0
EV (₹ cr)	3,988.7
52 Week High / Low (₹)	329/75
Equity Capital (₹ cr)	124.8
Face Value (₹ cr)	10.0

#### Shareholding pattern

(in %)	Sep-20	Dec-20	Mar-21	Jun-21
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 DFC
- Key Risk:** (i) Rising competitiveness in the rail segment (ii) lower Exim trade

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### Key Financial Summary

₹ crore	FY19	FY20	FY21E	FY22E	FY23E	CAGR
Net Sales	430.6	1,292.0	1,179.4	1,312.3	1,539.3	37.5%
EBITDA	82.4	313.4	313.0	354.3	418.7	50.1%
PAT	365.1	103.0	94.4	111.8	162.1	-18.4%
P/E (x)	9.9	35.1	38.4	32.4	22.3	
M.Cap/Sales (x)	8.4	2.8	3.1	2.8	2.4	
RoCE (%)	3.0	11.8	12.1	13.7	17.0	
RoE (%)	6.4	7.2	6.4	7.4	10.1	

Source: Company, ICICI Direct Research

## Key takeaways

### Q1FY22 Results: Expect margins to rebound to 17-18% from Q2 onwards

- Despite the management's indication of a stronger dip in EBITDA/TeU in Q4, it clocked a healthy ₹ 9000/TeU level, boosting GDL profitability from the rail segment (partly due to continuation of IR policy on discount)
- On a YoY basis, CFS remains impacted due to abnormal realisation and margins in the base quarter (higher congestion at ports, leading to increased utilisation at CFS)

### Q1FY22 Earnings Conference Call highlights

- Partial commercialisation of DFC will help GDL in maintaining EBITDA at ₹ 9000/TeU levels in FY23
- The management expects to do higher double stack post DFC commissioning and increased wagon capacity to 25 tonne/axle
- GDL has built durable relationship with major shipping lines on the import side (better economics) and currently deals with multiple partners on the export side (expects to directly build relations with shipping lines once merchant ships are converted to line haul operations with increased exports)
- GDL has built Snowlink platform, which aggregates trucks for its cold chain business. It is actively lowering its owned truck count from 300 earlier to 260 currently
- In the near term, the cold chain capacity would be increased to 1.2 lakh pallets and to 2 lakh pallets in the near term (₹ 400 crore capex)
- Higher value added services are expected to become a part of CFS via warehouse offering (construction to begin in medium term)

## 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	1,312.3	1,539.3
Growth (%)	200.0	-8.7	11.3	17.3
Operating expenses	819.8	710.2	787.4	923.6
Gross Profit	472.3	469.2	524.9	615.7
Gross Profit Margins (%)	36.6	39.8	40.0	40.0
Employee Expenses	59.8	67.6	72.2	81.6
Other Expenditure	99.1	88.6	98.4	115.4
Total Operating Expenditure	978.6	866.3	958.0	1,120.6
EBITDA	313.4	313.0	354.3	418.7
Growth (%)	280.4	-0.1	13.2	18.2
Interest	102.6	63.4	71.5	59.3
Depreciation	133.3	131.4	146.7	157.9
Other Income	17.6	11.3	13.1	15.4
PBT before Exceptional Items	95.1	129.5	149.2	216.8
Less: Exceptional Items	-8.1	0.0	0.0	0.0
PBT after Exceptional Items	103.1	129.5	149.2	216.8
Total Tax	-6.3	19.0	37.6	54.6
PAT before MI	109.4	110.5	111.7	162.3
Minority Interest	0.9	0.1	0.1	0.1
Profit from Associates	-5.5	0.0	0.3	0.0
PAT	103.0	110.4	111.8	162.1
PAT Growth (%)	-65.7	7.2	1.3	45.0
EPS (Adjusted)	7.6	7.6	9.0	13.0

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	111.8	162.1
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	-15.8	-26.3
Net Increase in Current Liabilities	13.1	56.8	14.2	21.9
Others	-38.1	-107.7	0.0	0.0
CF from Operating activities	310.1	307.6	328.4	375.1
(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	-76.0	2.8
Cash and Cash Equivalent at the beginnin	30.0	8.6	113.0	36.9
Cash and Cash Equivalent at the end	8.6	113.0	36.9	39.7

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	1,388.9	1,478.5
Total Shareholders funds	1,316.7	1,474.5	1,513.8	1,603.4
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	2,161.1	2,154.1
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	144.6	169.6
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	36.9	39.7
Total Current Assets	215.5	266.5	206.3	235.3
Creditors	91.5	96.5	107.3	125.9
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	275.4	297.3
Net Current Assets	11.0	5.3	-69.1	-61.9
Application of Funds	2,232.1	2,138.4	2,161.1	2,154.1

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
Reported EPS	8.3	7.6	9.0	13.0
BV per share	105.5	118.1	121.3	128.4
Cash per Share	0.7	9.0	3.0	3.2
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	8.5	10.5
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	0.5	0.6
Return Ratios (%)				
RoE	7.2	6.4	7.4	10.1
RoCE	11.8	12.1	13.7	17.0
RoIC	11.0	12.5	13.5	16.8
Valuation Ratios (x)				
P/E	35.1	38.4	32.4	22.3
EV / EBITDA	13.8	12.7	11.4	9.4
EV / Net Sales	3.3	3.4	3.1	2.6
Market Cap / Sales	2.8	3.1	2.8	2.4
Price to Book Value	2.7	2.5	2.4	2.3
Solvency Ratios				
Debt / EBITDA	2.2	1.5	1.3	0.9
Debt / Equity	0.5	0.3	0.3	0.2

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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