

**March 15, 2007**
**FOR PRIVATE CIRCULATION**
**Equity**

	14 Mar 07	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	12,530	(3.5)	(12.7)	(8.0)
Nifty	3,641	(3.4)	(12.2)	(6.4)
Banking	6,268	(4.1)	(12.7)	(10.4)
IT	3,438	(4.0)	(12.4)	(4.4)
Healthcare	3,458	(1.8)	(9.1)	(6.6)
FMCG	1,614	(2.9)	(14.7)	(17.3)
PSU	5,492	(3.1)	(11.3)	(8.0)
CNX Midcap	4,623	(2.3)	(11.9)	(7.8)
<b>World indices</b>				
Nasdaq	2,371.7	0.9	(5.0)	(3.5)
Nikkei	16,677	(2.9)	(5.5)	0.0
Hangseng	18,837	(2.6)	(7.6)	(0.7)

**Value traded (Rs cr)**

	14 Mar 07	% Chg - 1 Day
Cash BSE	4,172	2.6
Cash NSE	8,670	6.6
Derivatives	31,978	16.6

**Net inflows (Rs cr)**

	13 Mar 07	% Chg	MTD	YTD
FII	(84)	(141)	(281)	5,475
Mutual Fund	(13)	91	(1,026)	(2,642)

**FII open interest (Rs cr)**

	13 Mar 07	% chg
FII Index Futures	14,396	4.5
FII Index Options	8,503	(3.2)
FII Stock Futures	15,326	(1.8)
FII Stock Options	47	(0.4)

**Advances/Declines (BSE)**

	14 Mar 07	A	B1	B2	Total	% Total
Advances	22	139	311	472	27	
Declines	195	553	507	1,255	71	
Unchanged	-	15	29	44	2	

**Commodity**

	14 Mar 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	58.3	0.3	0.6	(8.1)
Gold (US\$/OZ)	644.7	0.1	(3.7)	4.9
Silver (US\$/OZ)	12.8	0.5	(7.9)	0.0

**Debt/forex market**

	14 Mar 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	8.00	7.98	8.06	7.65
Re/US\$	44.25	44.28	44.12	44.67

**Sensex**


Source: Bloomberg

**ECONOMY NEWS**

- The central sales tax phaseout plan has hit a roadblock with the proposed Bill being referred to the Parliamentary standing committee on finance. The Centre had planned a phased elimination of CST beginning on April 1. (ET)
- The infrastructure sector grew 8.7% in January 2007 compared to 8.2% in the corresponding month of the previous financial year. Of the six core infrastructure industries, steel recorded the best performance at 10.4%. (ET)
- All airlines companies, backed by the Civil Aviation Ministry, are planning to urge the empowered committee of state finance ministers to pursue states for reducing tax on aviation turbine fuel. (ET)
- Insurance companies may soon have more flexibility in investing in corporate bonds and mortgage-based securities. The Insurance Regulatory and Development Authority is likely to issue guidelines by the end of March. (BL)
- A new policy against non-completion of minimum work programs for exploration blocks, allocated during the New Exploration and Licensing Policy and pre-New Exploration Licensing Policy rounds, is on the anvil. (BS)

**CORPORATE NEWS**

- **Reliance Industries**, which has been talking to the \$49-bn Dow Chemicals, has inched closer to signing an MoU with the US company. Sources said talks are at an advanced stage and the two sides are expected to make a formal announcement by the weekend. (ET)
- **ITC Foods** is likely to put in a formal bid for Patak's, Britain's popular pickles and Indian curries brand. Heinz could also look into it as it already has a partnership with Patak's, said sources. The £200 mn price tag, however, could be a sticking point. (ET)
- **UTI Bank** could well soon undergo a change in its identity. The re-branding exercise is a fallout of the tussle between the bank and UTI AMC over the use of the parent brand name. (ET)
- The Anil Ambani-controlled **Reliance Energy** has bagged a contract to develop the Namakkal-Karur highway, a stretch of 80 km in Tamil Nadu, for Rs.5.16 bn. Sources said a special purpose vehicle will be floated by REL to execute the project. (ET)
- Mukesh Ambani's **Reliance** group is talking to French retail major Carrefour as also other global players for acquiring controlling stake to reach out to international consumers with its basket of Indian food produce. (BS)
- **Biocon's** subsidiary Syngene International P Ltd and the US major Bristol-Myers Squibb Co have said they are significantly scaling up their nine-year-old research tie-up. (BL)
- **Nagarjuna Construction Company** has secured various orders totaling Rs.3.48 bn. (BL)
- **Ceat Tyres**, the Mumbai-based RPG group-promoted company, will cough up Rs.6-7 bn to set up the third greenfield plant in the country. (BS)
- **Siemens Power Transmission and Distribution** and its consortium partner **BHEL** have been awarded an order by the Power Grid Corporation of India to construct a 2,500 MW high voltage direct current terminal stations for a 780-km long HVDC transmission route between Uttar Pradesh and Rajasthan. (BL)
- Vodafone CEO Arun Sarin is to visit India on Thursday to ink a deal with Essar on management and organizational issues. The two firms have also agreed to rename **Hutch-Essar** as Vodafone-Essar. (BS)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

## FROM OUR RESEARCH TEAM

### MANAGEMENT MEET UPDATE

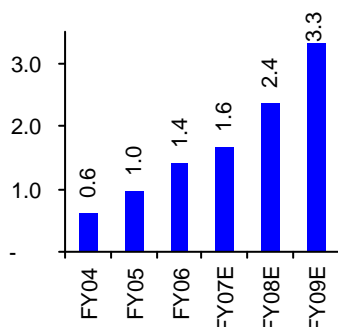
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#### Summary table - consolidated

Rs mn	FY06	FY07E	FY08E	FY09E
Sales	1,386	1,648	2,364	3,312
Growth (%)	45	19	44	40
EBITDA	837	819	1,140	1,566
EBITDA margin (%)	60.4	49.7	48.2	47.3
Net profit	722	793	948	1,236
Net debt	(3,207)	(1,200)	(433)	(341)
EPS (Rs)	7.8	8.6	10.3	13.4
Growth (%)	109.1	10.4	19.9	30.5
DPS (Rs)	3	3	3	3
ROE (%)	12.6	13.2	14.5	16.9
ROCE (%)	13.8	15.1	16.9	20.0
EV/Sales (x)	7.3	7.4	5.5	3.9
EV/EBITDA (x)	12.1	14.9	11.3	8.3
P/E (x)	18.5	16.9	14.1	10.8
P/BV (x)	2.3	2.1	1.9	1.7

Source: Company & Kotak Securities - Private Client Research

#### Net sales (Rs bn)



Source: Company, Kotak Securities - Private Client Research

## GATEWAY DISTRI PARKS LTD (Rs.145, FY09E PER: 10.8x, BUY)

**Reason for this report: Introduction of FY09 estimates and revision of price target to Rs.211. Maintain BUY with 46% upside potential.**

### Introduction of FY09E numbers

We recently met the management of Gateway Distriparks (GDL) and are positive about the future growth prospects of the company despite delays in procuring wagons for running its own container trains. We are introducing our FY09 estimates on increased earnings visibility due to specific plans of running container trains, expansion into cold storage and additional CFS facility at JNPT. In FY09E, we expect GDL to report net sales of Rs.3.3 bn, EBITDA margin of 47.3% and PAT of Rs.1.2 bn, thereby translating into an EPS of Rs.13.4 and CEPS of Rs.15.5.

### Slower than expected progress in operating container trains from Garhi ICD

The company has one rail-linked inland container depot (ICD) at Garhi Hasaru, which is 40 km from Delhi. At the moment, GDL is operating approximately 20 trains per month jointly with Concor. The company was expected to start running its own container trains in FY08E. However, due to the inability of GDL to procure the rolling stock, the company has not been able to operate its own container trains. Hence, we have revised our FY08E estimates downwards.

### Two new ICDs to be operational by April 2008

- The company is setting up its second rail-linked ICD in Faridabad, which will be on the electric railway route connecting JNPT to North India. GDL has already acquired over 66 acres of land at Asaoti, Faridabad district in Haryana at a cost of approximately Rs.500 mn.
- The company is also building its third ICD in Ludhiana, which will also be connected to the Indian Railways network. The land acquisition is in progress and GDL has already acquired a majority of the proposed 50-acre facility. The total cost of land acquisition is estimated to be Rs.500 mn.
- Both ICDs are expected to commence commercial operations by April 2008. However, it will slowly garner business from nearby areas. Hence, we have assumed lower capacity utilisation in its initial year of operation that is FY09E.
- Typically, an ICD of approximately 50 acres can handle 10 trains per month with each train doing 10 trips per month between Delhi and Mumbai. We have assumed an average of 80 TEUs per train. Thus, we arrive at an annual capacity of 96000 TEUs. In our estimates for FY09E we have assumed two trains from Garhi ICD for the whole year, two trains from the Faridabad ICD for nine months and two trains from the Ludhiana ICD for six months.
- For running six trains, GDL would need to buy 270 wagons at 45 wagons per train. Each wagon costs approximately Rs.2.5 mn. Thus, the company would need to invest Rs.675 mn to procure the rolling stock in order to run six trains.

### Punjab Conware CFS to lead to better pricing power at JNPT

- GDL has won the contract to operate and maintain Punjab Conware, which is the Punjab government owned container freight station (CFS) at JNPT, Mumbai for a period of 15 years. The contract enables GDL to utilise the CFS facility for an upfront one-time cash fee of Rs.350 mn. GDL would also be required to pay annual fees of Rs.100 mn with upward revision of 5% in subsequent years.
- The company has already taken possession of the CFS facility and is now modernizing the facility. GDL is likely to spend approximately Rs.100 mn in FY08E to be able to give higher service standards and thereby achieve better average realizations per TEU. Currently, the CFS does more of export containers and warehousing and thereby earns lower ground rent. GDL will gradually change the mix in favour of import containers to be able to earn higher ground rent.
- We expect the CFS to report revenues of Rs.267 mn and Rs.450 mn in FY08E and FY09E. We expect the CFS to earn EBIDTA of Rs.183 mn and Rs.293 mn in FY08E and FY09E. However, the company will write off Rs.128 mn and Rs.134 mn towards operating and maintenance charges according to the terms of the contract. Hence, GDL will actually report EBIDTA of Rs.54 mn in FY08E and Rs.159 mn in FY09E.
- We believe that now GDL with two CFS at JNPT is now in a position to attract better and bulk business as it now has some prime space in India's premier port, that is, JNPT. The company, which was cramped for space now has enough space at its disposal to achieve higher volume growth, thereby translating into higher revenues and profitability for the company.

#### Punjab Conware CFS - Financials

(Rs mn)	FY08E	FY09E
TEU - Nos	56250	90000
Avg. realisation (Rs)	4,750	5,000
Revenue	267	450
EBIDTA	183	293
write off	128	134
Net EBIDTA	54	159

Source: Kotak Securities - Private Client Research

#### Snowman Frozen Foods - Financials

Rs. Mn	FY08E	FY09E
Revenue	300	450
EBIDTA (%)	15.0	16.0
EBIDTA	45	72

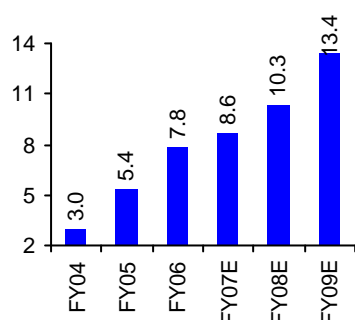
Source: Kotak Securities - Private Client Research

### Cold chain business to be next growth driver for GDL

- The company has acquired 50.1% stake in Snowman Frozen Foods Ltd, which is India's largest cold chain logistics company. It is well known for transporting and stocking ice creams, fruits, vegetables and seafood with HLL and Amalgam group as its major customers.
- With the acquisition, GDL is planning to provide a pan-India cold chain logistics services. This will make it an integrated logistics player with the ability to provide full-fledged services to customers especially the retail industry for fresh fruits, vegetables and frozen foods. Organized retail is growing fast in India. Hence, we feel this would be the next major growth driver for the company.
- We expect Snowman to report revenues of Rs.300 mn and Rs.450 mn in FY08E and FY09E. We expect it to report EBIDTA of Rs.45 mn and Rs.72 mn in FY08E and FY09E.

### Operating margins

On the margin front, GDL has only partially been able to pass on hikes in transportation and labor cost at the CFS facility thereby adversely impacting its margins. However, going forward, the management is confident of passing on the entire hike. Also, going forward, increasing capacity utilisation at its CFS and ICD would lead to greater operational efficiency thereby achieving lower cost per TEU and increasing profitability.

**EPS (Rs)**

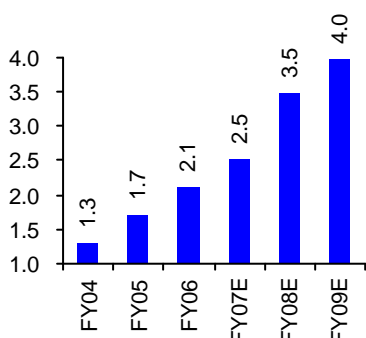
Source: Company, Kotak Securities - Private Client Research

**Change in earnings estimates**

(Rs mn)	Old		Revised		
	FY07E	FY08E	FY07E	FY08E	FY09E
Sales	1648	2,364	1,648	2,364	3,312
EBIDTA	819	1,208	819	1,140	1,566
EBIDTA (%)	49.7	51.1	49.7	48.2	47.3
Net Profits	804	1,021	793	948	1,236
EPS (Rs)	8.7	11.1	8.6	10.3	13.4
CEPS (Rs)	10.2	13.1	10.0	12.2	15.5

Source: Kotak Securities - Private Client Research

- We estimate GDL to report lower net profits of Rs.793 mn in FY07E as against our earlier estimate of Rs.804 mn on account of consolidation of the financials of the Snowman Frozen Foods and Punjab Conware CFS. Accordingly, we expect it to report consolidated EPS of Rs.8.6 for FY07E.
- We estimate the company to report lower net profits of Rs.948 mn in FY08E as against our earlier estimate of Rs.1021 mn on account of inability of GDL to obtain wagons. Hence, it could not operate its own container trains. Accordingly, we expect it to report EPS of Rs.10.3 for FY08E.
- For FY09E, we expect GDL to report net sales of Rs.3.3 bn, EBIDTA margin of 47.3% and PAT of Rs.1.2 bn, thereby translating into an EPS of Rs.13.4 and CEPS of Rs.15.5. The higher contribution is on account of operating its own trains from ICD and higher contribution from Punjab Conware CFS and cold chain business.

**Total TEU handled (lakh units)**

Source: Company, Kotak Securities - Private Client Research

**We continue to recommend a BUY on GDL with a revised price target of Rs.211**

**Valuation & Recommendation**

- At Rs.145, the stock trades at 2.1x for FY07E, 1.9x FY08E and 1.7x FY09E to book value.
- It discounts FY07E, FY08E and FY09E earnings at 16.9x, 14.1x and 10.8x, respectively.
- It discounts FY07E, FY08E and FY09E cash earnings at 14.5x, 11.9x and 9.3x, respectively.
- Based on the changes in earnings estimates and introduction of FY09E numbers, we are revising our DCF-based price target to Rs.211. We continue to recommend a **BUY** with 46% upside potential.

**Key Risks**

Any delay in commencement of the expansion at Faridabad or Ludhiana ICD would lead to flat or marginal growth for the company.

GDL is expected to obtain wagons towards the end of FY08E in order to run its own container trains in FY09E. However, it has not yet placed the orders for the wagons. Any further delay in placing the order and any subsequent delay in obtaining the wagons could lead to revision in our earnings estimates.

## Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
14-Mar	Alfa Laval	Prudential ICICI Trust Ltd	B	500,000	845.00
14-Mar	Alfa Laval	Templeton Mutual Fund	S	502,165	845.03
14-Mar	Allianz Secu	Sharmistha Inv. Pvt. Ltd.	B	100,000	61.71
14-Mar	Autoind	Merrill Lynch Capital Mar	B	53,930	210.39
14-Mar	Axon Infotec	Tanveer Yakubali Khan	S	3,500	267.00
14-Mar	Control Prin	Sharmistha Inv. Pvt. Ltd.	B	85,000	66.85
14-Mar	Control Prin	Preetm Mehta	S	50,000	67.00
14-Mar	H.S.India	Chetan Dogra	S	64,530	73.68
14-Mar	Karut Net L	Rahul Bhailal Shah	S	50,000	199.23
14-Mar	Mah Ind Leas	Rashel Agrotech Ltd.	S	45,275	98.00
14-Mar	Maharashtra	Search Finvest Pvt Ltd	B	49,724	100.33
14-Mar	Mefcom Agr I	Vora Financial Services	S	15,000	70.00
14-Mar	Mefcom Agr I	Kalpana Madhani Securities	S	19,000	68.85
14-Mar	Oriental	Ayodhyapati Investment	S	77,000	25.30
14-Mar	RadhaMadhav	Sarah Faisal Hawa	B	117,790	57.88
14-Mar	RadhaMadhav	Bilkis Zabair Hawa	S	117,790	57.88
14-Mar	Rico Aut Ind	New Vernon Private Equity	S	1,024,000	49.49
14-Mar	S. Kumars Nat	Deutsche Securities Mauri	B	1,891,992	65.25
14-Mar	S. Kumars Nat	Morgan Stanley and Co Int	B	1,797,392	65.25
14-Mar	S. Kumars Nat	Cophall Mauritius Inv Ltd	S	3,689,384	65.25
14-Mar	Swaraj Engin	Velocity Securities Priva	S	73,167	143.70
14-Mar	Swaraj Engin	Upturn Securities Private	S	75,933	143.01
14-Mar	Tanla	Citigroup Global Markets	B	405,872	290.55
14-Mar	Tanla	Magna Umbrella Fund Plc	S	393,167	290.50
14-Mar	Usher Agro	Hemchand C Gandhi	B	493,859	16.08
14-Mar	Usher Agro	Kapish Packaging Private	S	100,000	17.36
14-Mar	Vakran Softw	Priti Lad	B	100,000	170.38
14-Mar	Vakran Softw	Fortune Investment and	S	100,000	170.38
14-Mar	Vimal Oil Fo	Purnima S Singhi	B	28,500	40.52
14-Mar	Vimal Oil Fo	Abhishek D Bafna	B	25,000	40.53
14-Mar	Vimal Oil Fo	Shree Dhoot Tdg and Agency	S	52,682	39.90
14-Mar	VXL Inst Ltd	Micro Finance Pvt Ltd	B	34,899	31.20
14-Mar	VXL Inst Ltd	Kokila Plastics Pvt Ltd	S	34,899	31.20
14-Mar	ZydenGentec	Ashok Kumar Bohra HUF	B	17,937	30.94
14-Mar	ZydenGentec	Anita A Bohra	S	17,937	30.85

Source: BSE

## Gainers & Losers

Nifty Gainers & Losers				
	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
Bajaj Auto	2,530	0.3	0.2	0.4
Gujarat Ambuja	106	0.2	0.1	9.8
ACC	747	(0.3)	(0.1)	2.7
<b>Losers</b>				
Bharti Airtel	730	(4.6)	(13.4)	1.1
Reliance Ind	1,285	(3.1)	(11.6)	2.7
ONGC	781	(3.2)	(11.1)	1.0

Source: Bloomberg

## Forthcoming events

COMPANY/MARKET	
Date	Event
15-Mar	Andhra Bank to announce interim dividend; Satyam Computer holds press conference; Moser Baer India holds press conference
16-Mar	Maharashtra Seamless, United Phosphorus, Aventis Pharma, to announce interim dividend
17-Mar	Asahi India Glass, Bank of Baroda, Shipping Corp, Torrent Pharma to announce interim dividend
20-23 Mar	Public offer of ICRA Ltd opens
20-Mar	Nestle Ind to announce earnings and dividend; Wire & Wireless to consider rights offer
21-Mar	Mahindra & Mahindra, Ashok Leyland to announce interim dividend;
23-Mar	Wipro to announce interim dividend

Source: Bloomberg

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