

DFC benefits accruing on topline, EBITDA front...

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

Q4FY22 Results: Rail margin clocks ₹ 10350+/TeU levels

- Revenues remained flattish YoY at ₹ 359 crore (16% rail volume growth)
- EBITDA too remain flattish at ₹ 95 crore with margins of 26.4% (vs. 27.2% in Q4FY21)
- However, PAT grew 87% YoY as flattish operating performance was supported by higher other income and negative tax rate

What should investors do? DFC tailwind has led to higher spare capacity from existing infrastructure and better return ratios. With higher inflow of cash, GDL plans to enter into development of two terminals and 10 high capacity train-sets.

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

Target Price and Valuation: We value the stock at ₹ 100 i.e. 21x P/E on FY23E 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 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 reach 1 lakh TeU/quarterly rail volume run-rate. This would translate into strong FCF generation (>9% yield in FY23E)

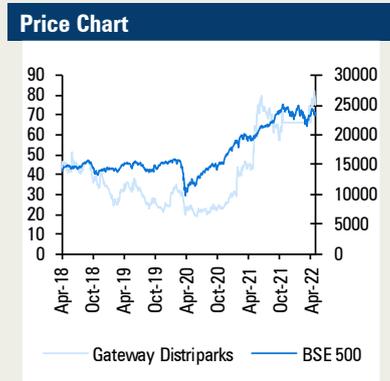
Alternate Stock Idea: Apart from GDL, we remain positive on Container Corp

- Concor is the dominant player in the CTO business (66-67% market share) with 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 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)	3,747.3
Debt (FY22) (₹ cr)	503.0
Cash (FY22) (₹ cr)	190.3
EV (₹ cr)	4,060.0
52 Week High / Low (₹)	87/65
Equity Capital (₹ cr)	499.6
Face Value (₹ cr)	10.0

Shareholding pattern				
(in %)	Jun-21	Sep-21	Dec-21	Mar-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 terminals in NCR region
- **Key Risk:** (i) Rising competitiveness in the rail segment (ii) lower Exim trade

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Key Financial Summary						
₹ crore	FY21	FY22P	5 years CAGR	FY23E	FY24E	2 years CAGR
Net Sales	1,179.4	1,373.7	36.7%	1,593.6	1,835.3	7.7%
EBITDA	313.0	368.5	41.6%	433.5	499.2	8.5%
PAT	94.3	223.8	32.0%	185.8	236.5	-8.9%
P/E (x)	39.7	16.7		20.2	15.8	
M.Cap/Sales (x)	3.2	2.7		2.4	2.0	
RoCE (%)	11.7	15.4		16.9	19.5	
RoE (%)	6.4	13.7		10.7	12.5	

Source: Company, ICICI Direct Research

Key takeaways

Q4FY22 Results: Assured time bound delivery leading to higher market share

- GDL is able to provide one the fastest turnaround times for North-West connectivity on the DFC corridor
- On a YoY basis, CFS remains impacted due surrendering of Punjab Conaware operations (handled 1 lakh TeUs). However, CFS EBITDA/TeUs is expected to reach ₹ 2500 per TeU level due to discontinuation of fixed fee being paid for the operations of Punjab Conaware

Q4FY22 Earnings Conference Call highlights

- The company has 14% market share in the NCR region and 35% in the Ludhiana market
- GDL has become operator of choice for several existing and newer clients due to newly launched IR initiative of assured transit times
- The management expects to revert back to a normalised ₹ 9000 +/- 5% levels in the medium term, as IR would withdraw 25%, 5% rebates on the haulage charges for transport of empty, laden containers, respectively, from May 1 and July end
- Currently the management is seeing sufficient container availability in the hinterlands for the exporters
- Net debt YTD was at ₹ 298 crore vs. ₹ 374 crore in December, 2021
- Snowman has partnered with Fraazo for their fulfilment centres at Bangalore and Pune
- In the long term, the cold chain capacity would be increased from 1.17 lakh pallets currently to 2 lakh pallets (₹ 400 crore capex)

Financial Summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E
Total Operating Income	1,179.4	1,373.7	1,593.6	1,835.3
Growth (%)	-8.7	16.5	16.0	15.2
Operating expenses	710.2	843.3	956.2	1,101.2
Gross Profit	469.2	530.4	637.5	734.1
Gross Profit Margins (%)	39.8	38.6	40.0	40.0
Employee Expenses	67.6	65.8	84.5	97.3
Other Expenditure	88.6	96.0	119.5	137.6
Total Operating Expenditure	866.3	1,005.1	1,160.2	1,336.1
EBITDA	313.0	368.5	433.5	499.2
Growth (%)	-0.1	17.7	17.6	15.2
Interest	79.5	64.7	55.1	44.4
Depreciation	131.4	127.7	146.0	157.1
Other Income	11.3	33.2	15.9	18.4
PBT before Exceptional Items	113.4	209.3	248.3	316.1
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	113.4	209.3	248.3	316.1
Total Tax	19.0	-13.7	62.5	79.6
PAT before MI	94.5	223.0	185.8	236.5
Minority Interest	0.1	0.0	0.0	0.0
Profit from Associates	0.0	0.8	0.0	0.0
PAT	94.3	223.8	185.8	236.5
PAT Growth (%)	-224.1	137.2	-17.0	27.3
EPS (Adjusted)	1.9	4.5	3.7	4.7

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY21	FY22E	FY23E	FY24E
Profit/(Loss) after taxation	94.3	223.8	185.8	236.5
Add: Depreciation & Amortization	131.4	127.7	146.0	157.1
Add: Interest Paid	79.5	64.7	55.1	44.4
Net Increase in Current Assets	53.4	14.6	-58.1	-27.7
Net Increase in Current Liabilities	-26.3	-29.0	37.2	20.9
Others	-24.7	-38.4	0.0	0.0
CF from Operating activities	307.6	363.4	366.0	431.2
(Purchase)/Sale of Fixed Assets	-38.1	-44.9	-100.0	-100.0
Long term Loans & Advances	0.0	0.0	0.0	0.0
Investments	60.0	0.0	0.0	0.0
Others	-34.8	-83.4	-152.2	-152.4
CF from Investing activities	25.2	-83.4	-152.2	-152.4
(inc)/Dec in Loan	-180.7	-61.5	-100.0	-100.0
Dividend & Dividend tax	-50.0	-87.1	-87.1	-87.1
Less: Interest Paid	-61.9	-54.1	-44.3	-33.3
Other	64.2	0.0	0.0	0.0
CF from Financing activities	-228.4	-202.7	-231.4	-220.4
Net Cash Flow	104.4	77.4	-17.7	58.3
Cash and Cash Equivalent at the beginning	8.6	113.0	190.3	172.6
Cash and Cash Equivalent at the end	113.0	190.3	172.6	231.0

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet				
	₹ crore			
(Year-end March)	FY21	FY22E	FY23E	FY24E
Equity Capital	499.6	499.6	499.6	499.6
Reserve and Surplus	975.2	1,137.1	1,235.8	1,385.1
Total Shareholders funds	1,474.8	1,636.8	1,735.4	1,884.8
Minority Interest	9.8	9.8	9.8	9.8
Total Debt	564.5	503.0	403.0	303.0
Deferred Tax Liability	5.2	7.0	7.0	7.0
Long-Term Provisions	1.3	1.3	1.3	1.3
Other Non Current Liabilities	168.2	127.4	130.0	132.6
Source of Funds	2,223.8	2,285.4	2,286.6	2,338.5
Gross Block - Fixed Assets	2,207.4	2,279.7	2,419.7	2,559.7
Accumulated Depreciation	362.2	489.9	635.9	793.0
Net Block	1,845.1	1,789.8	1,783.8	1,766.7
Capital WIP	29.1	10.1	10.1	10.1
Fixed Assets	1,874.2	1,799.9	1,793.9	1,776.8
Investments	22.0	25.1	25.1	25.1
Goodwill on Consolidation	0.0	0.0	0.0	0.0
Deferred Tax Assets	53.2	83.4	83.4	83.4
Other non-Current Assets	186.1	196.9	200.8	204.9
Inventory	0.0	0.0	0.0	0.0
Debtors	130.0	118.5	175.6	202.2
Loans and Advances	0.0	0.0	0.0	0.0
Other Current Assets	23.6	20.4	21.5	22.5
Cash	113.0	190.3	172.6	231.0
Total Current Assets	266.5	329.2	369.7	455.7
Creditors	96.5	94.2	130.3	150.1
Provisions	0.0	0.0	0.0	0.0
Other Current Liabilities	81.7	55.0	56.1	57.2
Total Current Liabilities	178.2	149.2	186.4	207.3
Net Current Assets	88.3	180.0	183.3	248.4
Application of Funds	2,223.8	2,285.4	2,286.5	2,338.6

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY21	FY22E	FY23E	FY24E
Per share data (₹)				
Reported EPS	1.9	4.5	3.7	4.7
BV per share	29.5	32.8	34.7	37.7
Cash per Share	2.3	3.8	3.5	4.6
Dividend per share	1.2	1.7	1.7	1.7
Operating Ratios (%)				
Gross Profit Margins	39.8	38.6	40.0	40.0
EBITDA margins	26.5	26.8	27.2	27.2
PAT Margins	8.0	16.3	11.7	12.9
Inventory days	0.0	0.0	0.0	0.0
Debtor days	40.2	31.5	40.2	40.2
Creditor days	29.9	25.0	29.9	29.9
Asset Turnover	0.5	0.6	0.7	0.7
Return Ratios (%)				
RoE	6.4	13.7	10.7	12.5
RoCE	11.7	15.4	16.9	19.5
RoIC	11.9	15.3	17.7	21.0
Valuation Ratios (x)				
P/E	39.7	16.7	20.2	15.8
EV / EBITDA	13.4	11.0	9.2	7.7
EV / Net Sales	3.6	3.0	2.5	2.1
Market Cap / Sales	3.2	2.7	2.4	2.0
Price to Book Value	2.5	2.3	2.2	2.0
Solvency Ratios				
Debt / EBITDA	1.8	1.4	0.9	0.6
Debt / Equity	0.4	0.3	0.2	0.2
Current Ratio	0.9	0.9	1.1	1.1
Quick Ratio	0.9	0.9	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	886	900	BUY	1,80,013	23.1	37.2	46.1	36.0	35.4	23.8	23.9	20.5	15.9	12.7	11.4	14.2	16.3	11.8	16.6		
Container Corporation	650	780	BUY	38,020	21.6	29.3	37.6	78.4	30.1	22.2	9.8	5.6	4.3	4.5	10.3	12.5	5.4	11.3	13.5		
Transport Corp. of India	699	860	BUY	5,099	32.0	40.1	49.3	36.9	21.8	17.4	20.3	14.0	11.2	13.3	17.9	19.2	12.9	18.0	18.7		
TCI Express	1,790	2,300	BUY	6,852	26.2	34.0	45.8	76.9	68.4	52.6	56.4	51.0	39.1	36.3	31.9	33.1	29.5	26.1	26.8		
Mahindra Logistics	510	600	BUY	3,657	5.2	10.2	17.6	98.5	50.1	29.0	17.4	13.3	9.8	12.2	29.3	35.5	6.3	11.3	16.7		
BlueDart Express	6,630	6,300	BUY	15,753	93.1	125.0	NA	71.2	53.0	NA	18.4	15.6	NA	63.4	63.4	NA	29.7	29.5	NA		
Gateway Distriparks	75	100	BUY	3,747	4.5	3.7	4.7	39.7	16.7	20.2	13.4	11.0	9.2	11.7	15.4	16.9	6.4	13.7	10.7		

Source: Bloomberg, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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