

Gateway Distriparks

An all-round results beat, encouraging outlook

In 3QFY21, Gateway Distriparks' (GDL) EBITDA margin expanded 150bps QoQ to 26.3% and interest costs reduced to Rs 177mn (-18% QoQ) as the company deleveraged its balance sheet. This led to a significant PAT beat (Rs 327mn vs 40mn QoQ). The management has provided an upbeat outlook. In Sep-20, we upgraded Gateway Distriparks to BUY, given the company's improving fundamentals. We raise our FY22/23 estimates by ~6%. Maintain BUY with an SOTP-based target price of Rs 165, at 9x FY23E EV/EBITDA for the rail business.

- 3QFY20 financials:** GDL's revenue at Rs 3.1bn grew 5/20% YoY/QoQ, owing to 9/19% growth in rail volumes. CFS volumes were up 7% QoQ (-11% YoY). EBITDA margin at 26.3% surprised positively (+150bps QoQ, 600 bps YoY) as the company benefitted from higher volumes and 5% rebate on container volumes offered by IR (till Apr-21). The company has been repaying its debt post the fundraise and, hence, the interest cost is down 33% YoY. APAT grew 3x YoY to Rs 327mn (due to lower tax rate of 6% in 3Q, aided by the availing of MAT credit).
- Call and other takeaways: (2) Balance sheet deleveraging:** The company's net debt stands reduced at Rs 4.94bn (vs Rs 5.09bn QoQ, 6.81bn in FY20). In the previous quarter, GDL used Rs 1.15bn raised via rights issue towards debt repayment. **(2) DFC to benefit:** ([Link to our report: Indian Railways - getting aggressive](#)) with the 306km long stretch from Rewari to Madar being inaugurated in Jan-21, the company expects a boost in volumes. The management expects rail throughput of 25k TEU/month vs ~21k currently. It also expects the 342-km stretch of Madar-Palanpur to commence by Sep-21. It will facilitate market share shift towards the rail as the journey time will be reduced from ~70 hours to below 40 hours. Further, shipping fleets will drive the shift to rail, and manufacturers will move the business towards the hinterland based ICDs. **(3) Port connectivity:** The Pipavav Port feeder line is expected to connect with the DFC by Sep-21 while Mundra Port feeder lines will perhaps be connected by Mar-22 (Palanpur - Gandhidham - Mundra).

Financial Summary (Consolidated)

YE March (Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Sales	3,138	2,989	5	2,625	20	4,306	12,372	11,360	12,692	14,681
EBITDA	826	605	36	652	27	824	2,586	2,818	2,931	3,277
APAT	327	109	202	42	674	1,688	983	511	653	926
Adj. EPS (Rs)	2.6	0.9	202	0.3	674	15.5	9.0	4.1	5.2	7.4
P/E (x)						7.5	12.9	28.6	22.3	15.7
EV / EBITDA (x)						24.7	8.3	7.5	6.8	5.8
RoE (%)						14.5	7.4	3.7	4.5	6.4

Source: Company, HSIE Research

Change in estimates

Rs mn	New			Old			Change (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	11,360	12,692	14,681	11,131	12,267	14,188	2	3	3
EBITDA	2,818	2,931	3,277	2,655	2,736	3,125	6	7	5
EBITDA margin (%)	24.8	23.1	22.3	23.9	22.3	22.0	95 bps	79 bps	30 bps
PAT	511	653	926	381	608	888	34	7	4
EPS	4.1	5.2	7.4	3.1	4.9	7.1	34	7	4

Source: Company, HSIE Research

BUY

CMP (as on 19 Jan 2021)	Rs 117
Target Price	Rs 165
NIFTY	14,521

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 160	Rs 165
EPS %	FY21E	FY22E
	34%	7%

KEY STOCK DATA

Bloomberg code	GDPL IN
No. of Shares (mn)	125
MCap (Rs bn) / (\$ mn)	15/200
6m avg traded value (Rs mn)	18
52 Week high / low	Rs 138/69

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	26.1	35.0	(8.1)
Relative (%)	3.9	1.6	(25.9)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	32.1	32.1
FIs & Local MFs	27.7	28.6
FPIs	25.9	25.5
Public & Others	14.3	13.8
Pledged Shares	6.0	5.4

Source : BSE

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Disclosure:

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