

## GATEWAY DISTRI PARKS

INR 202

*New lease of life*

BUY



Gateway Distriparks Ltd (GDL) has announced that it has been selected as the operator and manager of Punjab government's container freight station (CFS) at JNPT, Dronagiri node. The appointment is for 15 years. The new CFS is located at a distance of 7 km from JNPT, against the existing CFS, which is 9 km away. Currently, GDL has a 330,000 TEU handling capacity; the new CFS is expected to add another 70,000 TEU in FY08E, post expansion of phase I in April 2007, and is expected to handle a capacity of 150,000 TEU at full utilization in FY09E. JNPT is a major focus area for GDL, as its flagship CFS at JNPT has a capacity to handle 216,000 TEU and contributes 75% to GDL's throughput.

The new CFS is expected to increase our volume forecast from 319,500 TEU to 389,500 TEU (22% growth) in FY08E and from 358,800 TEU to 508,800 TEU (42% growth) in FY09E. This implies an EBITDA of INR 103 mn in FY08E and INR 185.3 mn in FY09E, an increase of 8.1% and 10% in our FY08 and FY09 EBITDA estimates. On the revised estimate of INR 11.5 for FY08E and INR 15.5 for FY09E, the stock trades at 17.6x and 13.0x our FY08E and FY09E estimates respectively. We see this as a positive for GDL in the light of its increasing market share in India's largest container handling terminal and therefore maintain our 'BUY' recommendation.

Table 1: Capacity break-up 2008

Location	Title	Handling capacity (TEUs)
CFS, Dronagiri, JNPT, Mumbai	60-year Lease	240,000
ICD, Garhi, Harsaru, Haryana	Freehold	60,000
CFS, Chennai	Freehold	60,000
CFS, Vishkapatnam	30-year Lease	18,000
CFS, Punjab Conware	15-year Lease	70,000
<b>Total</b>		<b>448,000</b>

Source: Company, Edelweiss research

## Financials

Year to March	FY06	FY07E	FY08E	FY09E
Revenue (INR mn)	1,386	1,680	2,511	4,039
Rev. growth (%)	45.0	21.2	49.5	60.9
EBITDA (INR mn)	837	976	1,369	2,050
Net profit (INR mn)	730	820	1,073	1,448
Shares outstanding (mn)	92	92	92	92
EPS (INR)	7.9	8.9	11.6	15.7
EPS growth (%)	152.8	12.4	30.8	34.9
P/E (x)	25.5	22.7	17.3	12.8
EV/ EBITDA (x)	18.2	16.0	12.8	9.0
ROAE (%)	12.7	12.8	14.8	17.2
ROACE (%)	12.0	12.5	15.6	18.9

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## Market Data

52-week range (INR) : 297 / 144  
Share in issue (mn) : 92.3  
M cap (INR bn/USD mn) : 18.6 / 419.0  
Avg. Daily Vol. BSE/NSE ('000) : 756.0

## Share Holding Pattern (%)

Promoters : 38.3  
MFs, Fls & Banks : 7.0  
FIIs : 35.7  
Others : 19.0



GDL will have to pay a one-time upfront fee of INR 350 mn and an annual fee of INR 100 mn. In FY06, the CFS achieved a throughput of 55,662 TEU and registered an EBITDA of INR 138 mn, implying EBITDA/TEU of INR 2,500. GDL's JNPT CFS registered EBITDA/TEU of INR 4,000. The lower EBITDA/TEU for Punjab Conware is on account of operational inefficiency, discounts offered by the CFS to capture market share, and the EXIM mix being skewed more towards exports yielding lower ground rent charges. We believe that the EBITDA/TEU can be ramped up to INR 3,000-3,200 on the lines of GDL's operations.

Taking into account the annual payment of INR 100 mn and amortization of upfront fees of INR 350 mn, the CFS is likely to contribute EBITDA of INR 100 mn in FY08E. This is likely to go up to INR 185 mn with the ramp up in capacity utilization. This represents 10% upside to our FY09E EBITDA. We have an EPS estimate of INR 9.0 and INR 11.5 for FY07 and FY08, respectively. At CMP INR 201, the stock trades at 22.5x and 17.6x our FY07 and FY08 estimates, respectively. We see this as a positive in the light of GDL's increasing market share in India's largest container handling terminal and therefore maintain our **'BUY'** recommendation.

## Financial Statements

<b>Income statement</b>					(INR Mn)
<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
Income from operations	956	1,386	1,680	2,511	4,039
Direct costs	373	273	345	603	1,331
Employee costs	37	77	115	146	161
Other expenses	135	200	244	392	451
Total operating expenses	546	549	704	1,142	1,943
EBITDA	410	837	976	1,369	2,050
Depreciation and amortisation	72	106	150	204	378
EBIT	338	731	825	1,165	1,671
Interest expenses	46	25	20	17	29
Other income	13	119	148	94	34
Profit before tax	305	824	953	1,243	1,677
Provision for tax	70	93	128	163	221
Profit before minority interests	235	731	825	1,080	1,455
Less: Minority interests	-	1	5	6	7
Reported net profit	235	730	820	1,073	1,448
Adjusted net profit	235	730	820	1,073	1,448
Shares outstanding	75	92	92	92	92
Dividend per share	2.0	1.5	1.7	2.2	2.9
Dividend payout (%)	63.9	19.0	19.1	18.7	18.7

### Common size metrics- as % of net revenues

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
Operating expenses	57.1	39.6	41.9	45.5	48.1
Depreciation	7.6	7.7	8.9	8.1	9.4
Interest expenditure	4.8	1.8	1.2	0.7	0.7
EBITDA margins	42.9	60.4	58.1	54.5	50.7
Net profit margins	24.6	52.7	48.8	42.8	35.9

### Growth metrics (%)

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
Revenues	61.6	45.0	21.2	49.5	60.9
EBITDA	190.4	104.0	16.6	40.3	49.7
PBT	261.8	170.0	15.6	30.4	34.9
Net profit	344.1	210.7	12.4	30.8	34.9
EPS	279.0	152.8	12.4	30.8	34.9

### Cash flow statement

<b>Cash flow statement</b>					(INR Mn)
<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
Net profit	235	731	825	1,056	1,432
Add: Depreciation	72	106	150	204	378
Add: E.O.adjustments	-	-	-	-	1
Add: Deferred tax	36	17	51	66	89
Gross cash flow	343	853	1,027	1,326	1,901
Less: Dividends	(150)	(139)	(156)	(200)	(271)
Less: Changes in W. C.	(79)	537	(8)	(57)	(166)
Operating cash flow	271	178	879	1,183	1,795
Less: Change in investments	149	(5)	-	-	-
Less: Capex	845	394	1,220	3,054	2,855
<b>Free cash flow</b>	<b>(723)</b>	<b>(211)</b>	<b>(342)</b>	<b>(1,871)</b>	<b>(1,060)</b>

<b>Balance sheet</b>					(INR Mn)
<b>As on 31st March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
Equity capital	750	922	922	922	922
Reserves & surplus	910	4,830	5,494	6,343	7,497
Shareholders funds	1,660	5,752	6,416	7,266	8,419
Minority interest	8	8	13	19	27
Secured loans	828	319	169	169	419
Unsecured loans	30	-	-	-	-
Borrowings	866	327	182	188	446
<b>Sources of funds</b>	<b>2,526</b>	<b>6,079</b>	<b>6,598</b>	<b>7,454</b>	<b>8,864</b>
Gross block	1,939	2,387	3,608	6,311	9,190
Depreciation	259	365	516	719	1,098
Net block	1,679	2,022	3,092	5,592	8,092
Capital work in progress	188	134	134	134	134
Total fixed assets	1,868	2,156	3,226	5,726	8,226
Investments	149	144	144	144	144
Inventories	0	0	0	0	0
Sundry debtors	85	70	145	217	349
Cash and equivalents	927	3,526	3,035	1,164	353
Loans and advances	120	575	625	675	725
Total current assets	1,131	4,172	3,806	2,057	1,427
Sundry creditors and others	128	108	160	256	528
Provisions	240	163	245	328	404
Total CL & provisions	367	271	405	584	932
Net current assets	764	3,900	3,401	1,473	496
Net Deferred tax	(106)	(122)	(174)	(239)	(328)
Others	0	0	0	0	0
<b>Uses of funds</b>	<b>2,526</b>	<b>6,078</b>	<b>6,598</b>	<b>7,104</b>	<b>8,538</b>
Book value per share (BV)	22	62	70	79	91

**Ratios**

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
ROAE (%)	14	13	13	15	17
ROACE (%)	13	12	13	16	19
Current ratio	3.1	15.4	9.4	3.5	1.5
Debtors (Days)	32	18	32	32	32
Fixed assets t/o (x)	0.5	0.6	0.5	0.4	0.5
Average working capital t/o (x)	1.3	0.4	0.5	1.7	8.1
Gross debt/Equity	0.5	0.1	0.0	0.0	0.1

**Valuations parameters**

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07E</b>	<b>FY08E</b>	<b>FY09E</b>
EPS (INR)	3.1	7.9	8.9	11.6	15.7
Y-o-Y growth (%)	279.0	152.8	12.4	30.8	34.9
CEPS (INR)	4.1	9.1	10.5	13.9	19.8
PE (x)	64.4	25.5	22.7	17.3	12.8
Price/BV(x)	9.1	3.2	2.9	2.6	2.2
EV/Sales (x)	19.2	11.0	9.3	7.0	4.6
EV/EBITDA (x)	44.8	18.2	16.0	12.8	9.0

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*unless otherwise specified*

### RATING INTERPRETATION

<b>Buy</b>	Expected to appreciate more than 20% over a 12-month period	<b>Reduce</b>	Expected to depreciate up to 10% over a 12-month period
<b>Accumulate</b>	Expected to appreciate up to 20% over a 12-month period	<b>Sell</b>	Expected to depreciate more than 10% over a 12-month period
<b>Trading Buy</b>	Expected to appreciate more than 10% over a 45-day period	<b>Trading Sell</b>	Expected to depreciate more than 10% over a 45-day period

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