INSTITUTIONAL RESEARCH

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 (Rs mn)	2Q FY21	2Q FY20	YoY (%)	1Q FY21	QoQ (%)	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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Disclosure:

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