

Primed for next leg of growth...

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

Q2FY22 Results: Rail margin maintained at ₹ 9200+/TeU levels

- Revenues grew 28% YoY to ₹ 336 crore (46% rail volume growth)
- EBITDA grew 40% YoY to ₹ 91 crore with margins at 27.1% (vs. 24.9% in Q2FY21)
- Subsequently, PAT came in at ₹ 47 crore vs. ₹ 4 crore in Q2FY21

What should investors do? Commercialisation of DFC has led a peculiar tailwind for the business, led by higher asset turnover due to better turnaround times for the rail segment (27 hours from Gujarat based ports to NCR). It entails higher spare capacity from existing infrastructure and better return ratios.

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

Target Price and Valuation: We value the stock at ₹ 350 i.e. 23x P/E on FY23E EPS

Key triggers for future price performance: Along with the better turnaround times, we expect 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.

- Debt and interest expense are expected to reduce significantly from FY23E onwards, with payments to NCD holders and renegotiation of higher interest yields with debt holders
- The management expects to reach ₹ 10000/TeU margins in the medium term 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)

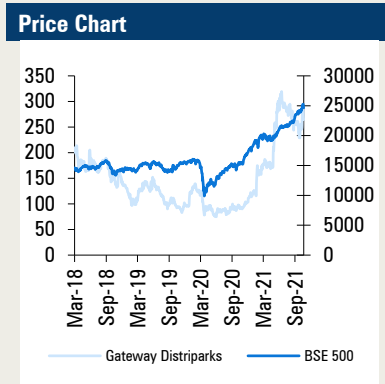
Alternate Stock Idea: Apart from GDL, we remain positive on Container Corp

- 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)	3,295.7
Debt (FY21) (₹ cr)	481.5
Cash (FY21) (₹ cr)	113.0
EV (₹ cr)	3,664.2
52 Week High / Low (₹)	325/87
Equity Capital (₹ cr)	124.8
Face Value (₹ cr)	10.0

Shareholding pattern				
(in %)	Dec-20	Mar-21	Jun-21	Sep-21
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	FY19	FY20	FY21	FY22E	FY23E	CAGR
Net Sales	430.6	1,292.0	1,179.4	1,367.6	1,655.7	40.0%
EBITDA	82.4	313.4	313.0	369.2	450.3	52.9%
PAT	365.1	103.0	94.3	123.8	190.6	-15.0%
P/E (x)	9.0	32.0	34.9	26.6	17.3	
M.Cap/Sales (x)	7.7	2.6	2.8	2.4	2.0	
RoCE (%)	3.0	11.8	12.2	14.4	18.3	
RoE (%)	6.4	7.2	6.4	8.1	11.6	

Source: Company, ICICI Direct Research

Key takeaways

Q2FY22 Results: Clocking one of the best turnaround times in entire DFC stretch

- The management has indicated that DFC commercialisation has freed up 15% of the capacity, which can now be employed for incremental volumes. The management continues to emphasise the importance of maintaining margins over volume growth (but continues to see strong traction on both fronts)
- On a YoY basis, CFS remains impacted due to abnormal realisation and margins in the base quarter (higher congestion at ports, leading to increased utilisation at CFS)

Q2FY22 Earnings Conference Call highlights

- The company has grown 55% YoY in the NCR region while CTOs in general have grown only 18% (indicating higher MS gain)
- GDL has become operator of choice for several existing and newer clients due to newly launched IR initiative of assured transit times
- The company had earlier taken a price hike in the Ludhiana market and is now taking a nominal hike in the NCR region (during this month)
- GDL expects DFC operations to normalise in Q3. Pipavav Rail has electrified its entire network up to Palanpur
- The management expects the container non-availability issue to get resolved in the medium term
- Gross debt YTD was at ₹ 425 crore
- GDL has built Snowlink platform, which aggregates trucks for its cold chain business. It is actively reducing its owned truck count from 300 earlier to 260 currently
- In the near term, the cold chain capacity would be increased to 1.2 lakh pallets and to 2 lakh pallets in the longer term (₹ 400 crore capex)

Financial Summary

Exhibit 1: Profit and loss statement					₹ crore				
(Year-end March)/ (₹ crore)	FY20	FY21	FY22E	FY23E					
Total Operating Income	1,292.0	1,179.4	1,367.6	1,655.7					
Growth (%)	200.0	-8.7	16.0	21.1					
Operating expenses	819.8	710.2	820.5	993.4					
Gross Profit	472.3	469.2	547.0	662.3					
Gross Profit Margins (%)	36.6	39.8	40.0	40.0					
Employee Expenses	59.8	67.6	75.2	87.7					
Other Expenditure	99.1	88.6	102.6	124.2					
Total Operating Expenditure	978.6	866.3	998.3	1,205.3					
EBITDA	313.4	313.0	369.2	450.3					
Growth (%)	280.4	-0.1	18.0	22.0					
Interest	188.3	79.5	128.7	94.0					
Depreciation	133.3	131.4	146.5	157.7					
Other Income	17.6	11.3	13.7	16.6					
PBT before Exceptional Items	9.3	113.4	107.7	215.2					
Less: Exceptional Items	-8.1	0.0	0.0	0.0					
PBT after Exceptional Items	17.4	113.4	107.7	215.2					
Total Tax	-6.3	19.0	41.5	64.2					
PAT before MI	23.7	94.5	66.2	151.0					
Minority Interest	0.9	0.1	0.1	0.1					
Profit from Associates	-5.5	0.0	0.5	0.0					
PAT	17.3	94.3	66.6	150.9					
PAT Growth (%)	-94.2	444.7	-29.5	126.7					
EPS (Adjusted)	7.6	7.6	9.9	15.3					

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					₹ crore				
(Year-end March)/ (₹ crore)	FY20	FY21	FY22E	FY23E					
Profit/(Loss) after taxation	103.0	94.3	123.8	190.6					
Add: Depreciation & Amortization	133.3	131.4	146.5	157.7					
Add: Interest Paid	102.6	79.5	71.5	54.3					
Net Increase in Current Assets	-3.8	53.4	-21.9	-33.0					
Net Increase in Current Liabilities	13.1	56.8	18.7	26.9					
Others	-38.1	-107.7	0.0	0.0					
CF from Operating activities	310.1	307.6	338.5	396.5					
(Purchase)/Sale of Fixed Assets	-49.4	-38.1	-200.0	-100.0					
Long term Loans & Advances	0.0	0.0	0.0	0.0					
Investments	30.1	60.0	0.0	0.0					
Others	-109.3	-34.8	-254.6	-154.9					
CF from Investing activities	-79.1	25.2	-254.6	-154.9					
(inc)/Dec in Loan	-69.4	-180.7	-20.0	-100.0					
Dividend & Dividend tax	-52.4	25.2	-72.5	-72.5					
Less: Interest Paid	-86.5	-61.9	-57.2	-39.8					
Other	-44.0	-11.0	0.0	0.0					
CF from Financing activities	-252.4	-228.4	-149.8	-212.3					
Net Cash Flow	-21.4	104.4	-65.8	29.3					
Cash and Cash Equivalent at the beginnir	30.0	8.6	113.0	47.1					
Cash and Cash Equivalent at the end	8.6	113.0	47.1	76.4					

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet					₹ crore				
(Year-end March)	FY20	FY21	FY22E	FY23E					
Equity Capital	108.7	124.8	124.8	124.8					
Reserve and Surplus	1,208.0	1,349.7	1,400.9	1,519.0					
Total Shareholders funds	1,316.7	1,474.5	1,525.8	1,643.9					
Minority Interest	10.6	10.8	10.8	10.8					
Total Debt	698.4	481.5	461.5	361.5					
Deferred Tax Liability	3.8	2.2	2.2	2.2					
Long-Term Provisions	1.3	1.3	1.3	1.3					
Other Non Current Liabilities	201.2	168.2	171.6	175.0					
Source of Funds	2,232.1	2,138.4	2,173.0	2,194.6					
Gross Block - Fixed Assets	2,196.4	2,207.4	2,447.4	2,587.4					
Accumulated Depreciation	236.5	362.2	508.8	666.4					
Net Block	1,959.9	1,845.1	1,938.6	1,920.9					
Capital WIP	5.4	29.1	29.1	29.1					
Fixed Assets	1,965.3	1,874.2	1,967.7	1,950.0					
Investments	31.8	22.0	22.0	22.0					
Goodwill on Consolidation	0.0	0.0	0.0	0.0					
Deferred Tax Assets	32.0	50.2	50.2	50.2					
Other non-Current Assets	192.0	186.8	190.5	194.3					
Inventory	0.0	0.0	0.0	0.0					
Debtors	129.8	130.0	150.7	182.4					
Loans and Advances	59.7	0.0	0.0	0.0					
Other Current Assets	17.4	23.6	24.8	26.0					
Cash	8.6	113.0	47.1	76.4					
Total Current Assets	215.5	266.5	222.6	284.9					
Creditors	91.5	96.5	111.9	135.4					
Provisions	0.0	0.0	0.0	0.0					
Other Current Liabilities	113.0	164.7	168.0	171.4					
Total Current Liabilities	204.4	261.2	279.9	306.8					
Net Current Assets	11.0	5.3	-57.3	-21.9					
Application of Funds	2,232.1	2,138.4	2,173.0	2,194.6					

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios									
(Year-end March)	FY20	FY21	FY22E	FY23E					
Per share data (₹)									
Reported EPS	8.3	7.6	9.9	15.3					
BV per share	105.5	118.1	122.2	131.7					
Cash per Share	0.7	9.0	3.8	6.1					
Dividend per share	4.2	5.8	5.8	5.8					
Operating Ratios (%)									
Gross Profit Margins	36.6	39.8	40.0	40.0					
EBITDA margins	24.3	26.5	27.0	27.2					
PAT Margins	7.3	8.0	9.1	11.5					
Inventory days	0.0	0.0	0.0	0.0					
Debtor days	36.7	40.2	40.2	40.2					
Creditor days	25.8	29.9	29.9	29.9					
Asset Turnover	0.6	0.5	0.6	0.6					
Return Ratios (%)									
RoE	7.2	6.4	8.1	11.6					
RoCE	11.8	12.2	14.4	18.3					
RoIC	11.0	12.5	14.3	18.4					
Valuation Ratios (x)									
P/E	32.0	34.9	26.6	17.3					
EV / EBITDA	12.7	11.7	10.0	8.0					
EV / Net Sales	3.1	3.1	2.7	2.2					
Market Cap / Sales	2.6	2.8	2.4	2.0					
Price to Book Value	2.5	2.2	2.2	2.0					
Solvency Ratios									
Debt / EBITDA	2.2	1.5	1.2	0.8					
Debt / Equity	0.5	0.3	0.3	0.2					
Current Ratio	1.0	0.6	0.6	0.7					
Quick Ratio	1.0	0.6	0.6	0.7					

Source: Company, ICICI Direct Research

Exhibit 5: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
APSEZ	780	900	BUY	1,58,477	24.7	29.3	37.1	31.5	26.8	21.0	21.4	17.5	14.0	12.7	12.4	14.2	16.4	14.7	16.3
Container Corporation	666	750	BUY	36,558	8.3	21.8	29.5	80.3	30.6	22.5	10.1	5.8	4.2	4.5	10.5	12.8	5.4	11.5	14.0
Transport Corp. of India	562	520	BUY	4,100	18.9	27.7	34.7	29.7	20.3	16.2	16.4	12.9	10.5	13.3	16.0	17.4	12.9	16.0	16.9
TCI Express	1,642	1,850	BUY	6,285	26.2	38.9	52.1	62.8	42.2	31.5	46.8	31.3	23.5	31.9	37.2	37.6	26.1	29.9	30.3
Mahindra Logistics	697	710	BUY	4,998	4.6	9.5	14.5	165.9	73.6	48.2	35.5	22.1	17.3	18.8	28.2	33.6	5.8	11.0	14.8
BlueDart Express	6,310	6,300	BUY	14,993	43.1	91.6	123.2	146.5	68.9	51.2	21.4	17.5	14.9	50.2	63.4	63.5	13.1	29.4	29.4
Gateway Distriparks	264	350	BUY	3,296	7.6	9.9	15.3	34.9	26.6	17.3	11.7	10.0	8.0	12.2	14.4	18.3	6.4	8.1	11.6

Source: Bloomberg, ICICI Direct Research

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Sell: <-15%



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