

Gateway Distriparks

Performance Highlights

Y/E March (₹ cr)	3QFY11	3QFY10	% yoy	2QFY11	% qoq
Net sales	158	128	23.0	138.4	14.0
EBITDA	44.4	36.3	22.4	35.5	25.1
OPM (%)	28.1	28.3	(13)bp	25.6	250bp
PAT	28.0	20.0	40.0	20.5	36.7

Source: Company, Angel Research

GDL reported strong revenue growth of 23.0% yoy to ₹158cr against our estimates of ₹142cr on account of better performance across segments. Revenue growth was driven by healthy volumes across segments, normalcy of operations at Punjab Conware and breakeven of the rail segment at PAT level. Higher share of exim revenue in the rail segment improved OPM by 250bp qoq (flat yoy). Fuelled by higher other income (owing to money received from Blackstone), PAT grew by 36.7% qoq (40.0% yoy) to ₹28cr v/s our estimates of ₹21cr. During 3QFY2011, Gateway Rail Freight (GRFL) begun deploying ₹300cr infused by Blackstone in 2QFY2011 towards retirement of debt and capex execution. **We maintain our Buy recommendation on GDL.**

Strong growth witnessed across segments: GDL reported strong revenue growth of 23.0% yoy (14.0% qoq) to ₹158cr for 3QFY2011, led by better capacity utilisation across segments. Revenue from the CFS segment increased by 24.9% yoy (23.1% qoq) to ₹66cr, while that from the rail segment grew by 20.1% yoy (8.3% qoq). Cold-chain business reported revenue growth of 33.1% yoy (7.3% qoq) to ₹11.4cr on account of low base and improving utilisation. Consolidated OPM improved by 250bp qoq (flat yoy) to 28.1%, owing to healthy realisation in the CFS segment and a higher share of exim revenue in the rail segment. Noticeably, the rail segment has turned profitable at the PAT level for the first time with a profit of ₹0.28cr v/s loss of ₹4.5cr in 2QFY2011 and ₹5.2cr in 3QFY2010. Other income jumped by 187.5% yoy to ₹2.3cr. Consequently, PAT grew by 40.0% yoy and 36.7% qoq to ₹28cr.

Outlook and valuation: We have upgraded our FY2011E and FY2012E estimates by ~8%. The breakeven of the rail business at the PAT level and the ability to combat intense completion at JNPT CFS on sustainable basis will act as a positive catalyst for the stock's performance. At the CMP, the stock is trading at a PE of 10.7x and P/BV of 1.7x on FY2012 estimates. **We maintain Buy on the stock with a Target Price of ₹123.**

Key financials (Consolidated)

Y/E March (₹ cr)	FY2009	FY2010	FY2011E	FY2012E
Net sales	452	517	581	716
% chg	66.6	14.3	12.5	23.2
Net profit	79.6	79.1	87.8	109.2
% chg	8.2	(0.5)	11.0	24.3
EBITDA (%)	32.6	24.2	26.4	28.1
EPS (₹)	7.4	7.3	8.1	10.1
P/E (x)	14.6	14.7	13.2	10.7
P/BV (x)	2.3	2.1	1.9	1.7
RoE (%)	12.5	12.3	12.8	14.6
RoCE (%)	12.1	10.6	11.5	12.9
EV/Sales (x)	2.9	2.5	1.9	1.5
EV/EBITDA (x)	8.9	10.3	7.4	5.3

Source: Company, Angel Research

BUY

CMP	₹108
Target Price	₹123

Investment Period	12 Months
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Stock Info

Sector	Logistics
Market Cap (Rs cr)	1,161
Beta	0.5
52 Week High / Low	142/97
Avg. Daily Volume	94,458
Face Value (Rs)	10
BSE Sensex	18,396
Nifty	5,512
Reuters Code	GATE.BO
Bloomberg Code	GDPL@IN

Shareholding Pattern (%)

Promoters	38.1
MF / Banks / Indian Fls	26.1
FI / NRIs / OCBs	24.9
Indian Public / Others	10.9

Abs. (%)	3m	1yr	3yr
Sensex	(7.8)	12.8	(1.3)
GDL	(4.0)	(13.7)	(6.6)

Param Desai

022 – 3935 7800 Ext: 6823
 paramv.desai@angelbroking.com

Mihir Salot

022 – 3935 7800 Ext: 6843
 mihir.salot@angelbroking.com

Exhibit 1: 3QFY2011 Quarterly performance

Y/E March (₹ cr)	3QFY11	3QFY10	% yoy	2QFY11	% qoq
Net sales	158	128	23.0	138.4	14.0
Total expenditure	113	92	23.2	103.0	10.1
Operating profit	44.4	36.3	22.4	35.5	25.1
OPM (%)	28.1	28.3	(13)bp	25.6	250bp
Profit before tax	31	20.5	50.7	20	55.8
Reported PAT	28.0	20.0	40.0	20.5	36.7
PAT margin (%)	17.7	15.6	216bp	14.8	295bp
EPS (₹)	3	1.9	40.0	1.9	36.7

Source: Company, Angel Research

Exhibit 2: 3QFY2011 Actual v/s Estimates

Particulars (₹ cr)	Actual	Estimates	Variation (%)
Net sales	158	142	10.8
Operating profit	44	38	17.6
OPM (%)	28.1	26.5	163bp
Reported PAT	28.0	21.0	33.5

Source: Company, Angel Research

CFS segment witnessed healthy traction

During the quarter, Mumbai CFS revenue grew by 19.7% yoy (up 23.7% qoq) to ₹52cr, aided by the Punjab Conware CFS returning to ~80% capacity utilisation after the complete shut down due to the fire accident in February 2010 and improving exim volumes at JNPT. For 3QFY2011, consolidated CFS volumes grew by 12.1% yoy (3.8% qoq) to 86,640 TEUs. Mumbai witnessed healthy CFS volume growth of 15.4% yoy (9.6% qoq), while other CFSs (Chennai, Kochi, Vizag) reported moderate volume growth of 4.7% yoy (down 8.3% qoq), owing to infrastructure bottlenecks resulting in loss of volumes at Chennai CFS. Further, CFS realisation grew by 11.5% yoy (18.6% qoq) to ₹7,620/TEU, owing to new customer additions and better capacity utilisation. Consequently, overall CFS revenue reported 23.1% yoy and 24.9% qoq growth to ₹66cr.

Rail business profitable at PAT level

In the rail segment, GDL reported volume growth of 20.2% yoy (9.3% qoq) to 34,494 TEUs, led by addition of new rakes and improving capacity utilisation. For 3QFY2011, the share of exim volumes stood at 65%. Management intends to increase its exim contribution to 90% in ensuing quarters.

During the quarter, GDL received the much-awaited funds infusion of ₹300cr from Blackstone Group in 2QFY2011 and has begun deploying the same towards retirement of debt. However, the company has slowed down addition of rakes, as it wants its Faridabad terminal to get operational. This resulted in lower interest and depreciation cost (down 21% qoq and 8% yoy) for the rail segment. Consequently, GDL reported ₹0.28cr of profit in 3QFY2011 against loss of ₹4.5cr in 2QFY2011 and ₹5.2cr in 3QFY2010. Management has guided that the recent hike of 4–5% in haulage charges is a complete pass-through; however, it has resulted in loss of 400 containers/month to road transportation.

Exhibit 3: Overall volumes and realisations healthy

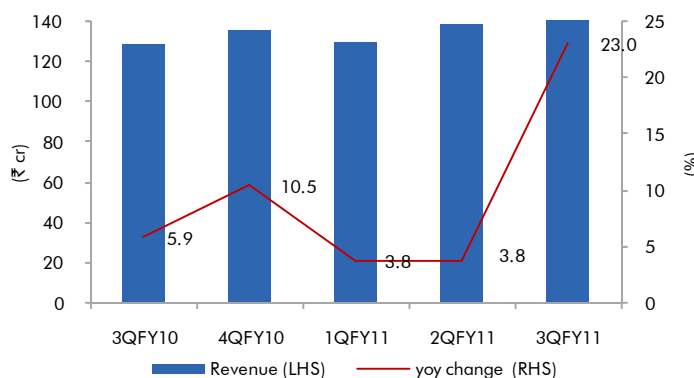
Particulars	3QFY11	3QFY10	yoy %	2QFY11	qoq %
Volumes (mn TEU)	121,134	105,989	14.3	115,060	5.3
Mumbai	61,743	53,516	15.4	56,340	9.6
Other CFS	24,897	23,786	4.7	27,155	(8.3)
ICD/Rail	34,494	28,687	20.2	31,565	9.3
Realisation (₹/TEU)	12,083	11,297	7.0	11,108	8.8
Mumbai	8,420	8,113	3.8	7,462	12.8
Other CFS	5,636	3,960	42.3	4,267	32.1
ICD /Rail	23,294	23,320	(0.1)	23,499	(0.9)

Source: Company, Angel Research

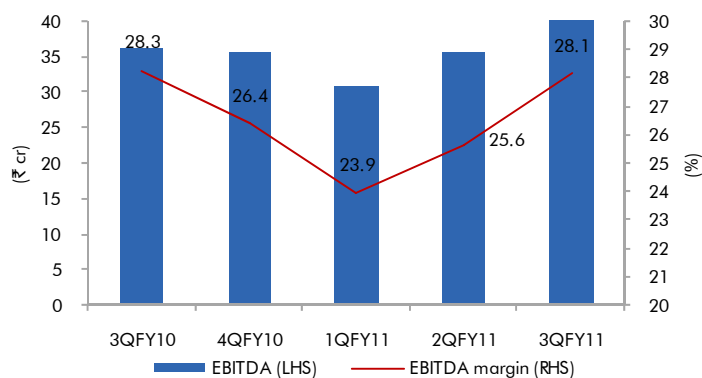
Exhibit 4: Segment-wise performance

Parameter (₹ cr)	3QFY11	3QFY10	% yoy	2QFY11	% qoq
Revenue	158	128	23.0	138	14.0
Mumbai CFS	52	43	19.7	42	23.7
Other CFS	14	9	49.0	12	21.1
Rail Freight	80	67	20.1	74	8.3
Cold chain	11	9	33.1	11	7.3
EBITDA	44	36	22.4	35	25.1
Mumbai CFS	27	23	18.2	21	29.9
Other CFS	4	3	41.4	3	52.7
Rail Freight	10	8	20.3	9	6.6
Cold chain	3	2	53.6	2	23.3
OPM (%)	28.1	28.3	(13)bp	25.6	250bp
Mumbai CFS	52.2	52.9	(69)bp	49.7	251bp
Other CFS	31.1	32.8	(167)bp	24.7	645bp
Rail Freight	12.6	12.5	2bp	12.8	(20)bp
Cold chain	24.6	21.4	327bp	21.4	319bp
Net profit	28	20	39.9	21	36.5
Mumbai CFS	23	20	13.9	20	13.7
Other CFS	4	3	32.0	3	18.9
Rail Freight	0.3	(3)		(3.4)	
Cold chain	1	0	120.1	1	101.3
NPM (%)	17.7	15.6	215bp	14.8	293bp
Mumbai CFS	44.3	46.5	(227)bp	48.2	(390)bp
Other CFS	26.3	29.6	(338)bp	26.7	(48)bp
Rail Freight	0.3	(5.2)		(4.5)	
Cold chain	8.9	5.4	350bp	4.7	414bp
Volumes	121,134	105,989	14.3	115,060	5.3
CFS	86,640	77,302	12.1	83,495	3.8
Rail Freight	34,494	28,687	20.2	31,565	9.3
Realisation	12,083	11,297	7.0	11,108	8.8
CFS	7,620	6,836	11.5	6,423	18.6
Rail Freight	23,294	23,320	(0.1)	23,499	(0.9)

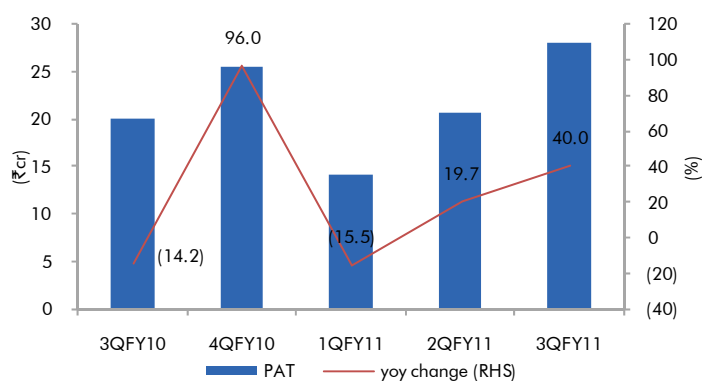
Source: Company, Angel Research

Exhibit 5: Quarterly revenue trend


Source: Company, Angel Research

Exhibit 6: Quarterly EBITDA trend


Source: Company, Angel Research

Exhibit 7: Quarterly profitability trend


Source: Company, Angel Research

Exhibit 8: Key assumptions

Volume growth (%)	FY10	FY11E	FY12E
JNPT	(13.0)	5.7	19.5
Chennai	14.9	14.7	15.0
Other CFS	11.1	15.0	10.0
Rail	69.0	18.0	25.0

Source: Company, Angel Research

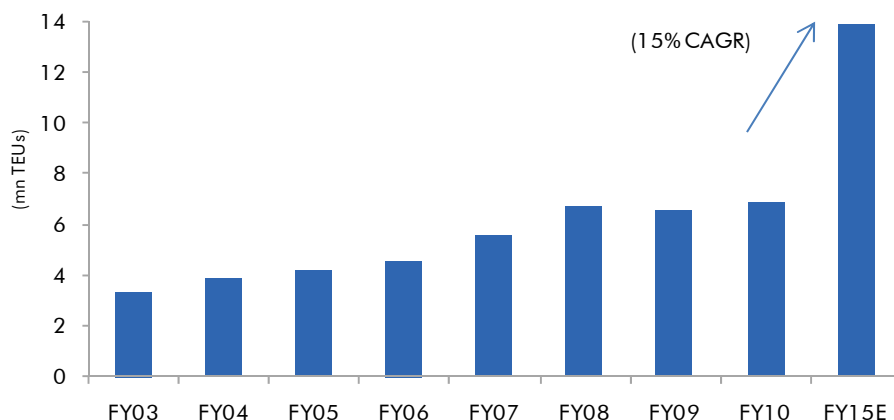
Investment arguments

Pan-India presence to aid GDL capture growing container traffic

Containerisation is popular as it helps to ease congestion at harbours (facilitates efficient handling of cargo), resulting in quicker turnaround of time for container vessels. This, in turn, led to an increase in container traffic at major ports at a 4.4% CAGR vis-à-vis 8.0% CAGR for total cargo over 2001–10.

The CFS at Mumbai, Chennai, Vishakhapatnam and Vallarpadam and the ICD at Garhi and Ludhiana could act as GDL's six hubs to cater to the traffic demand in the western, eastern, southern and northern regions of India. In 1HFY2012, one more ICD will get operational at Faridabad, which will strengthen GDL's pan-India presence and allow it to cater to the fast-growing Indian exim trade. We expect container traffic to increase from 6.9mn TEUs in FY2010 to 13.9mn in FY2015E, registering a 15.0% CAGR during the period. Consequently, we expect GDL to register a 13.2% CAGR in CFS volumes over FY2010–12E.

Exhibit 9: Container growth outpacing cargo growth



Source: IPA, Angel Research

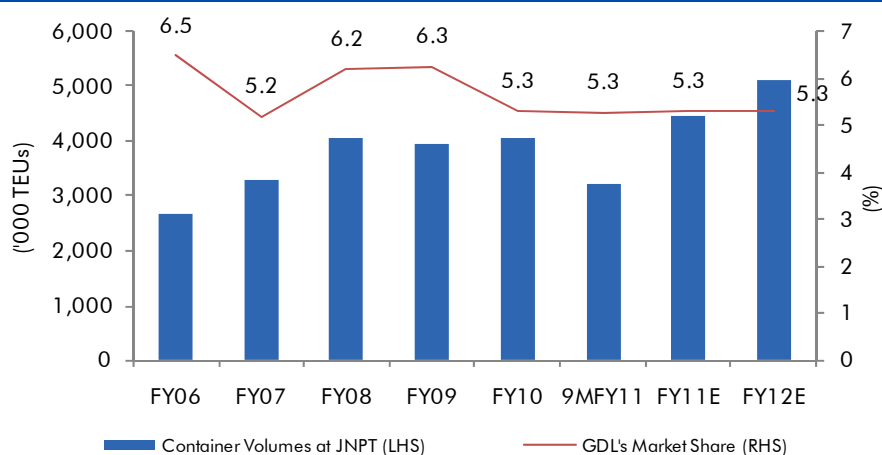
Rail business gaining momentum

GDL's rail business is likely to breakeven in FY2012E (v/s management expectations of FY2011E) on the back of improving capacity utilisation and availability of rakes. GRFL currently operates 21 rakes, which is likely to increase by 8–10 rakes in two years, mainly through cash infusion by Blackstone. The rail business is likely to receive a boost once its Faridabad ICD becomes fully operational in 1HFY2012E. Increased volumes from the high-margin exim segment and better utilisation levels are likely to improve operating margins. We expect GDL to report profit at the PAT level in FY2012E, after having booked a loss of ₹12.7cr in FY2010 and 7.3cr in 9MFY2011. We expect rail volumes to record a 21% CAGR over FY2010–12E, driven by the addition of new rakes and better capacity utilisation.

Sustaining market share at JNPT CFS to act as a catalyst

GDL reported 13.0% yoy and 1.3% yoy decline at JNPT CFS volumes in FY2010 and 9MFY2011 in spite of the 2.7% yoy and 7.4% yoy growth registered in container volumes at the JNPT port for same period. This is partly due to closure of Punjab Conware CFS due to the fire accident in February 2010 and intense competition and oversupply of CFS at the port. Consequently, GDL witnessed a 100bp erosion in market share to 5.3% at the JNPT CFS in FY2010. We believe GDL's ability to combat intense competition at JNPT CFS on sustainable basis will act as a positive catalyst for the stock's performance. We expect additional capacity of 0.8mn TEU to come up at JNPT's third container terminal only by 2HFY2012E, which will improve capacity utilisation of CFS players.

Exhibit 10: GDL's market share at JNPT



Source: IPA, Company, Angel Research

Outlook and valuation

With exim volumes showing signs of improvement, we expect GDL's revenue mix to change in favour of exim in its rail business, which will in turn improve its margins going forward.

We remain bullish on the long-term prospects of the container sector, which is the core growth driver for GDL's business. We believe GDL's presence at strategic locations and its ongoing expansion plans will make it a key beneficiary of the growing container traffic in India.

Overall, we expect GDL to register a 17.5% CAGR in earnings over FY2010–12. At the CMP, the stock is trading at a PE of 10.7x and P/BV of 1.7x on FY2012 estimates. **We maintain Buy on the stock with a Target Price of ₹123.**

Exhibit 11: Peer valuation

Company	Reco.	Mcap (₹ cr)	CMP (₹)	TP (₹)	Upside (%)	P/E (x) FY11E FY12E	P/B (x) FY11E FY12E	EV/EBITDA (x) FY11E FY12E	RoE (%) FY11E FY12E	CAGR# Sales PAT
Allcargo*	Buy	1,698	130	217	66.9	7.6 6.0	1.2 1.0	4.7 3.6	17.5 18.8	15.4 27.4
Gateway Distriparks	Buy	1,161	108	123	14.1	13.2 10.7	1.9 1.7	7.4 5.3	12.8 14.6	17.7 17.5
Container Corp.	Reduce	15,858	1,220	1194	(2.1)	18.6 17.4	3.4 3.0	12.5 11.7	18.5 17.4	6.7 8.1

Source: Company, Angel Research Note: *Calendar year-end figures for CY2011E and CY2012E; #CAGR from FY2010–12E

Profit & loss statement (Consolidated)

Y/E March (₹ cr)	FY08	FY09	FY10	FY11E	FY12E
Gross sales	271	452	517	581	716
Less: Excise duty	-	-	-	-	-
Net sales	271	452	517	581	716
Other operating income	-	-	-	-	-
Total operating income	271	452	517	581	716
% chg	68.6	66.6	14.3	12.5	23.2
Total expenditure	169	305	392	428	515
Transportation	73	184	259	186	226
Labour charges	12	12	13	13	15
Personnel	16	20	23	17	21
Other	68	89	97	212	253
EBITDA	102	147	125	153	201
% chg	26.1	43.6	(15.1)	22.7	31.7
(% of Net Sales)	37.7	32.6	24.2	26.4	28.1
Depreciation	29	44	45	47	53
EBIT	73	103	79	107	148
% chg	8.7	40.2	(22.6)	34.2	38.6
(% of Net sales)	27.0	22.7	15.4	18.3	20.6
Interest & other charges	2	20	20	20	16
Other Income	14	11	12	7	9
(% of PBT)	17	12	17	7	7
Recurring PBT	86	93	72	93	141
% chg	(5.8)	9.0	(22.5)	28.7	51.8
Extraordinary exp/(inc)	-	-	-	-	-
PBT (reported)	86	93	72	93	141
Tax	14	16	(8)	2	28
(% of PBT)	15.9	17.0	(11.0)	2.0	20.0
PAT (reported)	72	77	80	91	113
Add: share in asso. earning	-	-	-	-	-
Less: Minority interest (MI)	(2)	(2)	1	4	4
Prior period items	-	-	-	-	-
PAT after MI (reported)	73.6	79.6	79.1	87.8	109.2
ADJ. PAT	72.0	77.5	80.3	91.3	113.2
% chg	(6.6)	7.6	3.7	13.7	24.0
(% of Net sales)	26.5	17.1	15.5	15.7	15.8
Basic EPS (₹)	6.4	7.4	7.3	8.1	10.1
Fully diluted EPS (₹)	6.8	7.4	7.3	8.2	10.1
% chg	(5.5)	8.2	(0.5)	11.0	24.3

Balance sheet (Consolidated)

Y/E March (₹ cr)	FY08	FY09	FY10	FY11E	FY12E
SOURCES OF FUNDS					
Equity share capital	116	108	108	108	108
Preference capital	-	-	-	-	-
Reserves & surplus	531	516	556	606	678
Shareholder's funds	647	624	664	714	785
Minority interest	64	61	62	66	70
Total loans	18	204	210	130	130
Deferred tax liability	17	18	19	19	19
Total liabilities	745	907	955	929	1,004
APPLICATION OF FUNDS					
Gross block	595	800	868	998	1,128
Less: Acc. depreciation	87	117	155	197	247
Net block	507	683	714	801	882
Capital work-in-progress	47	21	52	52	52
Goodwill	111	110	105	101	97
Investments	0	23	15	15	15
Current assets	147	140	200	288	385
Cash	96	59	79	161	234
Loans & Advances	16	25	50	58	67
Other	35	55	71	69	85
Current Liabilities & Provisions*	68	69	131	328	427
Net Current Assets	79	70	70	(40)	(42)
Mis. Exp. not written off	1	1	0	0	0
Total Assets	745	907	955	929	1,004

Note: *including convertible preference shares to Blackstone in FY11

Cash flow statement (Consolidated)

Y/E March (₹ cr)	FY08	FY09	FY10	FY11E	FY12E
Profit before tax	86	93	72	93	141
Depreciation	29	44	45	47	53
Change in working capital	(8)	(29)	40	217	74
Less: Other adjustments	(5)	21	22	-	-
Direct taxes paid	(11)	(19)	(16)	(2)	(28)
Cash Flow from Operations	90	111	163	355	241
(Inc.)/Dec. in fixed assets	(223)	(193)	(101)	(130)	(130)
(Inc.)/Dec. in investments	1	(22)	8	-	-
Goodwill on acquisition	-	7	2	-	-
Other income	30	5	2	-	-
Cash Flow from Investing	(192)	(204)	(88)	(130)	(130)
Issue of Equity/Buyback	2	(64)	4	-	-
Inc./(Dec.) in loans	12	167	(14)	(80)	-
Dividend Paid (Incl. Tax)	(21)	(46)	(44)	(63)	(38)
Others	-	-	-	-	-
Cash Flow from Financing	(7)	56	(54)	(143)	(38)
Inc./(Dec.) in Cash	(109)	(36)	20	82	73
Opening Cash balances	207	96	59	79	161
Closing Cash balances	98	59	79	161	234

Key ratios

Y/E March	FY08	FY09	FY10	FY11E	FY12E
Valuation Ratio (x)					
P/E (on FDEPS)	16.9	14.5	14.6	13.2	10.6
P/CEPS	12.1	9.3	9.3	8.6	7.1
P/BV	2.3	2.3	2.1	1.9	1.7
Dividend yield (%)	3.3	3.3	2.8	2.8	2.8
EV/Sales	4.0	2.9	2.5	1.9	1.5
EV/EBITDA	10.5	8.8	10.3	7.3	5.2
EV / Total Assets	1.5	1.5	1.4	1.2	1.1
Per Share Data (₹)					
EPS (Basic)	6.4	7.4	7.3	8.1	10.1
EPS (fully diluted)	6.8	7.4	7.3	8.2	10.1
Cash EPS	8.9	11.5	11.6	12.5	15.0
DPS	3.5	3.5	3.0	3.0	3.0
Book Value	46.2	47.7	51.8	56.8	63.8
DuPont Analysis					
EBIT margin	27.0	22.7	15.4	18.3	20.6
Tax retention ratio	0.8	0.8	1.1	1.0	0.8
Asset turnover (x)	0.5	0.6	0.6	0.7	1.0
ROIC (Post-tax)	11.2	11.7	10.5	13.0	15.8
Cost of Debt (Post Tax)	13.3	15.0	10.5	11.8	9.6
Leverage (x)	(0.2)	0.1	0.2	0.1	(0.1)
Operating ROE	11.7	11.5	10.5	13.1	15.2
Returns (%)					
ROCE (Pre-tax)	10.5	12.7	8.7	11.6	15.6
Angel ROIC (Pre-tax)	16.4	15.4	10.3	14.9	22.2
ROE	11.6	12.5	12.3	12.8	14.6
Turnover ratios (x)					
Asset Turnover (Gross Block)	0.5	0.6	0.6	0.6	0.7
Inventory/Sales (days)	-	-	-	-	-
Receivables (days)	34	34	43	42	38
Payables (days)	54	37	40	45	45
Working cap. (ex-cash days)	(7)	(2)	0	(66)	(122)
Solvency ratios (x)					
Net debt to equity	(0.1)	0.2	0.2	(0.0)	(0.1)
Net debt to EBITDA	(0.8)	1.0	1.0	(0.2)	(0.5)
Int. coverage (EBIT/Interest)	36.6	5.1	4.1	5.2	9.5

Research Team Tel: 022 - 3935 7800

E-mail: research@angelbroking.com

Website: www.angelbroking.com

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Note: Please refer to the important 'Stock Holding Disclosure' report on the Angel website (Research Section). Also, please refer to the latest update on respective stocks for the disclosure status in respect of those stocks. Angel Broking Limited and its affiliates may have investment positions in the stocks recommended in this report.

Disclosure of Interest Statement

1. Analyst ownership of the stock
2. Angel and its Group companies ownership of the stock
3. Angel and its Group companies' Directors ownership of the stock
4. Broking relationship with company covered

Gateway Distriparks

No
No
No
No

Note: We have not considered any Exposure below ₹1 lakh for Angel, its Group companies and Directors.

Ratings (Returns) :

Buy (> 15%)

Reduce (-5% to 15%)

Accumulate (5% to 15%)

Sell (< -15%)

Neutral (-5 to 5%)