

19 October 2007

**BUY**

Price	Target Price
<b>Rs139</b>	<b>Rs200</b>

<b>Sensex</b>	<b>17,998</b>
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**Price Performance**

(%)	1M	3M	6M	12M
Absolute	(4)	(8)	(1)	0
Rel. to Sensex	(11)	(19)	(22)	(27)

Source: Capitaline

**Stock Details**

Sector	Logistics
Reuters	GATE.BO
Bloomberg	GDPL@IN
Equity Capital (Rs mn)	1156
Face Value (Rs)	10
52 Week H/L	Rs172/110
Market Cap (Rs bn)	16
Daily Avg Vol. (No of shares)	595010
Daily Avg Turnover (US\$mn)	2.1

**Shareholding Pattern (%)**

(30th Jun.'07)

Promoters	39.1
FII/NRI	35.6
Institutions	8.4
Private Corp.	7.1
Public	9.8

**Gateway Distripark Limited**Result  
Update**In investment phase**

GDL reported Q2FY08 results, which were higher than our estimates on the revenue side. Consolidated revenue increased by 67.8% to Rs.640.3mn. However, EBITDA increased by 16.5% y-o-y and 15.9% qo-q to Rs.255.4mn. Decline in margins was due to lower margins in the CFS division as Punjab Conware results got consolidated. Railway haulage division reported a negative EBIT of Rs.9.5mn due to initial start up cost. We believe, the company is in an investment phase currently and with the ramp up in the railway haulage business margin in the segment will improve going ahead. We expect the company to report EPS of Rs.9.1 in FY08 and Rs.10.4 in FY09. We maintain BUY with target price of Rs.200.

**Strong volume growth**

GDL reported better than expected volume growth in the CFS business. The company handled 90,227 TEUs during the quarter as compared to 60,497 in Q2FY07, thereby registering growth of 49.2%. Volumes were boosted by addition of Punjab Conware facility and 49% increase from the Chennai facility.

**Margins decline due to higher contribution of new CFS**

Though the company reported strong volume growth, EBIT of the CFS division declined from 48.5% in Q2FY07 to 42.5% in Q2FY08 as contribution from the Punjab Conware and Chennai facility was higher. These facilities have lower margins than the JNPT facility and therefore, blended margins of the CFS declined. We expect the margins to strengthen once the Punjab Conware facility starts contributing higher volumes.

**Start up cost in railway haulage hit margins**

GDL started its railway haulage operation in June 2007 by operating two of its rakes. Both the rakes are operating in the domestic market. We expect the company to operate the rakes in the exim route once the JV with Concor at the Garhi facility becomes operational. Further, margins were also hit due to high start up cost including high depreciation of the railway haulage division. There was also one time expense of Rs.14.7mn due to a) increase in staff cost as the company provided for gratuity and leave encashment b) dues paid to Indian railways to the tune of Rs.11.2mn.

**GDL on investment phase**

The company has entailed a capex of Rs.950mn during H1FY08, both in the CFS and the railway haulage division. The company has further ordered for 10 rakes, which will be delivered by March 2008. The company intends to entail capex of Rs.2-2.5bn in the next two years.

**Maintain BUY with Target price of Rs. 200**

We expect the company's net profit to increase from Rs.766mn in FY08 to Rs.1.4bn in FY09. Net profit will be driven by growth in the exim container traffic. We expect the company to report an EPS of Rs.9.1 in FY08 and Rs.10.4 in FY09. The stock trades at 14.8x FY08 and 12.9x FY09 earnings. Maintain Buy with target price of Rs.200.

**Financials (Rsmn)**

Y/E, Mar	Net Sales	EBITDA	EBITDA (%)	PAT	EPS	EPS Grwth (%)	ROCE (%)	PE (x)
FY06	1385.8	836.6	60.4	721.8	7.8	69.8	19.3	17.2
FY07	1609.9	810.5	50.3	766.0	8.3	6.1	14.4	16.2
FY08E	2800.1	1240.8	44.3	1047.7	9.1	9.1	17.2	14.9
FY09E	3565.8	1561.8	43.8	1206.0	10.4	15.1	18.1	12.9

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### Cold storage – improvement in performance

The cold storage business which is through Snowman Frozen Foods has reported revenue growth of 10.1% q-o-q to Rs.71.4mn. It recorded EBITDA of Rs.13.4mn and margin of 12.8% as compared to 6.6% in Q1FY08. Snowman has cash and cash equivalent of Rs.260mn that it proposes to invest in the existing profitable locations. The management expects the facility to break-even in FY08.

### Rakes currently operating in the domestic route

Currently, both the rakes are operating in the domestic route essentially between Orissa and Haryana. The company handled ~1300 TEUs in the domestic railway haulage segment. Further, the company has ordered for 10 rakes, which will be delivered by March 2008. We expect railway freight operations to scale up once the new rakes are delivered and the JV with Concor at Garhi is in place.

### Consolidated Results

Rs.in mn	Q2FY07	Q2FY08	% chng
Revenue	381.7	640.3	67.8
Expense	162.6	384.9	136.8
EBITDA	219.1	255.5	16.6
Other Income	59.4	43.4	-27.0
Depreciation	27.0	68.6	153.9
EBIT	251.5	230.2	-8.5
Interest	3.1	5.2	68.4
PBT	248.4	225.0	-9.4
Tax	37.4	36.7	-2.0
PAT	211.0	188.4	-10.7
Equity	1155.6	1155.6	
EPS	1.8	1.6	

## Financial tables

## Profit &amp; Loss

	Rs mn			
	FY06	FY07	FY08E	FY09E
Net Sales	1385.8	1609.9	2800.1	3565.8
Growth (%)	45.0	16.2	73.9	27.3
Total Expenditure	549.1	799.4	1559.4	2004.0
Growth (%)	27.2	45.6	95.1	28.5
Transportation cost	140.1	299.8	644.0	802.3
% of sales	10.1	18.6	23.0	22.5
Employee cost	76.8	88.9	154.0	178.3
% of sales	5.5	5.5	5.5	5.0
Admin & other exp	332.1	410.7	760.8	813.2
% of sales	24.0	25.5	27.2	22.8
EBITDA	836.6	810.5	1240.8	1561.8
Growth (%)	59.6	-3.1	53.1	25.9
EBITDA %	60.4	50.3	44.3	43.8
Depreciation	106.0	139.1	248.6	276.4
EBIT	730.6	671.4	992.2	1285.4
Other income	110.0	245.2	200.0	100.0

## Cash Flow Statement

	Rs mn			
	FY06	FY07	FY08E	FY09E
Net Profit before Tax	815.1	904.7	1177.2	1370.4
Add: Depreciation	106.0	139.1	248.6	276.4
Interest (Net)	-49.6	-245.2	-200.0	-100.0
Changes in debtors	7.8	-148.3	-241.6	-348.8
Changes in CL	-9.8	-32.5	20.0	0.0
Tax Paid	63.9	138.7	129.5	164.4
Operational Cash Flow	304.3	369.6	874.6	1033.6
Capex	-491.8	2650.0	907.0	1000.0
Investment	-97.1	0.0	0.0	0.0
Investing cash flows	-491.8	2650.0	907.0	1000.0
Equity Issued	3680.9	0.0	0.0	0.0
Borrowings	-539.4	41.2	0.0	0.0
Dividend Paid	287.7	322.7	404.5	462.3
Financing cash flows	2787.0	-313.4	-439.5	-497.3
Opening Balance	926.7	3526.2	932.3	460.5
Closing Balance	3526.2	932.3	460.5	-3.2

## Balance Sheet

	Rs mn			
	FY06	FY07	FY08E	FY09E
Equity Share Capital	922.0	922.0	1155.6	1155.6
Reserves & Surplus	4830.4	5273.7	5683.3	6427.0
Shareholders fund	5752.4	6195.7	6838.9	7582.6
Loan Funds	258.8	300.0	300.0	300.0
Deferred Tax Liability	117.4	142.4	120.0	163.7
Total Liability	6128.6	6638.1	7258.9	8046.3
Gross Block	1992.9	2142.9	4142.9	6142.9
Less: Depreciation	298.4	437.5	686.1	962.5
Net Block	1694.5	1705.4	3456.8	5180.4
CWIP	93.0	2593.0	1500.0	500.0
Investment	293.7	149.3	149.3	149.3
Current Asset	4297.0	1864.7	1690.6	1489.9
Debtors	60.1	88.2	153.4	195.4
Other CA	44.6	44.1	76.7	97.7
Cash and Bank Balance	3501.8	932.3	460.5	-3.2
Loans & Advances	690.5	800.0	1000.0	1200.0
Current Liability	87.5	120.0	100.0	100.0
Provision	162.3	170.0	250.0	200.0
Net Current Asset	4047.2	1574.7	1340.6	1189.9
Total Assets	6128.4	6638.1	7259.0	8046.3

## Ratios

	FY06	FY07	FY08E	FY09E
EPS (Rs.)	7.8	8.3	9.1	10.4
CEPS (Rs.)	9.0	9.8	11.2	12.8
BV per share	62.4	67.2	59.2	65.6
Dividend per share	3.0	3.5	3.5	4.0
<b>Valuation Ratios</b>				
PER	17.2	16.2	14.9	12.9
P/CEPS	15.0	13.8	12.0	10.5
P/BV	2.2	2.0	2.3	2.1
EV/EBITDA	11.0	14.6	12.4	10.2
EV/Sales	6.6	7.3	5.5	4.5
M-Cap/EBITDA	14.9	15.4	12.6	10.0
M-Cap/Sales	9.0	7.7	5.6	4.4
<b>Financial Ratios</b>				
ROCE (%)	19.3	14.4	17.2	18.1
RONW (%)	12.5	12.4	15.3	15.9
Total Debt/Equity	0.0	0.0	0.0	0.0
Dividend Yield (%)	2.2	2.6	2.6	3.0

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