



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Gateway Distriparks Ltd Q3 FY23 consolidated revenues came in at ₹341 Cr, down by 2.34% YoY and down by 5% QoQ.
- Op Profit for Q3FY23 stood at ₹91 Cr, down by 2.15% YoY.
- Op margins for Q3FY23 came at 27%, and are flat on both YoY and QoQ basis.
- Net profit for Q3FY23 stood at ₹55Cr, up by 14.6% YoY and down by 8.33% QoQ.

### 2. MANAGEMENT COMMENTARY:

- In Q3FY23, company witnessed decrease in volumes due to lower export volumes. Q3FY23 saw 15% drop in exports on a QoQ basis.
- Market share of the company is doing well. It has grown on a 9 month basis. Share in NCR stands at 16% which was about 12% last year. Share in Ludhiana stands at 35%.
- CFS is expected to remain flat. CFS numbers are expected to remain in line with the last 2-3 quarters.

### 3. CONCALL SUMMARY

- Management has given a guidance of 18% for rail business growth for FY24. But, it might be revised lower in upcoming quarter.
- Revenue per TEU increased due to change in volume mix. Imports have usually better pricing than exports. And, increase in imports led to higher realizations.
- The company is aiming at an EBITDA/TEU of Rs. 10,000 after the DFC is fully operational in upcoming years.
- Kashipur ICD is fully operational and is expected to enhance volume from Q4 onwards. Jaipur ICD is expected to be operational by the end of this calendar year.

### 4. OTHER DEVELOPMENTS:

- Company has not witnessed any growth in exports in January month as well. Management is hopeful of revival in demand from Q1FY24 onwards.
- The focus will remain at EXIM side only and the company will not focus on domestic business.
- Competition intensity has remained low.

### 5. VALUATION AND OUTLOOK:

We believe company will post good results in the coming years. The introduction of National Logistics Policy along with commissioning of Dedicated Freight corridors can be the major game changer for the company.

The aim of NLP is to reduce logistics cost which can only be done by transferring the dependence from road logistics towards rail logistics. EXIM trade can face short term headwinds but overall it is expected to gain momentum.

We give a "BUY" rating on the stock and value the stock at 13x of FY24E earnings to arrive at a target price of Rs.73.

## RECOMMENDATION - BUY

**CMP –62**  
**TARGET –73**  
**(Upside 18%)**

Industry	Logistics
NSE CODE	GATEWAY
BSE CODE	543489
Market Cap (₹ Cr)	3005.86
Shares Outstanding (in Cr)	49.96
52 wk High/Low (₹)	87 / 58.55
P/E	11.72
P/BV	1.72
Face Value (₹)	10.00
Book Value (₹)	34.92
EPS (FY22) (₹)	4.48
Dividend Yield (%)	3.38
Debt / Equity	0.31
Interest Coverage	4.20

## SHAREHOLDING PATTERN

	Dec 22	Sept 22	June 22
Promoters	32.12	32.12	32.12
MF/ DII	38.59	37.55	37.07
FII/FPI	15.07	16.45	17.23
Retail & Others	14.22	13.89	13.57
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022A	2023E	2024E
<b>Crore</b>			
Sales	1374	1400	1580
Sales Gr. (%)	16.68	1.89	12.85
EBITDA	369	367	426
EBITDA %	26	26	
PAT	225	229	280
EPS (₹)	4.5	4.58	5.61
EPS Gr. (%)	-3.4	-	25.78
BV/Sh. (₹)	32.76	34	36.8

### Ratios

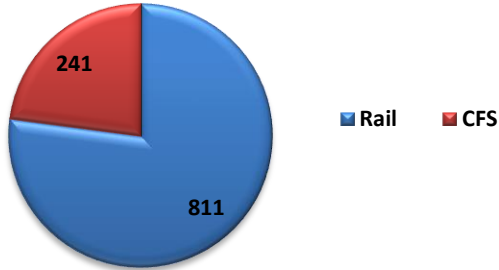
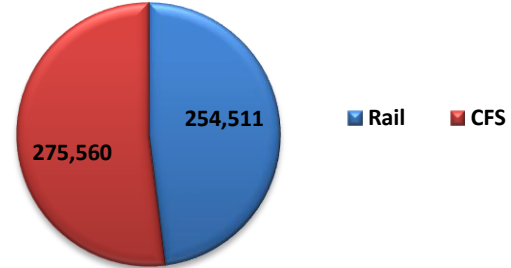
RoE (%)	14.34	13.06	15.45
RoCE (%)	13.15	12.22	14.17

### Valuation

P/E (x)	14.78	13.90	11
P/BV (x)	2.02	1.82	1.68

## Historical & Industrial Val Ratios

Historical P/E	11.72
Industry P/E	22.37
Historical P/B	1.72
Industry P/B	3.22

**REVENUE SPLIT (9MFY23)**
**Revenue split 9MFY23**

**Throughput (TEUs) 9MFY23**

**QUARTERLY PERFORMANCE (CONSOLIDATED)**

(₹ Cr)

Y/E March	FY22				FY23				FY22	FY23E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E*		
<b>Net sales</b>	<b>330</b>	<b>336</b>	<b>349</b>	<b>359</b>	<b>344</b>	<b>359</b>	<b>341</b>	<b>356</b>	<b>1374</b>	<b>1400</b>
YoY change (%)					4.30%	6.97%	-2.34%	-0.83%	16.48%	1.90
<b>Total Expenditures</b>	<b>240</b>	<b>245</b>	<b>256</b>	<b>264</b>	<b>256</b>	<b>263</b>	<b>250</b>	<b>253</b>	<b>1004</b>	<b>1022</b>
<b>EBITDA</b>	<b>89</b>	<b>91</b>	<b>93</b>	<b>95</b>	<b>87</b>	<b>96</b>	<b>91</b>	<b>93</b>	<b>369</b>	<b>367</b>
Margins (%)	27%	27%	27%	26%	25%	27%	27%	26%	27%	26%
Depreciation	32	33	33	29	26	27	26	26	128	105
Interest	16	16	16	16	12	11	11	11	65	45
Other income	3	6	7	18	4	4	4	4	34	12
<b>PBT</b>	<b>44</b>	<b>48</b>	<b>51</b>	<b>68</b>	<b>54</b>	<b>62</b>	<b>59</b>	<b>60</b>	<b>210</b>	<b>229</b>
Rate (%)	0%	2%	6%	-26%	-8%	4%	6%	7%	-7%	-
<b>Adjusted PAT</b>	<b>44</b>	<b>47</b>	<b>48</b>	<b>85</b>	<b>58</b>	<b>60</b>	<b>55</b>	<b>56</b>	<b>224</b>	<b>229</b>
<b>EPS in Rs</b>	<b>2.16</b>	<b>2.33</b>	<b>1,602.33</b>	<b>1.70</b>	<b>1.15</b>	<b>1.18</b>	<b>1.10</b>	<b>1.12</b>	<b>4.48</b>	<b>4.58</b>

**Key Performance Indicators**

<b>Employee cost (% of revenue)</b>	4.78%	4.47%	4.32%	5.51%	4.89%	4.36%	5.11%	5%	5%	5.5%
<b>EBITDA Margins%</b>	27%	27%	27%	26%	25%	26%	26%	26%	27%	26%
<b>PAT Margins %</b>	13.19%	14.11%	14.45%	23.94%	16.56%	17.23%	15.80%	15.73%	16.30%	16.35%

Source: Company, Hem Securities Research.

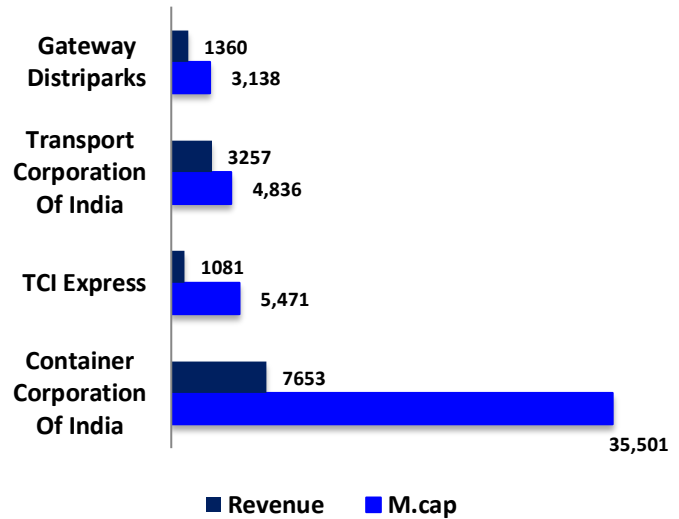
**\*Insights into the assumptions:**

- We expect revenues to remain in line or improve slightly on YoY basis.
- Operating margins are expected to remain between 25%-27% in the upcoming quarters.

## INDUSTRY OVERVIEW

- Logistics is the backbone of every economy. Currently logistics cost in India comprises of 13-14% of the GDP. The newly launched National Logistics Policy aims at bringing down this cost below 10% in the upcoming years.
- The launch of dedicated freight corridors will shift the dependence from road logistics towards rail logistics.
- The National Logistics policy aims at making world class infrastructure, modern warehousing, digitalization, tracing and tracking and improving the delivery speed.
- According to various research reports, India's logistics market is \$215 billion and is expected to grow at an annual compound rate of over 10%.
- Organised market currently represents only 10-15% of the overall market. The NLP aims at standardisation and increasing the competitiveness of Indian logistics player in international markets.
- The rail logistics space suffers from lot of inefficiencies. Indian freight trains travel at a meagre speed of 25kmph due to which the share of rail logistics has nosedived to around 20% which used to be at 60% in 1980s.
- DFCs aim at increasing the speed of freight trains. Double stacking of containers will also lead to increase in volumes.

## KEY PLAYERS IN LOGISTICS SPACE



## PEER PERFORMANCE

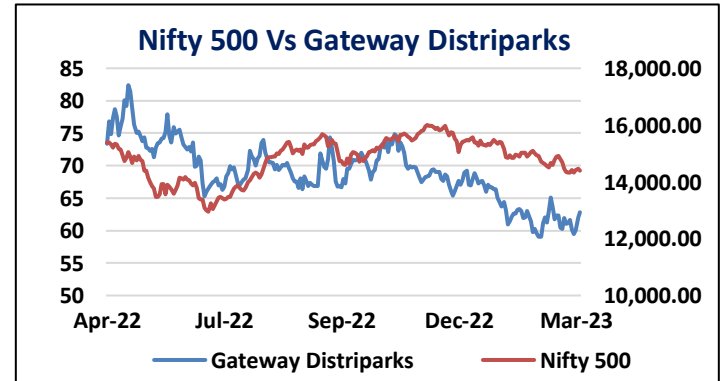
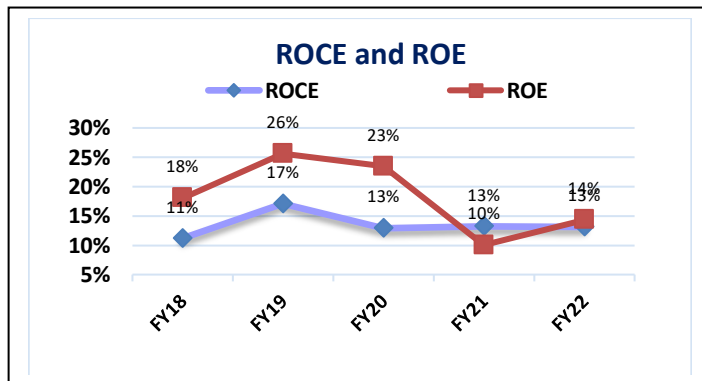
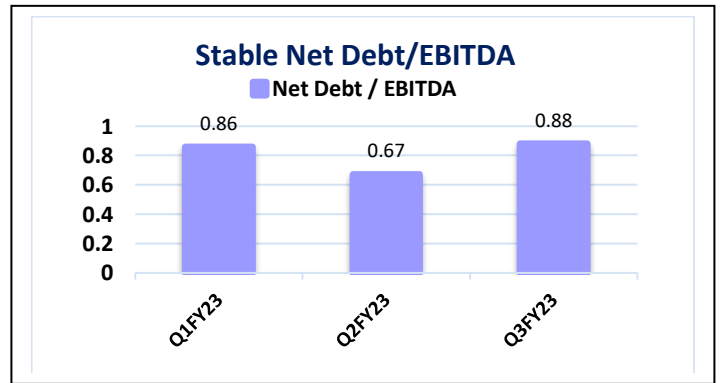
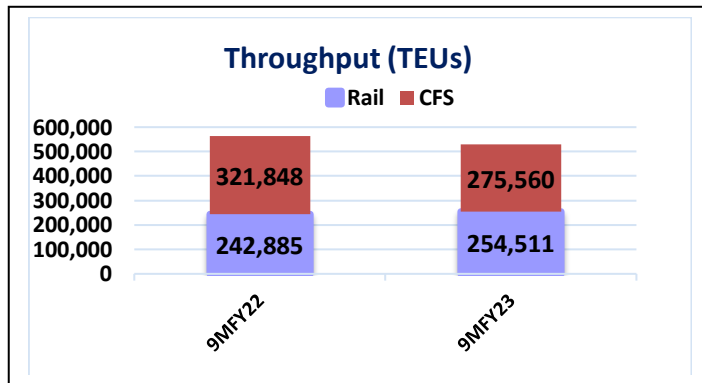
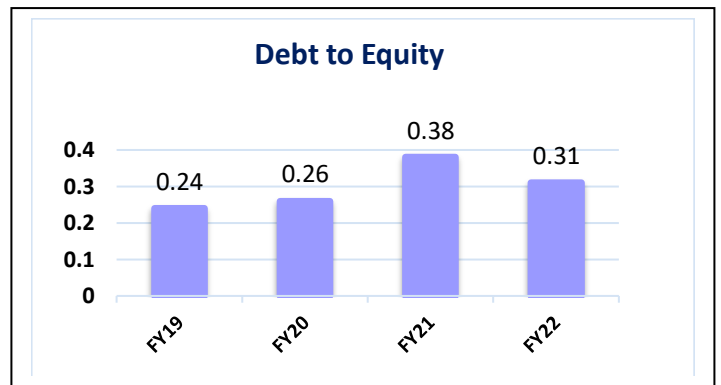
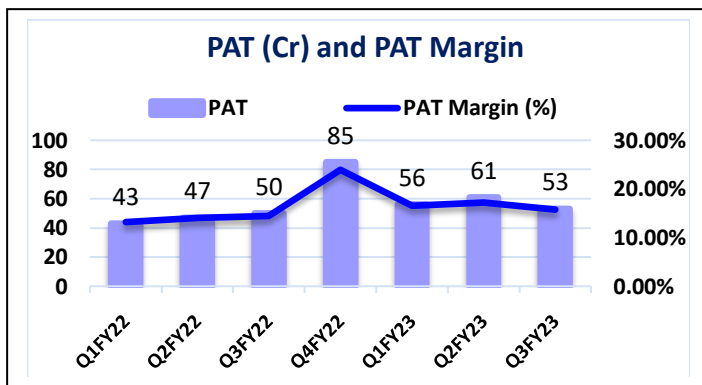
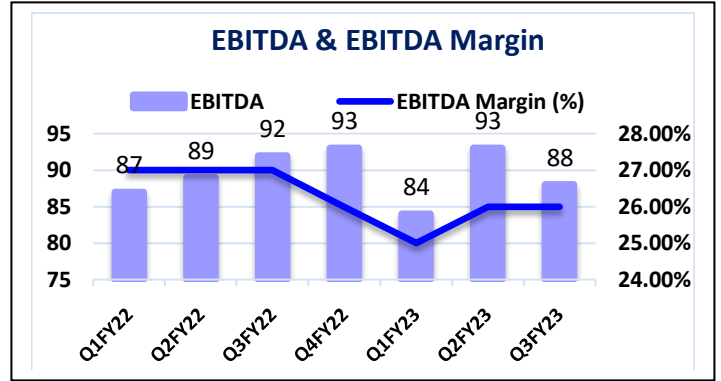
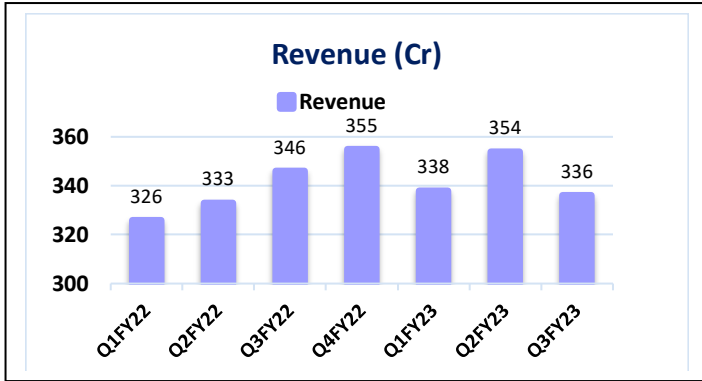
(₹ Cr)

Particulars	Gateway Distriparks	Container Corporation of India	Transport Corporation Of India	Mahindra Logistics
Market Cap	3,005.9	34,717.6	4,845.8	5,478.9
Net Sales	1,373.7	7,652.7	3,256.7	1,081.5
EBITDA	369.3	1,747.8	408.7	174.7
PAT	223.8	1,055.1	289.6	128.8
EPS(₹)	4.5	17.3	37.5	33.5
EBITDA MARGIN %	28.5	25.7	13.2	16.9
PAT MARGIN %	15.8	13.5	8.1	11.9
ROCE %	13.1	13.8	21.5	35.5
ROE %	14.3	10.0	20.5	26.7
P/E TTM	11.7	30.1	15.1	40.1
P/B TTM	1.7	3.1	2.9	8.9
Dividend Yield %	-	1.6	1	0.6
MCap/ Sales TTM	2.1	4.3	1.3	4.5

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- Company witnessed muted Q3FY23 due to decline in exports. Realisations have been higher due to change in volume mix.
- Commissioning of Dedicated Freight Corridors (DFC) can be a major game changer for Gateway Distriparks. Separate routes for freight trains will enable higher speed and reduced delivery time.
- With the introduction of NLP and DFC the share of rail logistics can increase significantly. Currently this share stands at 20% which used to be at 60% in 1980s.
- Gateway Distriparks enjoys considerable market share in NCR region i.e., 16% whereas, in Ludhiana it stands at 35%.
- Company has a fleet of 31 trains and over 500 owned road trailer at its terminals. GDL is the largest private player in container rail segment.
- GDL has strategically located inland container depots in the north western region. ICD are expected to get higher volumes in upcoming years due to commissioning of DFCs.
- They have recently completed the acquisition of Kashipur ICD. It is expected to handle volumes of around 3000 TEUs per month which is expected to reach 6000 TEUs in times to come. Kashipur ICD is expected to generate ₹100 crores of annual revenue for the company.
- Company is also in the process of constructing a ICD near Jaipur with an annual capacity of 1,25,000 TEUs.
- After the recent acquisitions GDL will have 6 ICDs and 5 CFSs.

## RISK / NEGATIVE FACTORS:

- Delay in DFC operations.
- Increase in competitive landscape in CFS and rail business.
- Decline in EXIM trade due to sluggishness in global economy.
- Lower than expected volumes from new ICDs.

## COMPANY RECAP

- The company is in the business of providing inter-modal logistics with three synergetic verticals – Inland Container Depots (ICD) with rail movement of containers to major maritime ports, Container Freight Stations (CFS) and Temperature Controlled Logistics.
- In FY22 the erstwhile group companies - Gateway Distriparks Ltd and Gateway East India Private Limited were amalgamated with Gateway Rail Freight Limited in December 2021 and the name of the company was changed from Gateway Rail Freight Limited to Gateway Distriparks Limited (GDL).
- Company mainly offers four services i.e. Rail Transportation, ICD & CFS , Warehousing and Road Transportation.
- Company has 5 CFS and 5 ICDs along with a strong asset base comprising of 525+ trailers and 31 trains.
- Gateway distriparks has a listed subsidiary i.e. Snowman Logistics. It is the largest cold chain provider in India and provides integrated temperature controlled warehousing, transportation and distribution services, offering a Pan India network to its clients.
- The company has installed ICD capacity of 710,000 TEUs p.a. CFS capacity stands at 536,000 TEUs p.a. whereas total warehousing capacity stands at 1,62,000 sq. mt.
- Key Management personnel – Mr. Prem Kishan Dass Gupta (Chairman and Managing Director), Mr. Ishaan Gupta (Joint Managing Director) and Mr. Samvid Gupta (Joint Managing Director).



## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

Y/E March	2018	2019	2020	2021	2022	2023E	2024E
<b>Revenue from operations</b>	<b>788.80</b>	<b>867.41</b>	<b>868.65</b>	<b>1,179.32</b>	<b>1,373.66</b>	<b>1400</b>	<b>1580</b>
Growth YoY (%)	6.58	9.97	0.14	35.76	16.48	1.96	12.85
<b>Total Expenditure</b>	<b>628.50</b>	<b>666.34</b>	<b>691.57</b>	<b>865.78</b>	<b>1,004.38</b>	<b>1031</b>	<b>1153.4</b>
(%) of sales	79.68	76.82	79.61	73.41	73.12	74	73
<b>EBITDA</b>	<b>160.30</b>	<b>201.07</b>	<b>177.08</b>	<b>313.54</b>	<b>369.28</b>	<b>369</b>	<b>426.6</b>
EBITDA Growth (%)	14.11	21.29	-10.96	72.67	23.88	-	15.60
EBITDA Margin (%)	22.09	24.36	21.66	26.79	28.53	26.35	27
Depreciation	55.90	57.32	77.63	131.42	127.67	105	100
<b>EBIT</b>	<b>104.4</b>	<b>143.75</b>	<b>99.45</b>	<b>182.12</b>	<b>241.61</b>	<b>264</b>	<b>326.6</b>
EBIT Growth (%)	15.79	30.15	-28.23	75.03	42.04	-0.64	23.71
Net Interest Expenses	20.76	14.81	23.90	80.04	65.45	45	40
Other Income	13.92	10.24	11.07	11.33	33.16	12	15
<b>Earnings before Taxes</b>	<b>97.56</b>	<b>139.18</b>	<b>86.62</b>	<b>113.41</b>	<b>209.32</b>	<b>231</b>	<b>301.6</b>
EBT Margin (%)	12.37	16.05	9.97	9.35	14.84	14.65	25.66
Tax-Total	14.37	27.86	-4.64	18.98	-13.70	-	21.11
Rate of tax (%)	14.73	20.01	-5.36	16.74	-6.55	-	7
<b>Net Profit</b>	<b>83.19</b>	<b>119.17</b>		<b>94.43</b>	<b>223.02</b>	<b>231</b>	<b>280.5</b>
PAT Growth (%)	108.45	33.83	-18.02	3.47	136.20	3.6	21.42
PAT Margin (%)	10.55	12.83	10.51	7.79	15.81	16.5	17.75
<b>EPS</b>	<b>4.13</b>	<b>5.52</b>	<b>4.53</b>	<b>1.89</b>	<b>4.48</b>	<b>4.62</b>	<b>5.61</b>
EPS Growth (%)	108.45	33.83	-18.02	-58.26	136.93	-	21.42

#### Balance Sheet

Y/E March	2020	2021	2022
Share Capital	124	516	517
Reserves	1,208	975	1,137
<b>Net Worth</b>	<b>1332</b>	<b>1491</b>	<b>1654</b>
Borrowings	934	702	602
Other Liabilities	182	220	189
<b>Total Liabilities &amp; Equity</b>	<b>2,433</b>	<b>2,397</b>	<b>2,428</b>
Fixed Assets	1,963	1,845	1,790
CWIP	5	29	10
Investments	60	140	141
Other Assets	404	382	487
<b>Total Assets</b>	<b>2,433</b>	<b>2,397</b>	<b>2,428</b>

Source: Company, Hem Securities Research.



<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	10.55	12.83	10.51	7.79	15.81
EBITDA margin (%)	22.09	24.36	21.66	26.79	28.53
EBIT margin (%)	15.00	17.75	12.72	15.95	19.48
ROE (%)	18.05	25.61	23.46	10.04	14.34
ROCE (%)	11.19	17.08	12.93	13.23	13.15
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	0.00	0.00	0.00	0.00	0.00
Inventory (Days)	0.00	0.00	0.00	0.00	0.00
Receivables (Days)	32.33	31.53	35.11	33.27	32.14
Current Ratio (x)	2.12	0.92	0.94	0.81	0.99
<b>Valuations Ratios</b>					
EV/sales (x)	0.83	0.75	0.78	0.81	2.64
EV/EBITDA (x)	3.74	3.10	3.58	2.93	9.00
P/E (x)	0.00	0.00	0.00	0.00	14.78
P/BV (x)	0.00	0.00	0.00	0.00	2.02
Dividend Yield (%)	0.00	0.00	0.00	0.00	7.55
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.23	0.24	0.26	0.38	0.31

<b>Cash Flow Statement</b>					
<b>Y/E March</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>CF from Operating activities (A)</b>	145	189	160	308	363
<b>CF from Investing Activities (B)</b>	150	60	-81	24	-41
<b>CF from Financing Activities (C)</b>	-263	-278	-105	-228	-211
Net Cash Flow	31	-29	-26	103	112
Add: Opening Bal.	-1	30	0	-44	59
<b>Closing Balance</b>	30	1	-26	59	171

Source: Company, Hem Securities Research.

## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
31 <sup>st</sup> March 2023	Buy	73

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Name of the Research Analyst: MUDIT JAIN

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2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
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9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.