

Gateway Distriparks | BUY

Mixed bag

Gateway Distriparks' (GDL) 2QFY24 revenue grew 11% YoY, led by 5% rise in blended realisation and volume each. Rail revenue grew 15% YoY led by robust volume growth of 12% YoY on account of spillover from 1Q (impacted by cyclone Biparjoy and certain double stack restrictions). Exports volume saw an uptick in 2Q, mainly at the Gurgaon terminal on account of improved exports of automobiles and reefer. Volume at Kashipur was maintained at the monthly run rate of 3-3.5k TEU/month during the quarter and the management expressed confidence of scaling up volume to 6k TEU/ month in the next 2-3 years. The company guided for a) 12% growth in rail volume in 2HFY24 (implying 11-12% volume growth in FY24), b) INR 3bn capex plan over the next 2 years towards new terminals in northern and central India, and c) achieving INR10,000/TEU margin over the medium term. We have revised our FY24-26 EPS estimates by 1-5% to reflect 2Q performance and outlook. We arrive at a Dec'24TP of INR 100, basis 9x Dec'25 EV/EBITDA. We maintain BUY. Key risks: a) lower-than-expected cargo growth and b) adverse outcome in pending litigations.

- 2QFY24 summary:** Consolidated revenue grew 11% YoY/+8% QoQ (+5% 4-year CAGR) to INR 3.9bn (4% below JMFe) with 5% rise in volume (+3% 4-year CAGR; +7% QoQ and in line with JMFe) and 5% increase in blended realisation (+2% 4-year CAGR; flat QoQ and 5% below JMFe). EBITDA grew 8% YoY (+10% 4-year CAGR; 8% QoQ) to INR 1.03bn (7% below JMFe) and margin contracted by 80bps YoY (+10bps QoQ) to 25.9%. PBT grew 18% YoY (+45% 4-year CAGR; +11% QoQ) and was 10% below JMFe. Adj. PAT grew 24% YoY (+54% 4-year CAGR; +16% QoQ) to INR 730mn.
 - A) Rail:** Revenue grew 15% YoY to INR 3.2bn (+9% 4-year CAGR; +7% QoQ) with volume rising 12% YoY to 101k TEU (3% below JMFe) while realisation rose by 3% YoY to INR 31,777/TEU (4% below JMFe). EBITDA (excluding other income) is estimated to have risen 12% YoY/+11% QoQ to INR 891mn (6% below JMFe). EBITDA/TEU is estimated to have risen 1% YoY (-1% QoQ) to INR 8,850/TEU (4% below JMFe).
 - B) CFS:** Revenue fell by 2% YoY (+7%QoQ) to INR 816mn (-5% 4-year CAGR; 4% below JMFe) as realisation fell by 2% YoY to INR 8,838/ TEU. Volume was flat YoY (+3% QoQ) at 92k TEU and 4% above JMFe. EBITDA (excluding other income) declined 14% YoY/8% QoQ. EBITDA margin per TEU (including other income) fell 14% YoY/10% QoQ to INR 1,534/TEU.
- Export volume picking up:** In 2QFY24, rail volume grew by 12% YoY. Volume picked up on account of spillover from 1Q. As per the management, GDL is able to maintain its market share in NCR (Faridabad & Gurgaon) at c.17%, though it has lost slightly in Ludhiana. GDL has till now invested INR 40cr in Jaipur ICD and will invest another INR 50cr this fiscal. The company is expecting double-digit volume in the rail segment and targets to achieve INR10,000/TEU margin in the medium term.
- Kashipur on track:** Kashipur has contributed around 9,000-10,000 TEU in 2QFY24 and



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	100
Upside/(Downside)	10.9%
Previous Price Target	90
Change	11.1%

Key Data – GRFL IN

Current Market Price	INR90
Market cap (bn)	INR45.1/US\$0.5
Free Float	63%
Shares in issue (mn)	499.6
Diluted share (mn)	499.6
3-mon avg daily val (mn)	NM/NM
52-week range	94/59
Sensex/Nifty	64,942/19,407
INR/US\$	83.3

Price Performance

%	1M	6M	12M
Absolute	-2.6	42.0	22.4
Relative*	-1.0	33.5	15.3

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	14,047	14,209	15,849	17,739	19,754
Sales Growth (%)	19.1	1.2	11.5	11.9	11.4
EBITDA	3,996	3,685	4,073	4,798	5,534
EBITDA Margin (%)	28.4	25.9	25.7	27.0	28.0
Adjusted Net Profit	2,016	2,419	2,651	3,243	3,902
Diluted EPS (INR)	4.0	4.8	5.3	6.5	7.8
Diluted EPS Growth (%)	113.2	20.0	9.6	22.3	20.3
ROIC (%)	14.5	13.6	14.0	16.2	18.3
ROE (%)	13.0	14.2	14.5	16.4	17.8
P/E (x)	22.3	18.6	17.0	13.9	11.5
P/B (x)	2.7	2.5	2.4	2.2	1.9
EV/EBITDA (x)	12.1	13.2	11.9	10.0	8.4
Dividend Yield (%)	5.6	2.2	3.3	3.3	3.3

Source: Company data, JM Financial. Note: Adj historical prices on restructuring (GRFL issued 4 shares for 1 share of GDL)

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
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has 35-40% market share in that area. The terminal has touched 3,500 TEU/month mark and will soon be touching 4,000 TEU mark, as per the management. This will be gradually scaled up to 6,000 TEU/ month over the next 3 years. The demand is on account of regular service and volume emanating from nearby catchment areas such as Rudrapur, Sitarganj and Moradabad. Unlike before, ICD is now operating its own trains and all services are being provided, including first mile and last mile connectivity.

■ **Other highlights from conference call:**

- GDL will invest INR 3bn over the next 24 months; INR 1bn per terminal will be invested for two terminals.
- The management expects a gradual shift of 1-2ppt per annum from road to rail due to the dedicated freight corridor.
- Jaipur ICD is expected to be commissioned by 1QFY25; ramp-up will take 6 months.
- GDL will add three high speed rakes (81tn each in FY25 and FY26 through lease model).
- The management highlighted that there have been no price hikes and prices are expected to be stable.
- Net debt stood at INR 3.14bn vs. INR 3.03bn in Jun'23.

- **Revise estimates and TP; maintain BUY:** We cut our FY24 EPS estimates by 5% and keep FY25-26 unchanged to reflect the lower depreciation in FY25-FY26 and arrive at a Dec'24TP of INR 100 (9x Dec'25 EV/EBITDA). We maintain BUY. Key risks: a) lower-than-expected cargo growth and b) adverse outcome in pending litigations

Valuations

Exhibit 1. Valuation Table

INR mn	Dec'24
EBITDA (1yr forward)	5,350
EV/EBITDA (x)	9.0
Total EV	48,148
Less: Consolidated Net Debt and lease liability	3,493
Equity Value	44,655
Add: Holding in Snowman Logistics	2,989
Total Equity Value	47,644
No of shares	500
Target Price (INR/sh)	100

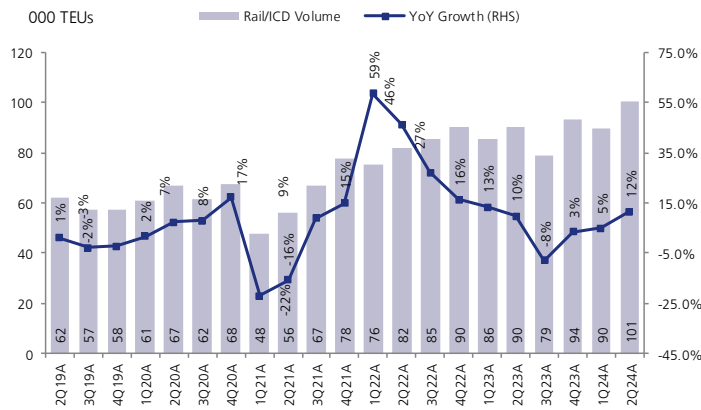
Source: JM Financial

Exhibit 2. 2QFY24 financial performance

INR mn	2Q23A	2Q24A	YoY	4-yr CAGR	1Q24A	QoQ	2Q24E	Var	1HFY23	1HFY24	YoY
Net Revenue	3,591	3,985	11%	5%	3,697	8%	4,170	-4%	7,029	7,682	9%
Rail/ICD	2,785	3,198	15%	9%	2,985	7%	3,413	-6%	5,419	6,182	14%
CFS	834	816	-2%	-5%	764	7%	757	8%	1,664	1,580	-5%
Total	3,591	3,985	11%	5%	3,697	8%	4,170	-4%	7,029	7,682	9%
Volume (000 TEUS)											
Rail/ICD	90	101	12%	11%	90	12%	103	-3%	176	191	8%
CFS	93	92	0%	-3%	90	3%	89	4%	186	182	-2%
Total	183	193	5%	3%	180	7%	192	0%	362	373	3%
Realization (INR/TEU)											
Rail/ICD	30,876	31,777	3%	-2%	33,184	-4%	33,000	-4%	30,808	32,441	5%
CFS	8,988	8,838	-2%	-2%	8,493	4%	8,500	4%	8,956	8,668	-3%
Total	19,627	20,648	5%	2%	20,550	0%	21,665	-5%	19,436	20,601	6%
Operating Expenses	2,246	2,484	11%	4%	2,290	8%	2,614	-5%	4,387	4,774	9%
Employee Cost	157	189	21%	4%	186	2%	180	5%	324	375	16%
Other Expenses	230	280	22%	5%	267	5%	264	6%	485	547	13%
Total Expenditure	2,632	2,953	12%	4%	2,743	8%	3,058	-3%	5,196	5,696	10%
EBITDA	959	1,032	8%	10%	954	8%	1,112	-7%	1,833	1,986	8%
EBITDA Margin (%)	26.7%	25.9%	-80 bps	0 bps	25.8%	10 bps	26.7%	-80 bps	26.1%	25.9%	-20 bps
EBITDA Margins (INR/TEU)											
Rail/ICD	8,800	8,850	1%	7%	8,900	-1%	9,200	-4%	8,897	8,874	0%
CFS	1,780	1,534	-14%	-11%	1,705	-10%	1,800	-15%	1,441	1,619	12%
Total	5,241	5,349	2%	7%	5,302	1%	5,776	-7%	5,068	5,326	5%
Depreciation	267	231	-13%	-8%	249	-7%	250	-8%	522	480	-8%
EBIT	692	801	16%	20%	705	14%	862	-7%	1,311	1,506	15%
Net Finance Costs/(Income)	85	87	2%	-21%	61	43%	70	24%	168	148	-12%
Profit Before Tax	607	715	18%	45%	644	11%	792	-10%	1,143	1,359	19%
Tax Expense	23	-7	-132%	NA	19	-138%	55	-113%	-18	12	-165%
Tax Rate (%)	3.8%	-1.0%	-480 bps	NA	3.0%	-400 bps	7.0%	-800 bps	-1.6%	0.9%	250 bps
Excep. -Inc/Exp	0	0	NM	NA	0	NM	0	NM	0	0	NM
Reported Profit (CFS+Rail)	585	722	24%	44%	625	16%	736	-2%	1,161	1,347	16%
Sh in profit of Assoc. / Min. Int. (-)	6	8	NM	NA	5	NM	15	NM	5	13	NM
Reported Net Profit	591	730	24%	44%	629	16%	751	-3%	1,166	1,360	17%
Adjusted Profit	591	730	24%	54%	629	16%	751	-3%	1,166	1,360	17%
Reported EPS	1.2	1.5	24%	39%	1.3	16%	1.5	-3%	2.3	2.7	17%
Adjusted EPS	1.2	1.5	24%	49%	1.3	16%	1.5	-3%	2.3	2.7	17%

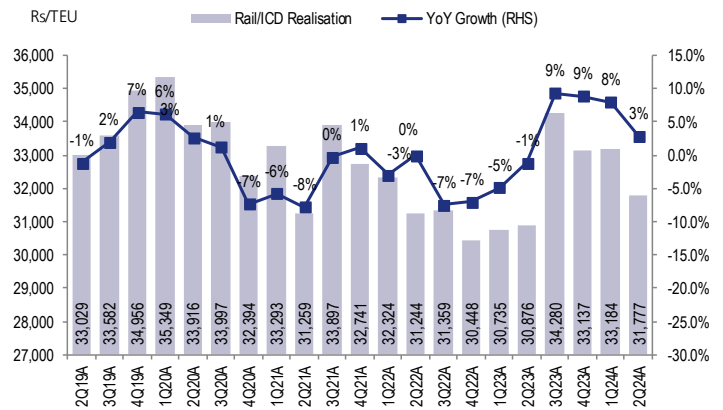
Source: Company, JM Financial

Exhibit 3. Rail volume trend



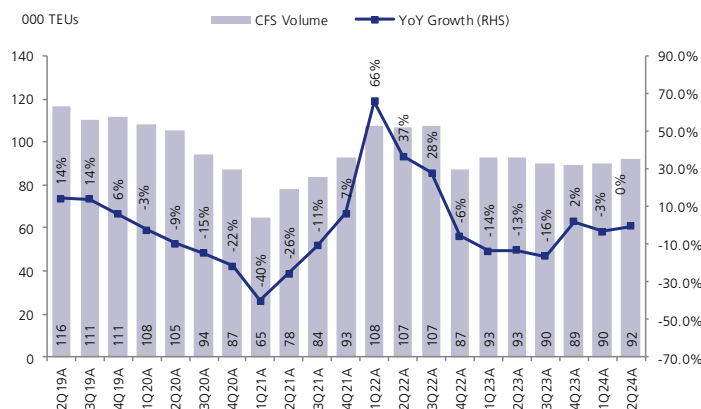
Source: Company, JM Financial

Exhibit 4. Rail realisation (INR/TEU)



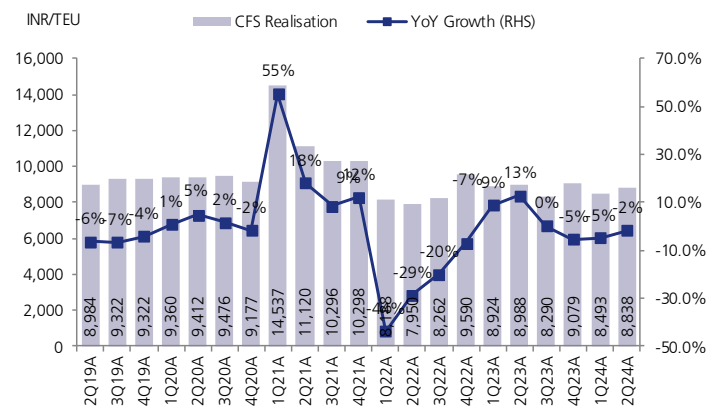
Source: Company, JM Financial

Exhibit 5. CFS volume trend



Source: Company, JM Financial

Exhibit 6. CFS Realisation per TEU



Source: Company, JM Financial

Exhibit 7. GDL contingent liabilities

INR mn	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23
Bank guarantee in favour of President of India for the customs duties	8,523	50,637	45,423	46,866	47,852
Bank guarantee and continuity bonds issued in favour of Punjab state container and warehousing	3,126	2,601	2,601	181	0
Bank Guarantee with BSE	0	0	6	0	0
Other claims					
Concor	Not ascertainable	Not ascertainable	Not ascertainable	Not ascertainable	Not ascertainable
others	2	2	2	2	0
Disputed income tax claims	1,176	1,176	1,286	877	1,166
claims from customs	52	37	37	37	32
Disputed claims at district consumer redressal forum, related to fire at Punjab Conware CFS	5	5	5	5	5
Disputed service tax claims	38	38	46	46	38
Total	12,922	54,496	49,404	48,013	49,093
Total (ex-Bank Guarantee)	1,273	1,258	1,381	966	1,241
PBT	1,383	511	1,134	2,093	2,413
Network	13,218	13,167	14,748	16,368	17,766
% PBT	92%	246%	122%	46%	51%
% network	10%	10%	9%	6%	7%

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	14,047	14,209	15,849	17,739	19,754	
Sales Growth	19.1%	1.2%	11.5%	11.9%	11.4%	
Other Operating Income	0	0	0	0	0	
Total Revenue	14,047	14,209	15,849	17,739	19,754	
Cost of Goods Sold/Op. Exp	8,433	8,854	9,868	10,951	12,079	
Personnel Cost	658	664	770	886	992	
Other Expenses	886	1,007	1,138	1,275	1,428	
EBITDA	3,996	3,685	4,073	4,798	5,534	
EBITDA Margin	28.4%	25.9%	25.7%	27.0%	28.0%	
EBITDA Growth	27.7%	-7.8%	10.5%	17.8%	15.3%	
Depn. & Amort.	1,277	1,039	970	1,079	1,132	
EBIT	2,719	2,645	3,103	3,719	4,401	
Other Income	154	169	190	220	240	
Finance Cost	469	402	470	517	517	
PBT before Excep. & Forex	2,404	2,413	2,823	3,422	4,124	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	2,404	2,413	2,823	3,422	4,124	
Taxes	85	44	226	240	289	
Extraordinary Inc./Loss(-)	222	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	55	60	66	
Reported Net Profit	2,541	2,369	2,651	3,242	3,902	
Adjusted Net Profit	2,016	2,419	2,651	3,243	3,902	
Net Margin	14.3%	17.0%	16.7%	18.3%	19.8%	
Diluted Share Cap. (mn)	499.6	499.6	499.6	499.6	499.6	
Diluted EPS (INR)	4.0	4.8	5.3	6.5	7.8	
Diluted EPS Growth	113.2%	20.0%	9.6%	22.3%	20.3%	
Total Dividend + Tax	2,497	999	1,499	1,499	1,499	
Dividend Per Share (INR)	5.0	2.0	3.0	3.0	3.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	16,368	17,766	18,918	20,662	23,065	
Share Capital	4,996	4,996	4,996	4,996	4,996	
Reserves & Surplus	11,371	12,770	13,922	15,665	18,068	
Preference Share Capital	0	0	0	0	0	
Minority Interest	98	119	119	119	119	
Total Loans	5,030	4,330	4,280	3,500	2,500	
Def. Tax Liab. / Assets (-)	-764	-1,150	-1,630	-2,246	-2,988	
Total - Equity & Liab.	20,732	21,065	21,687	22,035	22,695	
Net Fixed Assets	16,753	18,085	18,615	19,037	19,404	
Gross Fixed Assets	17,699	19,565	20,913	22,413	23,913	
Intangible Assets	3,032	3,490	3,490	3,490	3,490	
Less: Depn. & Amort.	4,078	5,117	6,087	7,166	8,298	
Capital WIP	101	148	300	300	300	
Investments	1,411	1,410	1,515	1,620	1,725	
Current Assets	5,347	4,318	4,466	4,634	5,463	
Inventories	0	0	0	0	0	
Sundry Debtors	1,185	1,369	1,303	1,458	1,624	
Cash & Bank Balances	1,903	760	945	693	1,073	
Loans & Advances	2,259	2,189	2,219	2,483	2,766	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	2,780	2,749	2,909	3,256	3,897	
Current Liabilities	942	1,053	1,172	1,312	1,461	
Provisions & Others	1,838	1,695	1,737	1,944	2,435	
Net Current Assets	2,568	1,569	1,557	1,378	1,566	
Total - Assets	20,732	21,065	21,687	22,035	22,695	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	2,101	2,463	2,823	3,422	4,124	
Depn. & Amort.	1,277	1,039	970	1,079	1,132	
Net Interest Exp. / Inc. (-)	605	414	280	297	277	
Inc (-) / Dec in WCap.	227	-105	197	-73	193	
Others	-272	-191	-480	-616	-743	
Taxes Paid	-303	-379	-226	-240	-289	
Operating Cash Flow	3,634	3,242	3,564	3,869	4,695	
Capex	-449	-2,147	-1,500	-1,500	-1,500	
Free Cash Flow	3,185	1,094	2,064	2,369	3,195	
Inc (-) / Dec in Investments	0	0	-50	-45	-39	
Others	41	75	190	220	240	
Investing Cash Flow	-408	-2,073	-1,360	-1,325	-1,299	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-625	-999	-1,499	-1,499	-1,499	
Inc / Dec (-) in Loans	-465	-523	-50	-780	-1,000	
Others	-1,018	-625	-470	-517	-517	
Financing Cash Flow	-2,108	-2,147	-2,019	-2,796	-3,016	
Inc / Dec (-) in Cash	1,119	-978	185	-252	381	
Opening Cash Balance	590	1,709	731	916	664	
Closing Cash Balance	1,709	731	916	664	1,045	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	14.3%	17.0%	16.7%	18.3%	19.8%	
Asset Turnover (x)	0.7	0.7	0.7	0.8	0.9	
Leverage Factor (x)	1.3	1.2	1.2	1.1	1.0	
RoE	13.0%	14.2%	14.5%	16.4%	17.8%	

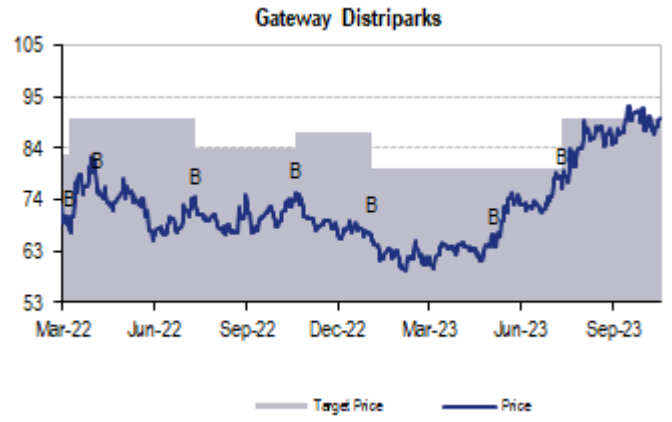
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	32.8	35.6	37.9	41.4	46.2	
ROIC	14.5%	13.6%	14.0%	16.2%	18.3%	
ROE	13.0%	14.2%	14.5%	16.4%	17.8%	
Net Debt/Equity (x)	0.2	0.2	0.2	0.1	0.1	
P/E (x)	22.3	18.6	17.0	13.9	11.5	
P/B (x)	2.7	2.5	2.4	2.2	1.9	
EV/EBITDA (x)	12.1	13.2	11.9	10.0	8.4	
EV/Sales (x)	3.4	3.4	3.1	2.7	2.4	
Debtor days	31	35	30	30	30	
Inventory days	0	0	0	0	0	
Creditor days	34	37	36	37	38	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
31-Jul-20	Buy	43	
30-Sep-20	Buy	40	-5.9
30-Oct-20	Buy	43	6.3
19-Jan-21	Buy	55	29.4
27-Apr-21	Buy	60	9.1
29-Jul-21	Buy	78	29.2
21-Oct-21	Buy	83	6.5
30-Mar-22	Buy	90	9.1
27-Apr-22	Buy	90	0.0
2-Aug-22	Buy	84	-6.7
9-Nov-22	Buy	87	3.6
24-Jan-23	Buy	80	-8.1
27-May-23	Buy	80	0.0
2-Aug-23	Buy	90	12.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REIT refers to Real Estate Investment Trusts.

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