

# Gateway Distriparks

## Improving outlook

While Gateway Distriparks' (GDL) 2QFY21 EBITDA margin expanded 290bps to 24.9%, its results have been impacted by a higher tax charge, which led to a PAT of Rs 43mn (-75% YoY). **We recently upgraded Gateway Distriparks to BUY**, given its deleveraging initiative post the fundraise, simplification of group structure, and expectations of incremental volumes & efficiency driven by DFC. Our estimates for FY22/23E are mostly unchanged. Maintain BUY with an SOTP-based target price of Rs 125, at 8.5x Sep-22 EV/EBITDA for the rail business.

- **2QFY20 financials:** GDL's revenue at Rs 2.6mn were -19% YoY, +4% QoQ due to 26/16% drop in CFS/Rail volumes. EBITDA margin at 24.9% surprised positively (+290 bps YoY) as the company is focusing on higher- margin rail cargo business and higher CFS dwell times. While PBT declined 4% YoY to Rs 152mn, PAT at Rs 43mn declined 75% YoY, owing to higher tax provision in 2Q (due to dividend received from GRFL).
- **Call and other takeaways:** (1) **Improving demand scenario:** Freight activities are gradually reviving, and volumes are at 85-90% of pre-COVID levels. Management aims at achieving FY21 exit volumes at 90% of last year's levels. (2) **Balance sheet deleveraging:** Rs 1.15bn raised via rights issue has been used towards debt reduction. The company's net debt stands reduced at Rs 5.09bn vs 6.81bn in FY20. (3) **Simplification of group structure:** The company is restructuring operations by planning to merge the Rail/CFS segments, which will drive group synergies. After this restructuring process, GRFL would be listed and renamed later. (4) **DFC commissioning timelines:** Management believes that Rewari-Palanpur stretch will now commence by 1HFY22 vs the earlier guidance of Mar-21. This is due to pending technical signaling work on this route. (5) **Snowman logistics:** Capacity utilisation has risen by 300bps QoQ to 86%. Snowman will play an important role with COVID vaccines as it will require robust cold storage. Pharmaceuticals contribute 10% to its revenues, Seafood-24%, QSR-12%, Meat-12%, Others-42%.

### Financial Summary (Consolidated)

| YE March<br>(Rs mn) | 2Q<br>FY21 | 2Q<br>FY20 | YoY<br>(%) | 1Q<br>FY21 | QoQ<br>(%) | FY19  | FY20   | FY21E  | FY22E  | FY23E  |
|---------------------|------------|------------|------------|------------|------------|-------|--------|--------|--------|--------|
| Net Sales           | 2,625      | 3,251      | (19.2)     | 2,528      | 3.9        | 4,306 | 12,372 | 10,878 | 11,972 | 13,838 |
| EBITDA              | 652        | 715        | (8.7)      | 699        | (6.6)      | 824   | 2,586  | 2,595  | 2,672  | 3,048  |
| APAT                | 43         | 170        | (74.9)     | 111        | (61.6)     | 1,688 | 983    | 343    | 558    | 828    |
| Adj. EPS (Rs)       | 0.3        | 1.4        | (74.9)     | 0.9        | (61.6)     | 15.5  | 9.0    | 2.7    | 4.5    | 6.6    |
| P/E (x)             |            |            |            |            |            | 5.9   | 10.1   | 33.3   | 20.4   | 13.8   |
| EV / EBITDA (x)     |            |            |            |            |            | 21.4  | 7.3    | 6.8    | 6.3    | 5.1    |
| RoE (%)             |            |            |            |            |            | 14.5  | 7.4    | 2.5    | 3.9    | 5.6    |

Source: Company, HSIE Research

### Change in estimates

| Rs mn             | New    |        |        | Old    |        |        | Change (%) |        |       |
|-------------------|--------|--------|--------|--------|--------|--------|------------|--------|-------|
|                   | FY21E  | FY22E  | FY23E  | FY21E  | FY22E  | FY23E  | FY21E      | FY22E  | FY23E |
| Revenue           | 10,878 | 11,972 | 13,838 | 10,877 | 11,989 | 13,868 | 0          | (0)    | (0)   |
| EBITDA            | 2,595  | 2,672  | 3,048  | 2,370  | 2,640  | 3,055  | 10         | 1      | (0)   |
| EBITDA margin (%) | 23.9   | 22.3   | 22.0   | 21.8   | 22.0   | 22.0   | 207 bps    | 29 bps | 0 bps |
| PAT               | 343    | 558    | 828    | 272    | 553    | 833    | 26         | 1      | (1)   |
| EPS               | 2.7    | 4.5    | 6.6    | 2.2    | 4.4    | 6.7    | 26         | 1      | (1)   |

Source: Company, HSIE Research

BUY

|                         |        |
|-------------------------|--------|
| CMP (as on 30 Oct 2020) | Rs 92  |
| Target Price            | Rs 125 |
| NIFTY                   | 11,642 |

| KEY CHANGES  | OLD    | NEW    |
|--------------|--------|--------|
| Rating       | BUY    | BUY    |
| Price Target | Rs 125 | Rs 125 |
| EPS %        | FY21E  | FY22E  |
|              | 26%    | 1%     |

### KEY STOCK DATA

|                             |           |
|-----------------------------|-----------|
| Bloomberg code              | GDPL IN   |
| No. of Shares (mn)          | 125       |
| MCap (Rs bn) / (\$ mn)      | 11/154    |
| 6m avg traded value (Rs mn) | 14        |
| 52 Week high / low          | Rs 138/69 |

### STOCK PERFORMANCE (%)

|              | 3M   | 6M     | 12M |
|--------------|------|--------|-----|
| Absolute (%) | 15.2 | 3.8    | 1.4 |
| Relative (%) | 10.2 | (13.7) | 2.5 |

### SHAREHOLDING PATTERN (%)

|                 | Jun-20 | Sep-20 |
|-----------------|--------|--------|
| Promoters       | 30.2   | 32.1   |
| FIs & Local MFs | 28.9   | 27.7   |
| FPIs            | 26.9   | 25.9   |
| Public & Others | 14.0   | 14.3   |
| Pledged Shares  | 0.0    | 6.0    |

Source : BSE

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