

February 01, 2012

Kejal Mehta  
kejalmehta@plindia.com  
+91-22-66322246

Dhrushil Jhaveri  
dhrushilhaveri@plindia.com  
+91-22-66322232

Rating	Accumulate
Price	Rs131
Target Price	Rs163
Implied Upside	24.4%
Sensex	17,301
Nifty	5,236

(Prices as on February 01, 2012)

#### Trading data

Market Cap. (Rs bn)	14.1
Shares o/s (m)	107.9
3M Avg. Daily value (Rs m)	18.1

#### Major shareholders

Promoters	40.45%
Foreign	27.73%
Domestic Inst.	15.45%
Public & Other	16.37%

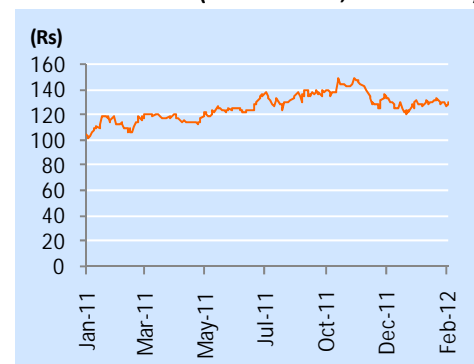
#### Stock Performance

(%)	1M	6M	12M
Absolute	(1.1)	(6.2)	23.5
Relative	(13.1)	(0.6)	27.5

#### How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	13.9	13.6	2.1
2014	15.0	15.3	-1.6

#### Price Performance (RIC: GATE.BO, BB: GDPL IN)



Source: Bloomberg

■ **Results in line:** Gateway Distriparks' (GDL's) standalone revenues stood at Rs562m, a growth of 8% YoY; however, down 7% QoQ. The sequential decline was mainly on account of a ~12% drop in volumes at Mumbai CFS, cushioned a bit by an improvement in realizations (+7% QoQ). Higher dwell time in Q3FY12 (~12 days) as against ~11 days in Q2FY12 propped up realizations. EBITDA margins were flat on a QoQ basis at 57.1% compared to 56.8% in Q2FY12. Consequently, PAT stood at Rs206m, down 10% YoY and 9% QoQ.

■ **CFS volumes decline, increased realizations cushion the fall:** Overall, CFS volumes declined 9% QoQ to 79,347 TEUs on account of a 12% sequential decline in Mumbai CFS volumes. Despite JNPT port volumes growing ~2.5% QoQ, GDPL's Mumbai CFS witnessed a 12% decline in volumes, indicating a loss of market share for the company this quarter. However, a 8% sequential improvement in blended CFS realizations resulted only in a marginal drop in CFS revenues QoQ (-1%). Management indicated that the Cochin CFS at Vallarpadam is almost ready and is expected to start partial operations within a month. Also, the company remains bullish on the prospects of the Chennai CFS market and is actively scouting for a land parcel to expand CFS capacity in this market.

■ **Rail business update:** Rail business continued its steady performance of H1FY12 in Q3FY12 as well. On account of the company's rakes operating at near peak utilizations, the company is guiding to add 6-8 rakes in the next fiscal to grow the rail business. GDL remains upbeat on the rail business, and has guided for a capex of ~Rs1.3bn for FY13 in this vertical. There has been some positive movement on the approvals front at the Assauti terminal in Faridabad and thus with regulatory uncertainty subsiding, GDL now expects the terminal to be commissioned by July 2013. We expect the rail business to drive revenue growth for the company, going forward.

Contd...2

Key financials (Y/e March)	2011	2012E	2013E	2014E
Revenues (Rs m)	6,034	7,678	8,681	9,593
Growth (%)	16.8	27.2	13.1	10.5
EBITDA (Rs m)	1,640	2,449	2,756	2,974
PAT (Rs m)	968	1,297	1,500	1,624
EPS (Rs)	9.0	12.0	13.9	15.0
Growth (%)	22.3	34.1	15.6	8.3
Net DPS (Rs)	4.5	5.5	6.0	6.0

Profitability & Valuation	2011	2012E	2013E	2014E
EBITDA margin (%)	27.2	31.9	31.7	31.0
RoE (%)	14.1	17.7	18.7	18.4
RoCE (%)	10.6	11.6	12.1	11.9
EV / sales (x)	2.3	1.8	1.7	1.5
EV / EBITDA (x)	8.6	5.6	5.3	4.9
PE (x)	14.6	10.9	9.4	8.7
P / BV (x)	2.0	1.8	1.7	1.5
Net dividend yield (%)	3.4	4.2	4.6	4.6

Source: Company Data; PL Research

- Valuations:** We continue to value the CFS and the cold chain business at PER of 13x FY13 which gives us a value of Rs132/share. Further, we are valuing the rail business at P/B of 1.25, with a 10% holding company discount. Our SOTP-based target price works out to Rs162. We maintain 'Accumulate' on the stock.

**Exhibit 1: Q3FY12 Result Overview (Rs m)**

Y/e March	Q3FY12	Q3FY11	YoY gr. (%)	Q2FY12	9MFY12	9MFY11	YoY gr. (%)
<b>Net Sales</b>	<b>562</b>	<b>520</b>	<b>8.1</b>	<b>601</b>	<b>1,773</b>	<b>1,322</b>	<b>34.1</b>
EXPENDITURE	241	249	(3.1)	259	754	662	13.8
Staff cost	22	18	22.3	23	65	55	17.0
<i>% of sales</i>	<i>3.9</i>	<i>3.5</i>		<i>3.8</i>	<i>3.7</i>	<i>4.2</i>	
Transportation	64	66	(3.8)	66	193	172	12.6
<i>% of sales</i>	<i>11.3</i>	<i>12.7</i>		<i>11.0</i>	<i>10.9</i>	<i>13.0</i>	
Labour charges	21	19	7.3	21	61	55	11.5
<i>% of sales</i>	<i>3.7</i>	<i>3.7</i>		<i>3.5</i>	<i>3.5</i>	<i>4.2</i>	
Other exp	67	77	(12.9)	75	222	185	19.8
<i>% of sales</i>	<i>11.9</i>	<i>14.7</i>		<i>12.4</i>	<i>12.5</i>	<i>14.0</i>	
Sub contract charges	32	34	(4.7)	37	103	93	11.3
<i>% of sales</i>	<i>5.7</i>	<i>6.5</i>		<i>6.2</i>	<i>5.8</i>	<i>7.0</i>	
Fees on opt & Mgt of Punjab Conware CFS	36	35	2.9	37	110	103	7.0
<i>% of sales</i>	<i>6.4</i>	<i>6.4</i>		<i>6.0</i>	<i>6.2</i>	<i>7.8</i>	
<b>EBITDA</b>	<b>321</b>	<b>271</b>	<b>18.3</b>	<b>342</b>	<b>1,019</b>	<b>660</b>	<b>54.5</b>
<i>Margins (%)</i>	<i>57.1</i>	<i>52.2</i>		<i>56.8</i>	<i>57.5</i>	<i>49.9</i>	
Depreciation	37	36	3.7	38	114	107	7.1
Other Income	19	12	59.1	22	59	35	69.8
<b>EBIT</b>	<b>302</b>	<b>247</b>	<b>22.4</b>	<b>326</b>	<b>964</b>	<b>588</b>	
Financial Expenses	2	3	(20.7)	2	7	12	(40.0)
<b>Adjusted profit before tax</b>	<b>300</b>	<b>244</b>	<b>22.9</b>	<b>324</b>	<b>957</b>	<b>576</b>	<b>66.1</b>
Provision for taxation	94	14	562.3	98	302	(8)	NA
<i>Effective Tax Rate (%)</i>	<i>31.2</i>	<i>5.8</i>		<i>30.3</i>	<i>31.6</i>	<i>(1.4)</i>	
<b>Adjusted profit after tax</b>	<b>207</b>	<b>230</b>	<b>(10.3)</b>	<b>226</b>	<b>655</b>	<b>585</b>	<b>12.1</b>

Source: Company Data, PL Research

**Income Statement (Rs m)**

Y/e March	2011	2012E	2013E	2014E
<b>Net Revenue</b>	<b>6,034</b>	<b>7,678</b>	<b>8,681</b>	<b>9,593</b>
Raw Material Expenses	—	—	—	—
Gross Profit	6,034	7,678	8,681	9,593
Employee Cost	434	829	938	1,036
Other Expenses	3,960	4,400	4,988	5,583
<b>EBITDA</b>	<b>1,640</b>	<b>2,449</b>	<b>2,756</b>	<b>2,974</b>
Depr. & Amortization	502	500	534	573
Net Interest	182	165	185	210
Other Income	86	75	80	70
<b>Profit before Tax</b>	<b>1,041</b>	<b>1,859</b>	<b>2,118</b>	<b>2,261</b>
Total Tax	44	558	614	633
<b>Profit after Tax</b>	<b>997</b>	<b>1,301</b>	<b>1,504</b>	<b>1,628</b>
Ex-Od items / Min. Int.	30	4	4	4
<b>Adj. PAT</b>	<b>968</b>	<b>1,297</b>	<b>1,500</b>	<b>1,624</b>
<b>Avg. Shares O/S (m)</b>	<b>107.9</b>	<b>107.9</b>	<b>107.9</b>	<b>107.9</b>
<b>EPS (Rs.)</b>	<b>9.0</b>	<b>12.0</b>	<b>13.9</b>	<b>15.0</b>

**Cash Flow Abstract (Rs m)**

Y/e March	2011	2012E	2013E	2014E
C/F from Operations	683	2,112	2,087	2,187
C/F from Investing	(1,497)	(900)	(2,000)	(1,050)
C/F from Financing	1,257	(564)	(92)	(615)
Inc. / Dec. in Cash	444	648	(5)	522
Opening Cash	795	1,179	1,827	1,822
Closing Cash	1,179	1,827	1,822	2,344
FCFF	(812)	1,001	(150)	927
FCFE	(1,707)	1,296	700	1,280

**Key Financial Metrics**

Y/e March	2011	2012E	2013E	2014E
<b>Growth</b>				
Revenue (%)	16.8	27.2	13.1	10.5
EBITDA (%)	31.3	49.3	12.5	7.9
PAT (%)	22.3	34.1	15.6	8.3
EPS (%)	22.3	34.1	15.6	8.3
<b>Profitability</b>				
EBITDA Margin (%)	27.2	31.9	31.7	31.0
PAT Margin (%)	16.0	16.9	17.3	16.9
RoCE (%)	10.6	11.6	12.1	11.9
RoE (%)	14.1	17.7	18.7	18.4
<b>Balance Sheet</b>				
Net Debt : Equity	—	—	0.1	—
Net Wrkng Cap. (days)	—	—	—	—
<b>Valuation</b>				
PER (x)	14.6	10.9	9.4	8.7
P / B (x)	2.0	1.8	1.7	1.5
EV / EBITDA (x)	8.6	5.6	5.3	4.9
EV / Sales (x)	2.3	1.8	1.7	1.5
<b>Earnings Quality</b>				
Eff. Tax Rate	4.2	30.0	29.0	28.0
Other Inc / PBT	8.2	4.0	3.8	3.1
Eff. Depr. Rate (%)	4.4	4.1	3.7	3.7
FCFE / PAT	(176.4)	99.9	46.6	78.8

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

Y/e March	2011	2012E	2013E	2014E
Shareholder's Funds	7,041	7,644	8,386	9,253
Total Debt	1,205	1,500	2,350	2,703
Other Liabilities	3,650	3,696	3,749	3,749
<b>Total Liabilities</b>	<b>11,896</b>	<b>12,840</b>	<b>14,485</b>	<b>15,704</b>
Net Fixed Assets	9,697	10,097	11,563	12,040
Goodwill	—	—	—	—
Investments	150	150	150	150
Net Current Assets	2,049	2,593	2,772	3,514
<i>Cash &amp; Equivalents</i>	<i>1,179</i>	<i>1,827</i>	<i>1,822</i>	<i>2,344</i>
<i>Other Current Assets</i>	<i>1,595</i>	<i>1,765</i>	<i>2,065</i>	<i>2,345</i>
<i>Current Liabilities</i>	<i>725</i>	<i>999</i>	<i>1,115</i>	<i>1,175</i>
Other Assets	—	—	—	—
<b>Total Assets</b>	<b>11,896</b>	<b>12,840</b>	<b>14,485</b>	<b>15,704</b>

**Quarterly Financials (Rs m)**

Y/e March	Q4FY11	Q1FY12	Q2FY12	Q3FY12
<b>Net Revenue</b>	<b>554</b>	<b>610</b>	<b>601</b>	<b>562</b>
<b>EBITDA</b>	<b>320</b>	<b>356</b>	<b>342</b>	<b>321</b>
<i>% of revenue</i>	<i>57.8</i>	<i>58.4</i>	<i>56.8</i>	<i>57.1</i>
Depr. & Amortization	36	39	38	37
Net Interest	3	3	2	2
Other Income	4	18	22	19
<b>Profit before Tax</b>	<b>286</b>	<b>333</b>	<b>324</b>	<b>300</b>
Total Tax	19	110	98	94
<b>Profit after Tax</b>	<b>267</b>	<b>223</b>	<b>226</b>	<b>207</b>
<b>Adj. PAT</b>	<b>267</b>	<b>223</b>	<b>226</b>	<b>207</b>

**Key Operating Metrics**

Y/e March	2011	2012E	2013E	2014E
Gateway Rail Freight Ltd.	3,101	3,989	4,616	5,281
Snowman Frozen Foods Ltd.	452	565	678	814
Others (CFS)	2,345	3,124	3,387	3,498
CFS Volumes (TEUs)	333,422	335,860	399,400	422,700
Revenue/TEU (Rs)	7,032	9,301	8,481	8,275

Source: Company Data, PL Research.

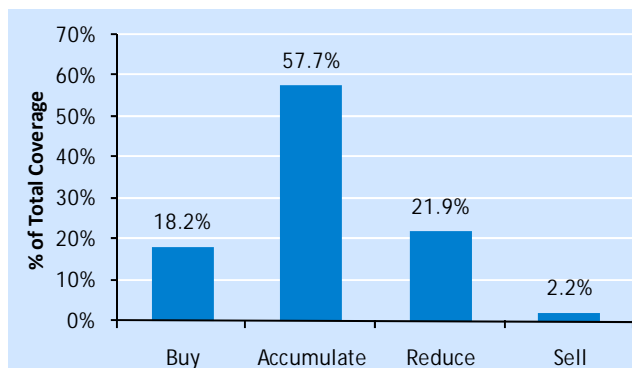


Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

#### Rating Distribution of Research Coverage



#### PL's Recommendation Nomenclature

<b>BUY</b>	: Over 15% Outperformance to Sensex over 12-months	<b>Accumulate</b>	: Outperformance to Sensex over 12-months
<b>Reduce</b>	: Underperformance to Sensex over 12-months	<b>Sell</b>	: Over 15% underperformance to Sensex over 12-months
<b>Trading Buy</b>	: Over 10% absolute upside in 1-month	<b>Trading Sell</b>	: Over 10% absolute decline in 1-month
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.