

June 9, 2023

Visit Update

Key Financials - Company Type

Y/e Mar	FY20	FY21	FY22	FY23
Sales (Rs. m)	4,197	2,715	2,477	2,570
EBITDA (Rs. m)	-256	-93	-58	-32
Margin (%)	(6.1)	(3.4)	(2.3)	(1.3)
PAT (Rs. m)	-578	-1,763	-201	-54
EPS (Rs.)	-5.2	-14.5	-1.6	-0.4
Gr. (%)	NA	NA	NA	NA
DPS (Rs.)	0.8	NA	NA	NA
Yield (%)	0.7	NA	NA	NA
RoE (%)	NA	NA	NA	NA
RoCE (%)	NA	NA	NA	NA
EV/Sales (x)	3.6	5.5	6.0	5.8
EV/EBITDA (x)	NA	NA	NA	NA
PE (x)	NA	NA	NA	NA
P/BV (x)	1.8	2.4	2.4	2.3

Key Data

GATI.BO | GTIC IN

52-W High / Low	Rs. 195 / Rs. 98
Sensex / Nifty	62,626 / 18,563
Market Cap	Rs. 15.8bn / \$ 191.3m
Shares Outstanding	130.1m
3M Avg. Daily Value	Rs. 70.8m

Shareholding Pattern (%)

Promoter's	53.11
Foreign	2.24
Domestic Institution	1.47
Public & Others	43.19
Promoter Pledge (Rs bn)	0.10

Stock Performance (%)

	1M	6M	12M
Absolute	0.4	(22.0)	(12.4)
Relative	(1.6)	(22.8)	(25.5)

Praveen Sahay

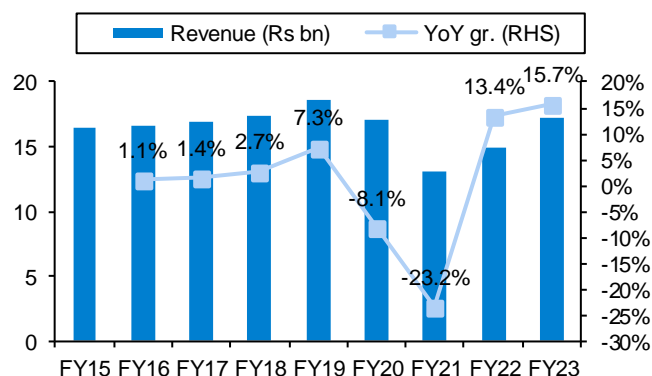
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Focus on efficiency improvement

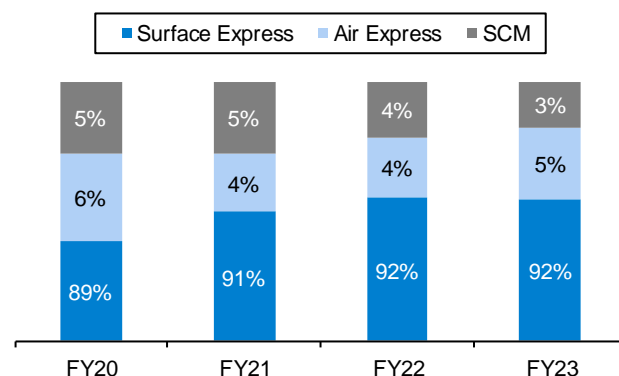
We visited Gati's Super hub located at Bhiwandi having 0.15mn sq. ft. facility and also interacted with the hub head. This newly launched hub has increased Gati's overall volumes and scale of package handling. Management expects 1) market share gains with higher cross docking capacity, 2) reduced delivery time and 3) costs reduction for customer. Over FY21-23 Revenue/EDITDA CAGR stood at 14.5%/60.6%, however, Revenue /EDITDA CAGR was flat/-2% between FY18-23. Management expects more than 15% volume growth (reported 17.3% in FY23) after operationalizing super hubs at 1) Farukh nagar, Gurugram (Q3FY22); 2) Nagpur (Q2FY23), 3) Bhiwandi, Mumbai (Q3FY23), 4) Guwahati (Q3FY23). Margins continue to remain challenging in the near term due to lower utilisation of hubs, competitive intensity and commissioning of Indore, Pune & Cochin hubs in Q2FY24 and Bangalore & Hyderabad hubs in Q1FY24. However, improvement will be seen in 2-3 years post progress in utilization of these super hubs. The transit hub has huge growth potential in terms of addressable market, in our view. We are constructively positive on the business, while it takes some time to reflect in overall financials. At CMP, the stock trading at EV/EBITDA of 23x on FY23 (vs TCI Express 34x/26x/21x FY23/24E/25E). Not Rated.

Key takeaways:

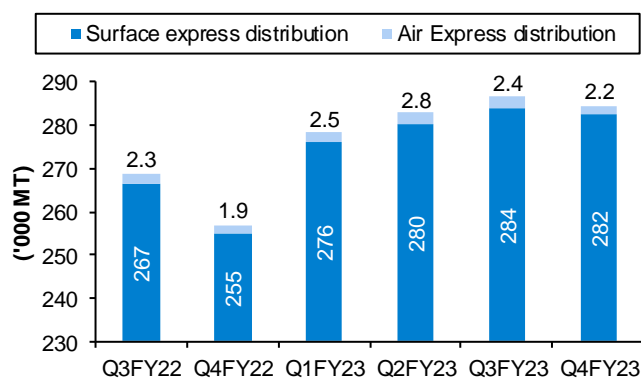
- Super hub increased overall capacity:** Consolidation of three hubs to one super hub has led to increase in 1) overall space from 0.11mn sq. ft to 0.15mn sq. ft, 2) number of docks from 27 to 61 (31 unloading dock), 3) vehicle parking space from 7 to 30, and 4) dock leveller introduced at each dock for efficient package handling. Currently, this super hub is handing 8,399/55,301 dockets/packages per day with 1100 tons weight. The hub has capacity to handle 5,000tn per day, which gives scope for volume improvement. 65% volumes handled, are of out-bound and 35% in-bound. The facility is on 8-10 years lease period, with 2-5% rental escalation clause. Gati did capex of Rs35mn in creating Bhiwandi super hub, however, is delayed (around 5years) in creating super transit hub like this against competition.
- Hub automation to improve efficiency:** Automations like 1) advanced material handling equipment, and 2) camera at each dock for scanning packages for sorting, have reduced overall time for package transit. Further, installation of conveyor belt will also improve efficiency and lead to improvement in margins.
- Volume expected to grow at faster rate:** Better services, competitive pricing and external infrastructure are major volume drivers for the hub that caters to huge addressable market, being located at Bhiwandi, while competition in the area also very high. But management is confident on improvement in volume in coming years with advanced infrastructure.
- Major business at Bhiwandi super hub comes from Pharma, Medical and Auto sector mainly from their warehouses.
- Gati has mix of large and SME customers; Current ratio is 61:39 towards large customer and 2,500 SME customers (1,000 added in last 18 months).

Exhibit 1: Gati improve revenue with super hubs creation


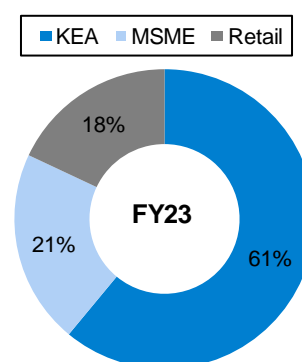
Source: Company, PL

Exhibit 2: Gati KWE sales mix – Surface 92% contribution


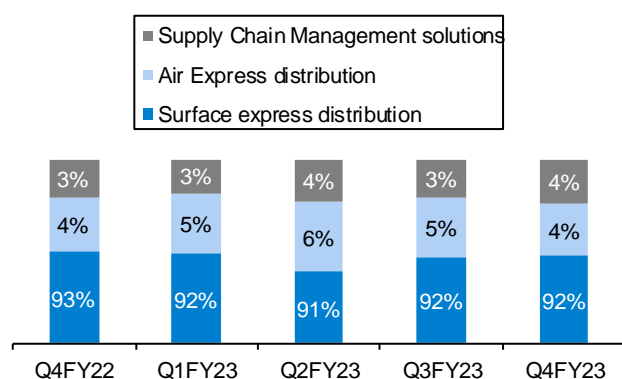
Source: Company, PL

Exhibit 3: Gati volume reported 17.3% growth in FY23


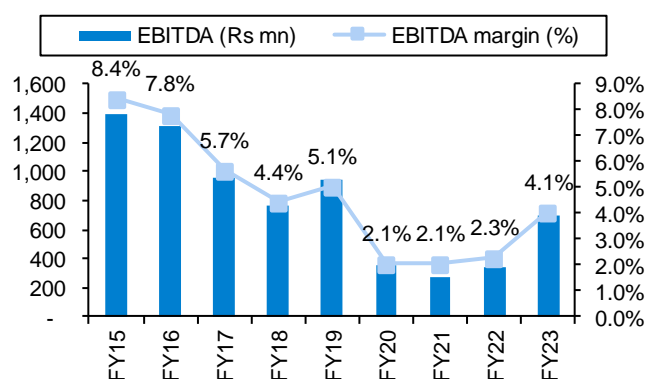
Source: Company, PL

Exhibit 4: Gati KWE client mix


Source: Company, PL

Exhibit 5: Gati Surface express major revenue driver


Source: Company, PL

Exhibit 6: EBITDA margin improving with efficiency


Source: Company, PL

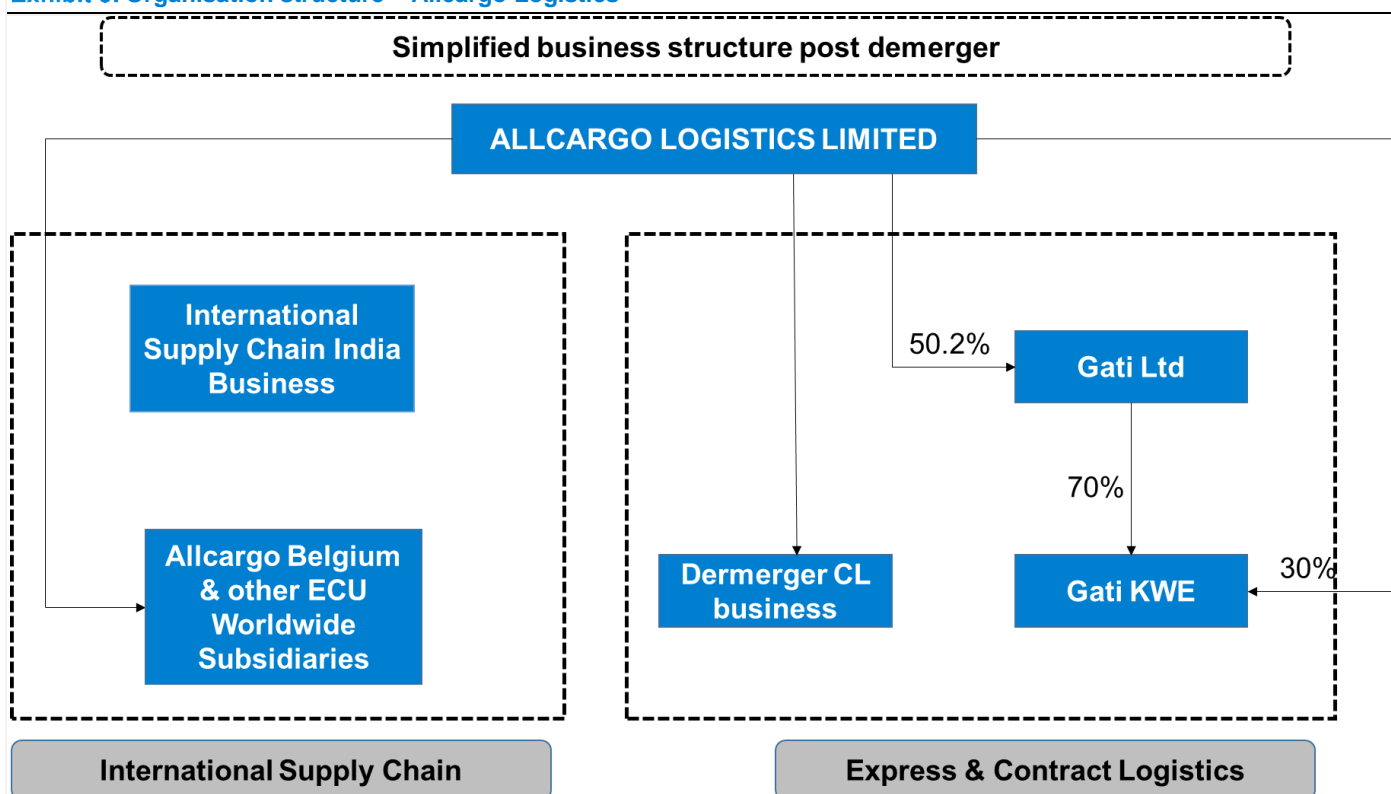
Exhibit 7: Capacity expansion with Farukhnagar & Mumbai Hub

	Farukhnagar Hub		Mumbai Hub	
Particulars	Before	After	Before	After
Space (in sq ft)	84,000 Sq ft in 3 different warehouses	1,13,000 Sq ft at a single location	1,11,000 Sq ft in 3 different warehouses	1,15,000 Sq ft at a single location
Bays	56	89	27	61
Vehicle Loading Time	4 hour+	Less than 3 hours	4 hour+	Less than 3 hours
Productivity per head	5.7 tons	8+ tons	5.7 tons	8+ tons

Infrastructure Amplification leading to Operational Efficiencies	Farukhnagar Hub <ul style="list-style-type: none"> Mega hub at Farukhnagar is a testament to our infrastructure amplification strategy The hub is well equipped for effective loading and unloading leading to improved turnaround time Load factor has increased by over 60% in the last one year 	Mumbai Hub <ul style="list-style-type: none"> The Mega hub at Bhiwandi is operational and we are witnessing improvement in operational parameters Load factor has increased by over 40% in the last 2 months The hub has a 61 docks & Dock Leveler with Scanning Process
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Source: Company, PL

Exhibit 8: Organisation structure – Allcargo Logistics

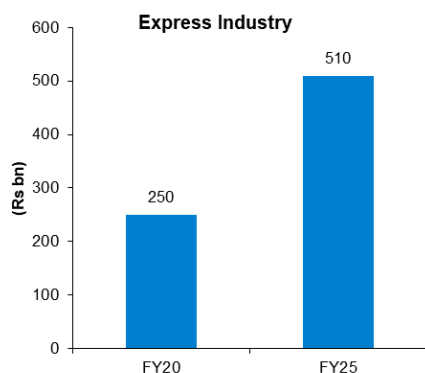


Source: Company, PL

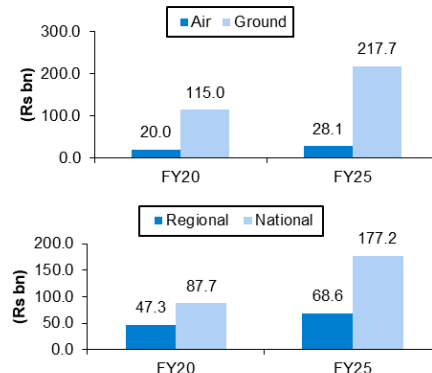
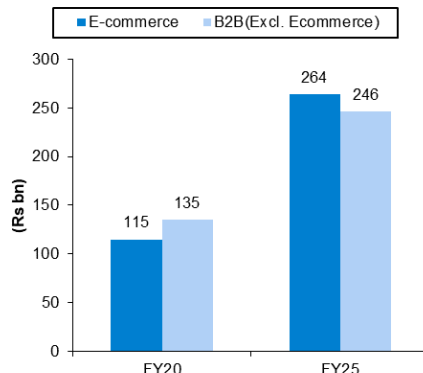
Exhibit 9: Industry with huge opportunities

Surface + Air + Ecommerce + Contract Logistics Total Available Market is Rs525bn

Express Logistics



Accelerated growth Opportunities



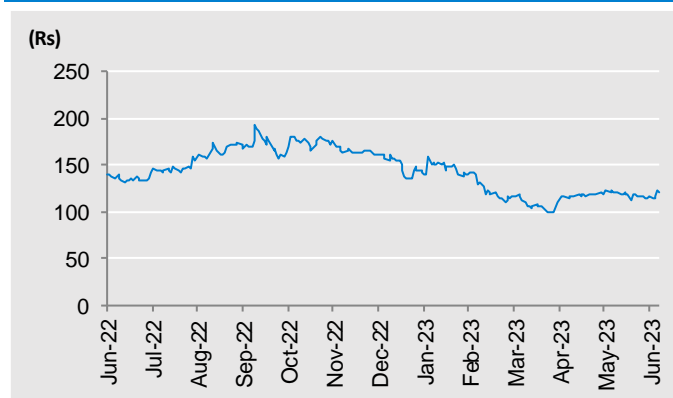
Source: Company, PL

Exhibit 10: Logistics companies' valuation

Company	PE (x)		EV/EBITDA (x)	
	FY24E	FY25E	FY24E	FY25E
Blue Dart	32.2	26.7	16.0	14.0
TCI Express	35.8	29.3	26.1	21.4
Container Corporation	30.8	25.6	18.2	15.6
Adani Port & SEZ	20.0	16.6	14.0	12.2
Gateway Distriparks Ltd	15.1	12.0	9.5	8.2
Navkar Coporation	17.7	13.1	12.7	11.2
Allcargo Logistics Ltd	9.2	8.2	5.5	5.0
Aegis Logistics	23.5	20.6	14.9	13.0
Mahindra Logistics Ltd	52.3	25.4	9.8	7.6
Transport Corporation of India	15.7	13.7	11.2	9.8
VRL Logistics Ltd	28.8	20.9	13.2	11.5

Source: Bloomberg

Price Chart



Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	BUY	1,830	1,687
2	Bajaj Electricals	Accumulate	1,301	1,213
3	Cera Sanitaryware	BUY	7,706	6,690
4	Crompton Greaves Consumer Electricals	BUY	371	260
5	Finolex Industries	Accumulate	194	182
6	Havells India	BUY	1,447	1,245
7	Kajaria Ceramics	Accumulate	1,264	1,185
8	KEI Industries	Hold	1,811	1,836
9	Polycab India	Hold	3,249	3,381
10	Prince Pipes and Fittings	BUY	716	610
11	Supreme Industries	BUY	3,245	2,722
12	Voltas	Hold	848	808

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: >15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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