Indian Container Logistics

Long in the long haul …
… speed breakers in the near term

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Report priced as of February 12, 2009

Container logistics sector–
A Foreword

Forecasts of container traffic— Presented by various independent bodies

- The Working Group for the port sector for the XIth Five Year Plan period (FY07-12) expects traffic to touch ~14.2mn TEUs by FY12 (CAGR 18%).
- World Bank projects traffic at 21mn TEUs by FY15.

Speed breakers in the near term

- Slowdown in Indian exports—Container volumes de-grew by 9% YoY during Oct '08 - Jan '09.
- Infrastructure funding lag—Project restructuring and delays can not be ruled out.

Outlook: Going forward

- We estimate container traffic to grow by 10% CAGR during FY09-12E.
- Financial outlay of ~$ 60bn for core logistics infrastructure for the XIth Plan to augur well.
- Companies with pan-India logistics network, scale of operations, better service integration and strong balance sheet position are well poised to sustain near-term slowdown.

We reckon that the slowdown in global economy and its consequent impact on Indian EXIM trade will jeopardise the sector performance in the near term. However, we have a positive stance on the traffic outlook in the long term and we believe on the theme of containerisation, once the global economy recovers. Even though exports growth would revive from H2FY10 onwards, we are relatively positive on containerised import traffic.

Investment Summary

CONTAINER CORPORATION

- Leadership position in the container rail haulage business.
- Pan-India network of 58 rail-linked ICDs, sizeable rolling stock and better service integration.
- Investors stand to benefit from positive fundamentals: (a) core business RoE of >30%, (b) zero-debt balance sheet, (c) capex of Rs 25bn in 5-6 years, (d) continuation of robust free cash flows, and (e) dividend yield of 1.9%.
- Initiate coverage with an 'Outperformer' rating and a DCF-based FY10E price target of Rs 791 (17% upside)

GATEWAY DISTRIPARKS

- Largest private CFS/ICD operator in India.
- Evolved as an integrated logistics player post its entry into container rail haulage services and cold chain business.
- Rail business will not break even over our forecast period. The cold chain business is still nascent and significant contribution to earnings will take some time.
- Initiate coverage with an 'Underperformer' rating and a DCF-based FY10E price target of Rs 66 (12% upside)

ALLCARGO GLOBAL

- Leading global MTO player; established CFS facilities at India's major container handling ports.
- We project earnings CAGR of ~9% through CY08-10E, led by contribution from the CFS business. Return ratios stand to deteriorate in the near term due to low utilisation levels of new ICDs.
- Cautious outlook on the company's performance due to: (1) slowdown in global trade (~35% of EBIT comes from global MTO operations), (2) meaningful incremental EBITDA from new ICDs unlikely in the near term, and (3) significant contribution to earnings from air cargo and the equipment business division is still some time away.
- Initiate coverage with a 'Sell' rating and a DCF-based FY10E price target of Rs 604 (12% downside)

Note: Rating relative to sector

Relative Valuations

Year	PER	PEG	PBR	PCF	EV / EBIDTA	EV / EBIT	EV / NOPLAT	EV / Sales	EV / IC
CONTAINER CORPORATION									
FY2008	12.1	2.5	2.8	12.9	8.3	9.4	11.9	2.2	4.1
FY2009E	10.9	1.0	2.3	12.0	7.2	8.1	10.5	2.0	3.5
FY2010E	10.9	66.0	2.0	11.9	6.8	7.9	10.3	1.8	2.9
FY2011E	9.8	0.9	1.7	10.9	5.7	6.6	8.6	1.5	2.4
GATEWAY DISTRPARKS									
FY2008	9.3	(2.1)	1.0	6.9	6.0	8.3	9.9	2.3	1.1
FY2009E	7.3	0.4	1.0	5.0	5.2	7.1	8.5	1.8	1.1
FY2010E	8.2	(1.1)	0.9	5.1	5.3	7.7	9.3	1.7	1.0
FY2011E	6.8	0.3	0.8	4.3	4.6	6.7	7.9	1.4	0.9
ALLCARGO GLOBAL									
CY2007	21.5	0.7	3.2	12.7	12.5	15.2	19.4	1.1	3.8
CY2008E	13.6	0.3	2.9	(393.7)	8.8	10.6	13.2	0.9	2.9
CY2009E	13.0	4.6	2.1	10.2	7.4	8.9	11.4	0.8	2.1
CY2010E	11.3	0.7	1.8	9.1	6.6	7.8	10.0	0.7	1.9

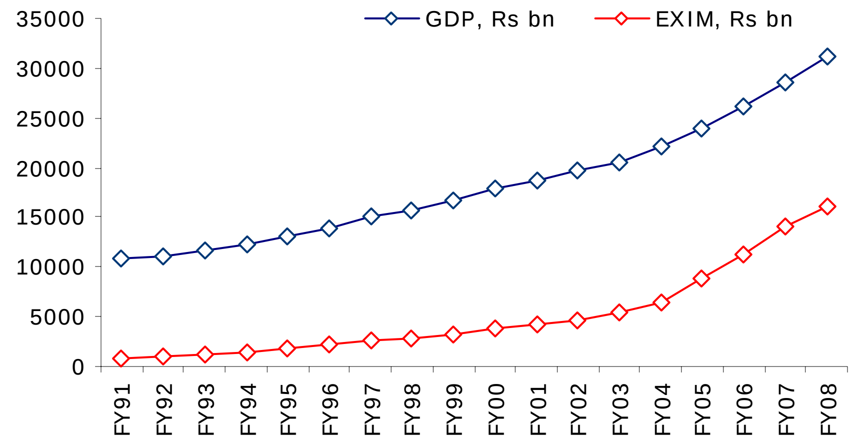
Source: Company, MF Global India Research Estimates

Container Traffic Outlook

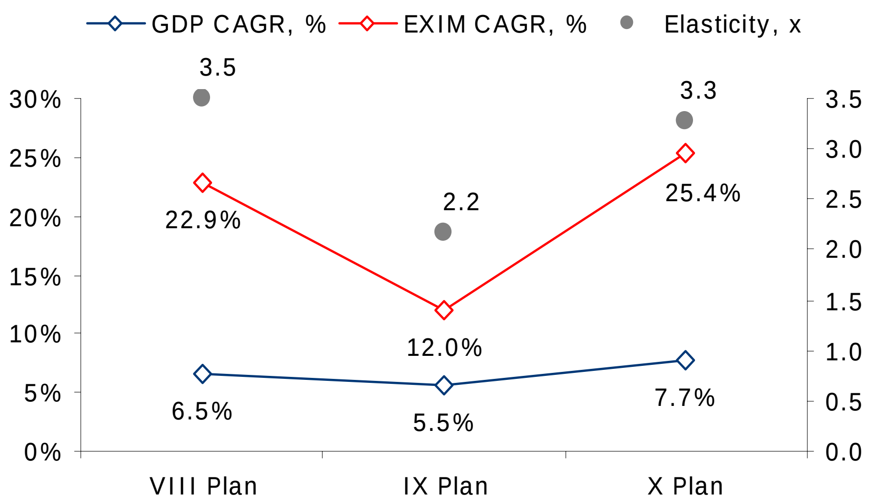
GDP vs. EXIM–
EXIM grows at a multiple to GDP in the long term

- **GDP is in sync with EXIM trade as seen from the data for the last 17 years**
  - EXIM 17-year CAGR of 19.8% vs. GDP 17-year CAGR of 6.4%.
  - Elasticity of EXIM trade w.r.t. GDP was 3.3x in the Xth Plan as against 2.2x in the IXth plan reflecting growing integration with the world economy.

GDP and EXIM trend



Plan-wise GDP and EXIM growth—EXIM grows at a multiple to GDP



- **XIth Plan document envisages:**

GoI projections for EXIM trade

(at 2006-07 prices)	2006-07		2011-12		2007-12	
	$ bn	% of GDP	$ bn	% of GDP	$ bn	CAGR, %
Exports	127	13.9	316	22.5	1,135	20.0
Imports	192	20.9	541	38.5	1,864	23.0

  - In view of exports growth of 6% in FY09 and expected slowdown in exports in FY10, we believe that it would be difficult to reach the XIth Plan target.

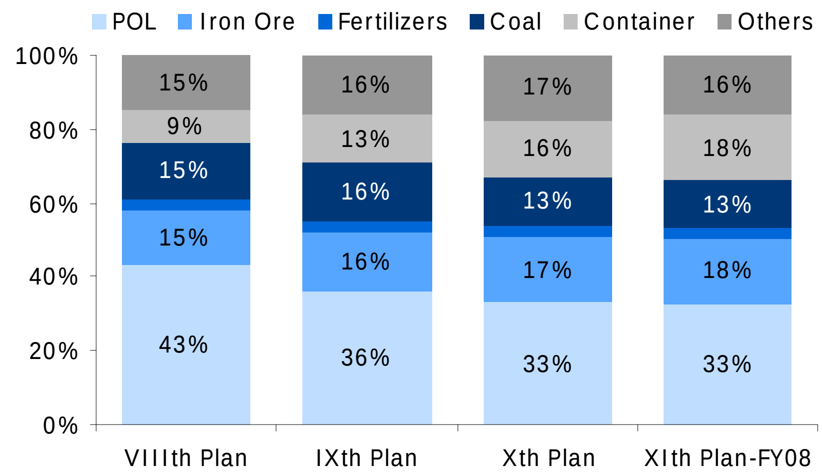
Source: CSO, Eleventh Five Year Plan document, MF Global India Research

MF Global

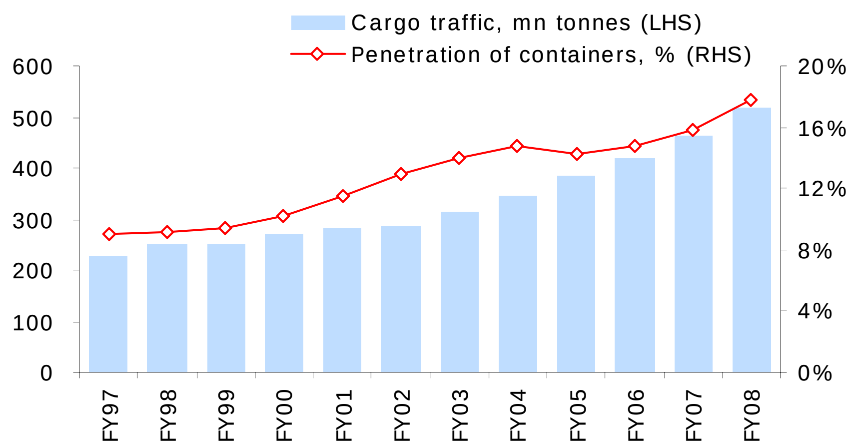
Container traffic–
Gaining share of total EXIM

- POL (petroleum, oil and lubricants) account for a lion's share in total transport at ~33% (FY08), a drop of 10% from its share at 43% at the end of the VIIIth Plan.
- **Share of container traffic, on the other hand, doubled from 9% at the end of the VIIIth Plan to 18% in FY08.**

Commodity-wise traffic share at major ports



Penetration of containers shows an uptrend



- **Other cargo, which maintained its share around 16% (FY08) as against 15% in FY97, would mature in to containerised cargo, going forward.**
- General cargo (containerised and others) has been growing at ~11.3% CAGR (FY97-FY08).

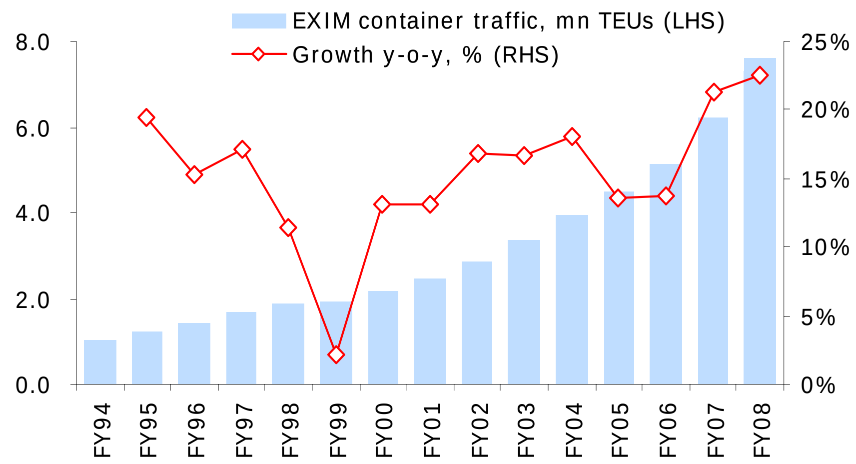
Source: Indian Ports Association

MF Global

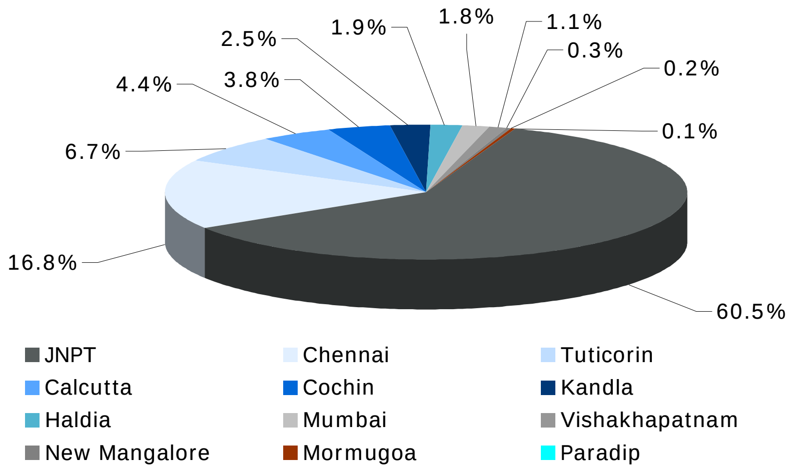
Historic trend in container traffic

- **Strong growth in container traffic for India at a 17-year CAGR of ~15.3%—**increased from 0.68mn TEUs in FY91 to 7.62mn TEUs in FY08.
- **Traffic growth predominant in the Xth Plan period (2002-07).**
  - CAGR of 16.6% as against 11.2% in the IXth Plan.
  - Actual traffic handled exceeded projected traffic.
  - Thrust on capacity augmentation to support growing EXIM.

EXIM container traffic growth—17-year CAGR of ~15.3%



Container traffic port-wise



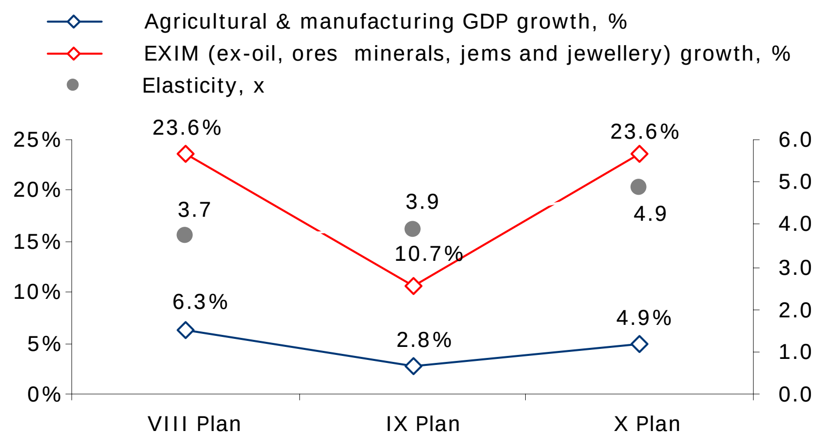
- Of the 12 major ports, JNPT, Chennai and Tuticorin account for ~84% of the total EXIM container traffic, with JNPT alone accounting for ~60%.
- **Going forward, capacity addition is more directed towards containerised cargo, a capacity addition of ~1.6x of existing capacity as against ~1.3x in dry and 0.6x in liquid bulk cargo.**

Source: Indian Ports Association

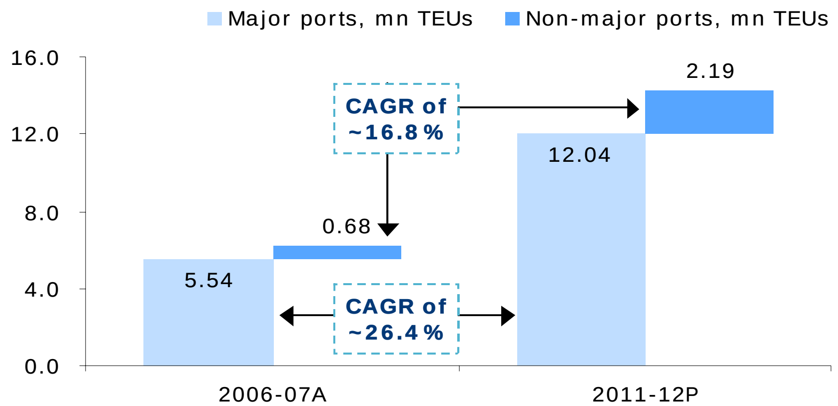
Container traffic–
The road ahead

- **Typically, EXIM (ex-oil, ores & minerals, gems & jewellery) grows at a multiple of 3.5-5x to agricultural and manufacturing GDP growth.**
  - Elasticity has increased from 3.7x in the VIIIth Plan to 4.9x in the Xth Plan, which implies that the incremental growth is driven by EXIM trade.

Plan wise growth



Traffic forecast as per working group for port sector



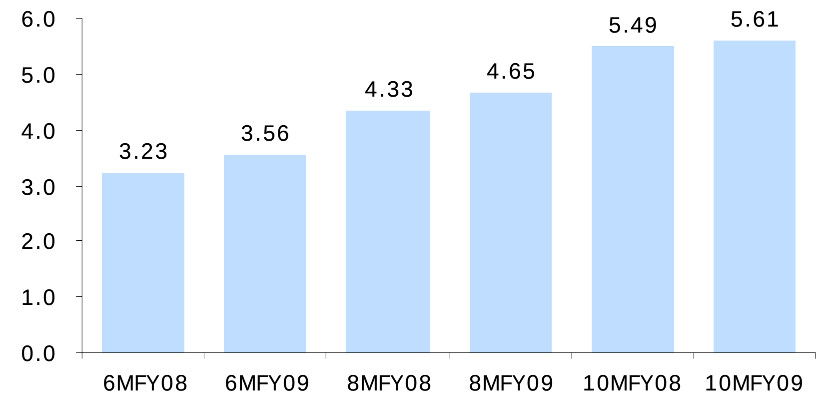
We estimate that the container traffic will grow at least by 10% CAGR during FY09-12E, based on our EXIM trade (ex oil, ores and minerals, gems and jewellery) forecast of 15.4% (3.5x multiple to manufacturing & agricultural GDP growth rate) for the XIth plan and assuming elasticity of 0.7x between EXIM and container growth.

Source: Report of working group for port sector for the Eleventh Five Year Plan, CSO, MF Global India Research

Slower GDP growth–
Dampens near-term EXIM trade

- **Slower GDP growth expected, according to our economist.**
  - GDP growth to dip to 6.3% in FY09 & further to 5.5% in FY10 vs. 8.8% CAGR during FY05-08.
  - Manufacturing GDP to grow by a mere 2% in FY08 and 3.5% in FY09.
- **Exports at US$ 132bn (Apr-Dec'08) vs. GoI estimates of US$ 200bn for FY09.**
  - Exports degrew by ~10-12% during Oct-Nov '08 and de-grew marginally by 1% in Dec '08.
  - Our economist estimates that exports will grow by only 6% to touch US$ 165bn in FY09E on account of the global slowdown.
- **Key challenges:**
  - Growing price competition from China.
  - Banks' reluctance in extending export finance.
  - Order cancellation and payment defaults.
- **Declining EXIM trade takes a toll on EXIM container volumes.**
  - 2.1% growth in container volumes for Apr '08-Jan '09 as against 21.1% in FY08.
  - The 9% decline in container volumes for Oct '08-Jan '09 implies that de-growth has been more prominent in the last quarter.

EXIM container volumes at major ports, mn TEUs



Performance of major logistics players – Q3FY09 snapshot

000' TEUs	Q3FY09	Q2FY09	q-o-q	Q3FY08	y-o-y
CONCOR					
EXIM	444	521	-15%	501	-11%
Domestic	109	104	5%	115	-6%
GDL					
CFS	77	90	-14%	86	-10%
ALLCARGO					
CFS	39	45	-13%	33	18%
MTO	7	8	-10%	7	-3%

Source: IPA, Company

MF Global

GoI incentives for exporters

- **Incentives announced**
  - 2% interest subvention on export credit for labour-intensive imports, subject to a minimum of 7%.
  - Additional funds of Rs 11bn for refund of TED/CST.
  - Additional allocation Rs 3.5bn for export incentive schemes.
  - GoI back-up guarantee to ECGC to the extent of Rs 3.5bn.
  - Refund of service tax on foreign agent commissions of up to 10% of the FOB value of exports.

While exporters have welcomed early measures by the GoI, they look forward to additional measures to combat severe global recession.

- **Exporters' wish list—A FICCI survey (Dec '08)**
  - Prompt disbursement of dues on drawback, CENVAT credit, DEPB claims, etc.
  - Extension of the interest rates subvention scheme.
  - Interest subvention level to be enhanced from 2% to 4%.
  - Refunds from excise department in seven days.
  - Expand the list of products covered under the Focus Market and Focus Product scheme.
  - Extended support from banks and FIs.
  - Exemption under Section 80HHC on income from exports.
  - Two years' moratorium on term loans.

A mini foreign trade policy (FIP), comprising new measures and incentives to boost and facilitate trade especially in sectors which have been impacted by the global slowdown, is in the offing.

We believe that the GoI will not dole out incentives at one go. However, incentives in tranches cannot be ruled out.

Growing logistics infrastructure—Improves long-term prospects

GoI scales up investment in core infrastructure.
Public-private partnership to play a key role.

GoI thrust on logistics infrastructure

Bottlenecks

Roads

Network of 3.3mn km. Carries 55% of total freight.

- National highways account for only 2% of the total network, but carries 40% of the total freight.
- Poor quality of roads leads to higher lead time (average transit time is three times higher as compared to other developed nations), resulting in higher surface freight.

Railways

Spread over 81500 kms. Carries 25% of total freight.

- Inflexibility in access to interior regions.
- Traffic congestion on the North-West route.
- 3.5x more expensive as compared to European countries.

Ports

12 major ports Handling Capacity ~750 mt.

- Major ports, like JNPT and Chennai, operate at full capacity utilisation.
- Poor state of inland waterways in the country.
- Higher turnaround time of 19 days as against 3-4 days in Singapore.

Massive infrastructure spending for the XIth Plan, involving both public and private sector investments, to augur well for the entire logistics value chain.

GoI's Plans

- Six-laning 6500km of the Golden Quadrilateral.
- Four-laning 6736km on the North-South and East-West Corridors.
- Four-laning 12109kms of National Highways.
- Widening 20,000km of National Highways to two lanes.
- Developing 1000kms of Expressways.
- Total outlay of Rs 3668bn (2.2x of Xth plan), with private spending comprising of ~35%

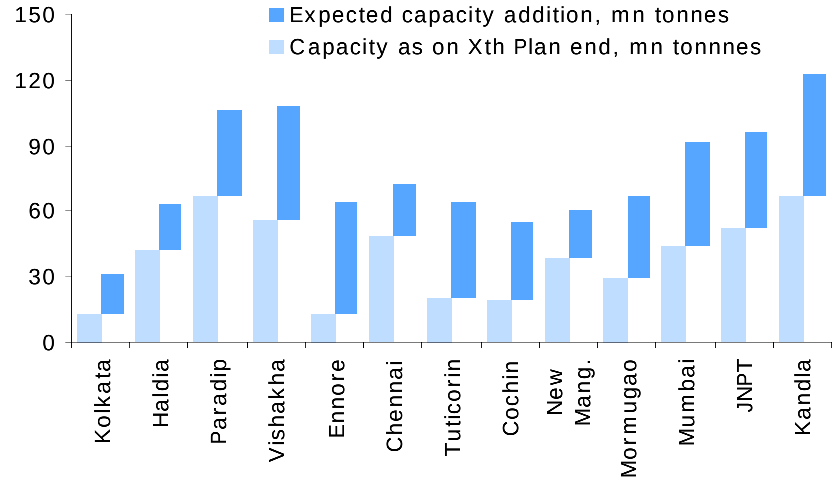
- Phase-1 of the Dedicated Freight Corridor (between Mumbai-Delhi and Ludhiana-Kolkata) to be initiated soon.
- 10,300kms of new railway lines; gauge conversion of over 10000kms.
- Modernisation and redevelopment of 21 railway stations.
- Introduction of private entities in container trains for rapid addition of rolling stock and capacity.
- Total outlay of Rs 2580bn (2.2x of the Xth plan), including private investment of Rs 504bn.

- Huge impetus is given to investment in the ports sector in view of its key role in international trade and its contribution to the economic growth in the country.
- Capacity addition of 485mn tonnes in major ports and 345mn tonnes in minor ports for XIth Plan.
- Bulk of capacity augmentation would be done through public-private partnership; the ratio of public to private spending in the port sector is 34:66.
- Adequate railroad connectivity of ports with the hinterlands is emphasised on.
- Total outlay for the plan is Rs 558bn.

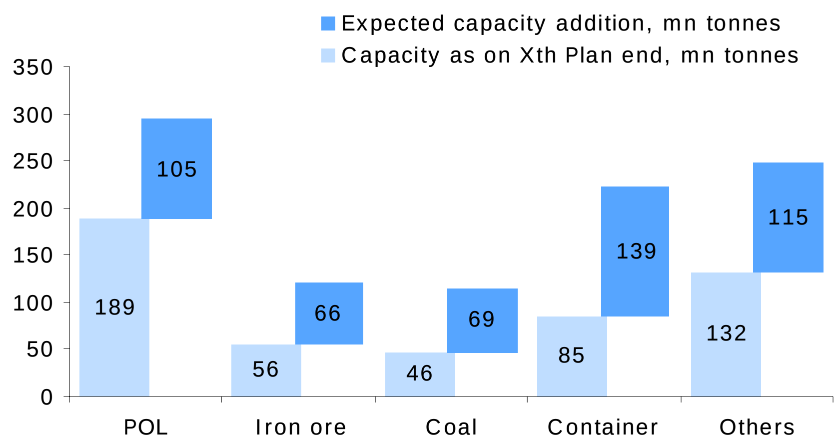
Capacity addition plans at major ports

- **The Eleventh Five-Year Plan envisages:**
  - Capacity addition of ~485mt.
  - Overall capacity to reach ~1012mt by FY12.
- **Highest capacity addition is planned in the container segment.**
  - 139mt, which is ~1.6x of the existing capacity.
  - JNPT accounts for ~38mt, followed by Tuticorin (~19mt) and Ennore (~18mt).
  - **Indicates GoI focus on containerisation.**

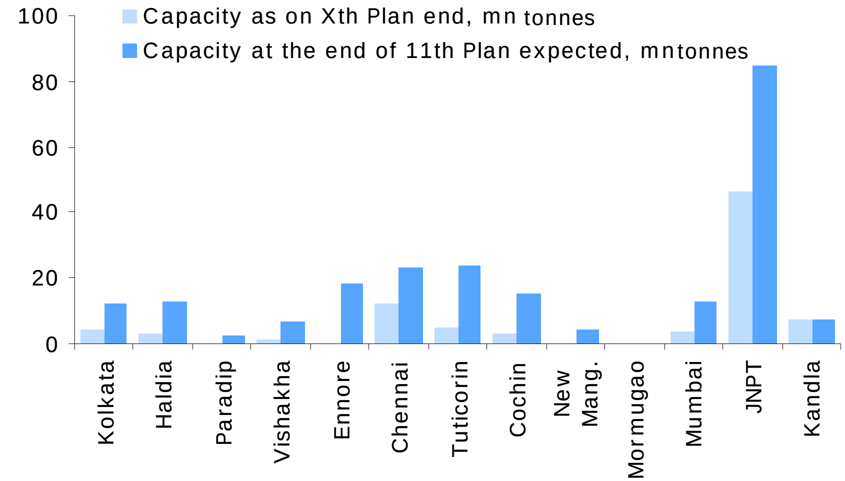
Cargo capacity addition during the XIth Plan



Commodity-wise capacity addition during the XIth Plan



Container capacity addition during the XIth Plan



Source: Report of working group for port sector for the Eleventh Five Year Plan

Port container capacity addition plans

Initiatives taken for construction/reconstruction of container terminals for the Eleventh Five-Year Plan period

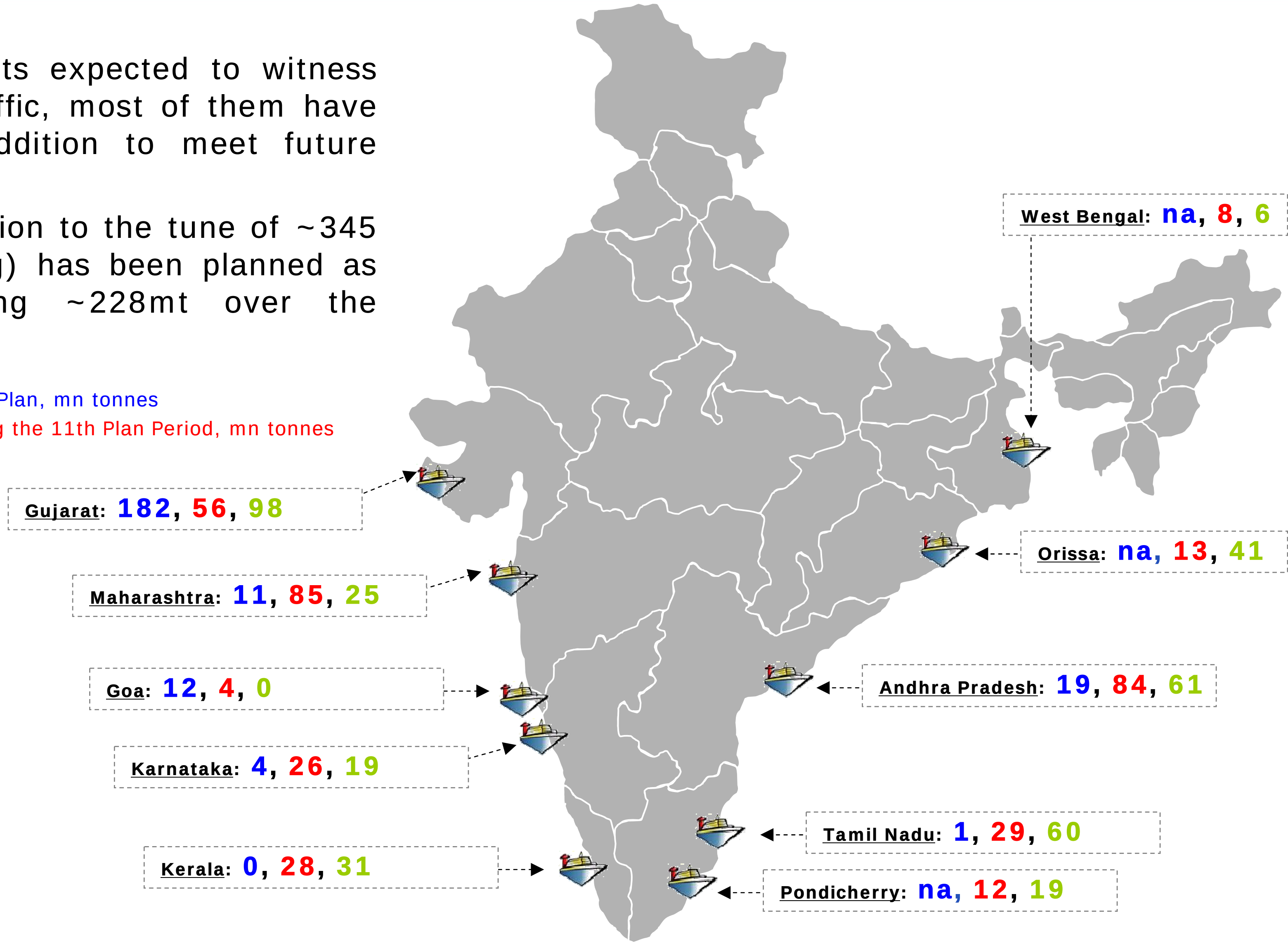
Ports	Initiatives	Rs bn
Kolkata	Transloading of Dry Bulk Cargo & Installation of a floating container handling terminal	3.5
Haldia	Development of Western Dock System, including provision for container handling	5.3
Vishakhapatnam	Extension of container terminal and augmentation of capacity of existing terminal	1.3
Ennore	Construction of new container terminal	13.0
Chennai	Construction of second container terminal	5.0
Tuticorin	Conversion of Berth-8 as container terminal	1.5
Cochin	Construction of International Container Transhipment Terminal	21.2
New Mangalore	Construction of container terminal for transhipment	7.0
Mormugao	Construction of cruise-cum-container berth at Baina	18.5
Mumbai	Construction of two off-shore container terminals, development of two container berths of total quay length of 700m & related upgradation for handling vessels of 6000 TEUs capacity.	12.3
J.N.P.T	Extension of container berth by 330m and construction of Fourth Terminal Phase-1 development	34.5
Kandla	Construction of 12th Cargo berth, including back-up area and setting up of container terminal	2.4

Source: Report of working group for port sector for the Eleventh Five Year Plan

Capacity addition plans at non-major ports

- With non-major ports expected to witness faster growth in traffic, most of them have planned capacity addition to meet future growth in traffic.
- Cargo capacity addition to the tune of ~345 mt (1.5x of existing) has been planned as against the existing ~228mt over the Eleventh Plan.

Capacity at the end of the Tenth Plan, mn tonnes
Expected capacity addition during the 11th Plan Period, mn tonnes
Estimated expenditure, Rs bn



Port infrastructure & container traffic equations favourable

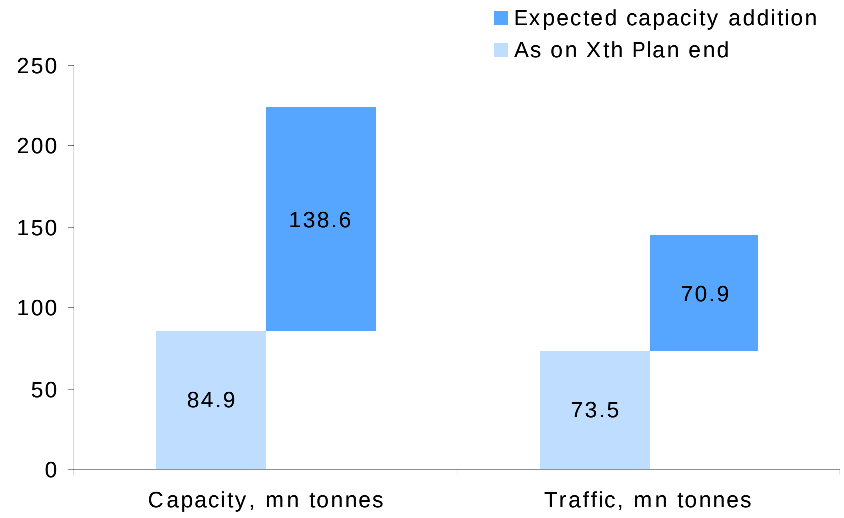
- **Planned capacities for the XIth Plan are not expected to come in on time.**
  - Delay in awarding projects, delayed financial closure and construction.
  - Past experience (Xth plan) suggests major spill overs.

Initial Plan Outlay, Rs bn	**54.2**
Revised Plan Outlay, Rs bn	**59.5**
Expenditure incurred, Rs bn	**28.3**
Utilisation, %	**47.6**

However, even if 50% of port capacity addition materialises, it would accommodate container traffic growth for the XIth plan.

- **Full capacity utilisation at JNPT and Chennai is no more a concern in the near term.**
  - JNPT to convert 4 berths into container berths.
  - Chennai container terminal-2 expected by Dec'10.
  - Rewas setting up capacity, expected to be commissioned in the XIth Plan.
  - Spare capacity at Mundra and Hazira would accommodate increased growth on the western coast.

Traffic—Capacity equation favourable



Review of Xth plan on port sector

Variation	Rs bn
Variation between approved outlay and expenditure in 10th Plan in respect of schemes taken up for implementation	9.8
Variation on account of schemes yet to be sanctioned during the 10th Plan	13.3
Savings due to schemes dropped/deferred in the 10th Plan	2.9
Total	**25.9**

Source: Report of working group for port sector for the Eleventh Five Year Plan

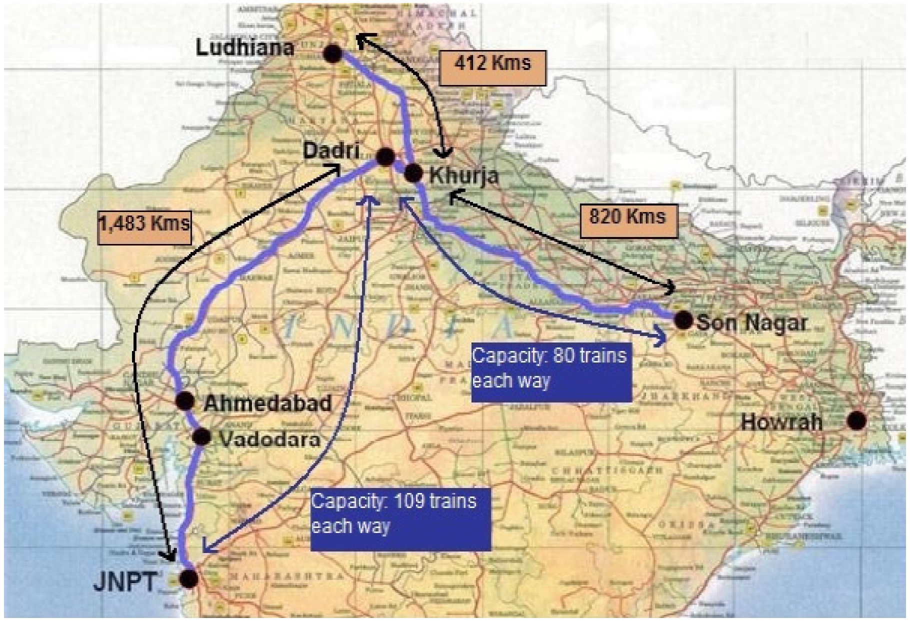
Rail and Road connectivity to ports receives attention

- **Adequate rail/road connectivity with ports is imperative:**
  - To realise the capacity created at the ports.
  - To achieve seamless transportation of goods.
  - Rs 55bn allocated for the XIth Plan.

Rail-Road connectivity of ports planned during the 11th Plan

Port	Project	Cost, Rs bn
Paradip	- Enhancement of rail connectivity between Haridaspur and Paradip	3.9
	- Four-laning of road from Chandikhole to Paradip	4.4
Ennore	- Strengthening of NCTPS road to four-laning	0.5
	- Northern port access from port to TPP Rd.	1.0
Chennai	- Ennore-Manali Expressway through SPV	3.1
	- Dedicated elevated corridor on NH4 from Port to Maduravayal	10.0
Tuticorin	- Four-laning of NH7A between port and Palayamkottai	0.3
Cochin	- Rail connectivity to ICTT	3.0
	- National Highway connectivity	3.7
New Mangalore	- Road connectivity to port	9.0
Mormugao	- Construction of Flyover from Tariwada Jn. to port	0.3
J.N.P.T.	- Package-1 NH4B	3.5
	- Package-2 SH54	3.6
	- Hinterland road connectivity to the port	2.8
	- Alternate road connectivity to JNP	2.0
	- Construction of second link road to JNP	1.7
Mumbai	- Rail connectivity between Wadala and Kurla	1.3
	- Anik Panjarpol link	0.4
Kandla	- Construction of additional carriageway for four-laning of road from Kutch to West Gate 2	0.4
	- Gauge conversion of Bhildi Samdari segment	0.4

- **DFC5—Key to rail traffic congestion**
  - Will cover ~2762kms route on two corridors: (a) Eastern from Ludhiana to Sonnagar, and (b) Western from JNPT to TKD/Dadri, along with interlinking at Khurja.



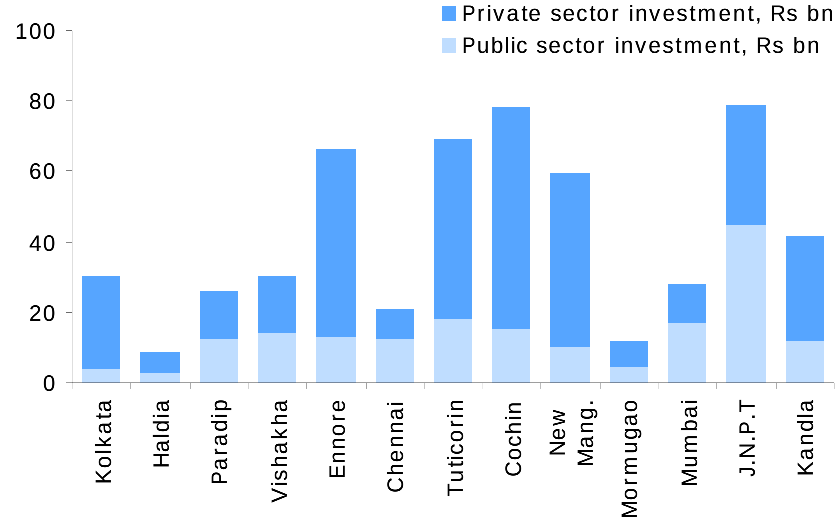
  - Will facilitate double stacking of containers.
  - Faster transportation of goods will reduce transit time on the Delhi/Mumbai route from 60 to 36 hours.
  - Traffic congestion to reduce: Ahmedabad/Marwar route (72 vs. 15 trains currently) & JNP/Baroda route (49 vs. 8 trains currently).

Source: Report of working group for port sector for the Eleventh Five Year Plan, Indian Railways

The recent meltdown has made project funding difficult

- **Financial outlay for major logistics infrastructure at ~Rs 2882bn—Private sector to play a key role.**
  - Major ports: ~Rs 552bn, including private sector investment of Rs 366bn (66%).
  - Minor ports: ~Rs 318bn, including private sector investment of Rs ~275bn (86%).
  - DFC: ~Rs 300bn—private sector to invest 66%.
  - NHDP: ~Rs 1712bn—private sector to invest ~57%.

Financial outlay for major ports



- **Funding difficulties have been evident in recent times**
  - We feel that GoI projects are unlikely to be impacted.
  - Private players would face difficulty for the projects that need to obtain financial closure (high leveraging dampens investor confidence).
  - Inadequate attention to funding may shrink the programme of infrastructure creation.

Since the compulsion for infrastructure creation seems evident, GoI have announced the following measures:

Measures:

- IIFCL to raise Rs 300bn by issue of tax-free bonds over and above Rs 100bn.
- NBFCs dealing exclusively with infrastructure financing will now be permitted to access ECB and 'All-in-cost' ceilings on ECB removed.

Impact:

- Will enable IIFCL to fund additional projects worth Rs 750bn (mainly highways and port projects of Rs 250bn).
- Money raised through ECB will ease the liquidity concerns to some extent.

Evolving industry structure and opportunities

Container logistics–
Business opportunities

CFS / ICDs

Asset based—Capital intensive
Estimated market size—Rs 25bn
Fragmented market— ~150 ICDs

- Customs bonded in-transit facility, equipped with container yard space, handling equipment and IT infrastructure; CFS is an off-dock facility located near the ports whereas ICD is generally located in the hinterland.
- Includes services for handling, temporary storage, stuffing and destuffing, customs clearance of EXIM container cargo.
- Revenue streams: (a) Container handling & transportation charges, (b) Ground rent (only for import containers), (c) Warehouse charges on consignment basis, and (d) Other service charges—stuffing/destuffing, customs examination, palletization, shrink wrapping, etc.
- Growth outlook: Expected to grow by ~15-20% on account of growth in EXIM container traffic and lower levels of rail penetration in the domestic segment (exclusive domestic rail teminals).

Container rail haulage

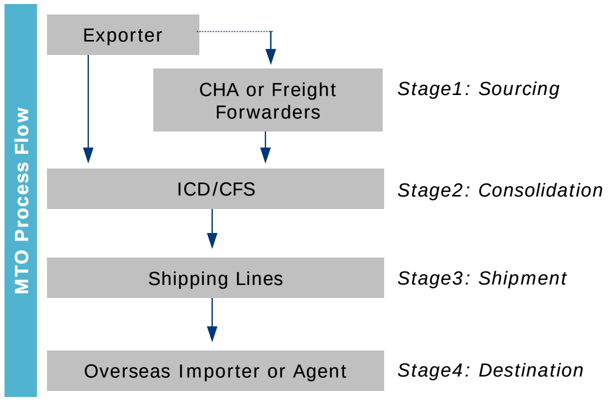
Significant capital investment
Estimated market size— ~Rs 100bn
Fragmented market, post liberalisation

- Transportation of containers from the hinterland to the gateway ports for EXIM traffic and hinterland-to-hinterland movement for domestic traffic. This also includes road transportation for last mile connectivity.
- The domestic segment enjoys higher realisations as compared to EXIM due to longer leads, however, EBITDA margin is subdued at ~14% due to more number of empties on the domestic sector. In addition, in EXIM, transportation of empty containers is a revenue event.
- Doors opened for private players in 2006, since then 15 new operators have been issued licenses (Rs 500mn license cost; valid for 20 years which can be extended).
- Growth outlook: EXIM movement pegged to EXIM container traffic growth and domestic movement to show robust growth due to lower levels of rail penetration.

MTO

Service-based—Not capital intensive
Estimated market size— ~Rs 20bn
Fragmented market— ~300 MTOs

- End-to-end freight services for cargo using multiple modes of transport, such as sea, road, rail, air under a single document.
- Cargo to be transported can either be Full container load (FCL) or Less than container load (LCL–consolidation of numerous small shipments to fill a container). LCL earns higher margins than FCL due to value addition.
- MTO services ensure faster transit of goods, establishes a single point of reference, saves cost, and reduces pilferage.



- Growth outlook: Expected growth rate of around 8%

Source: Company, MF Global India Research

Companies Section

Container Corporation – Necessity knows no law *(Outperformer)*

- (CMP Rs 677 / MCap US$ 1.8bn / Target Price Rs 791)

Gateway Distriparks – Biding its time *(Underperformer)*

- (CMP Rs 59 / MCap US$ 0.13bn / Target Price Rs 66)

Allcargo Global – All that glitters is not gold *(Sell)*

- (CMP Rs 685 / MCap US$ 0.32bn / Target Price Rs 604)

Note: Rating relative to sector

Analyst: Avishek Agarwal
avishek.agarwal@mfglobal.in (+9122 6667 9986)

INITIATING COVERAGE

February 13, 2009

Container Corporation

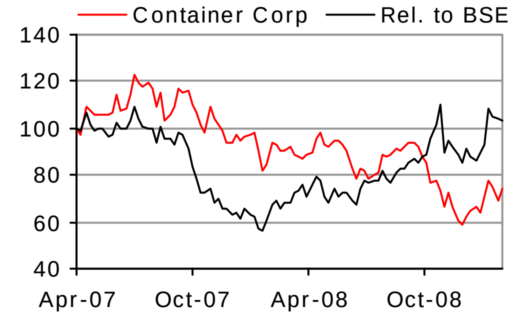
(CCRI IN / CCRI.BO)

Outperformer

Necessity knows no law

CMP Rs 677
Target 791 (+17%)

This note should be read for:
- *Views on the company and its prospects.*
- *Financials, valuation and price target.*



Investment Rationale

- Container Corporation (Concor) enjoys leadership position (~30% of India's EXIM traffic) in the container handling business with a pan-India network of 58 rail-linked ICDs, sizeable rolling stock of ~8600 wagons and better service integration with seamless access to ports, rail, road and air.
- Concor has embarked on new business initiatives, like its cold chain business and air cargo, to move up the value chain. To diversify risk, Concor is bidding to develop port facilities and also has plans to enter into coastal shipping on the west coast.
- Concor is well placed amongst its competitors, given the complexity in replicating such a vast infrastructure, long-standing relationships with shipping lines and consolidators, and better utilisation levels of rolling stock ensures good profitability.
- Sustainable and steady internal accruals provide ample room for funding its expansion programme of Rs 25bn for the next 5-6 years.
- Investors stand to benefit from positive company fundamentals: (a) Core business RoE of >30%, (b) Zero-debt balance sheet, (c) Cash balance of Rs 18.3bn (FY09E), (d) Continuation of robust free cash flows (Rs 36bn during FY10-15E), and (e) Stable dividend yield of 1.9%.
- Given the positive container traffic growth outlook in the long term and the GoI's infrastructural initiatives in the port sector, we see Concor as an attractive play on the improving trends in EXIM trade and a potential global economic recovery.

Risks

- Severe and extended slowdown in EXIM trade, and
- Acute competition in the domestic segment.

Valuation

- Concor currently trades at 6.8x EV/EBITDA on FY10E and 10.9x on FY10E earnings.
- We have valued the company using DCF methodology at Rs 791/share, which implies 8.4x EV/EBITDA on FY10E and 12.7x on FY10E earnings.

Company data	
O/S shares :	130mn
Market cap (Rs) :	88bn
Market cap (USD) :	1.8bn
52 - wk Hi/Lo (Rs) :	967 / 540
Avg. daily vol. (3mth) :	41,610
Face Value (Rs) :	10

Share holding pattern, %	
Promoters :	63.1
FII / NRI :	25.9
FI / MF :	8.9
Non Pro. Corp. Holdings :	1.0
Public & Others :	1.2

Y/E Mar, Rs mn	FY08	FY09E	FY10E
Net Sales	33635	34547	36454
PAT	7268	8056	8069
EBIDTA mrg, %	26.4	28.3	26.7
PAT mrg, %	21.6	23.3	22.1
ROE, %	25.1	23.2	19.8
EPS, Rs	55.9	62.0	62.1
PER, x	12.1	10.9	10.9

MF Global

Investment Overview

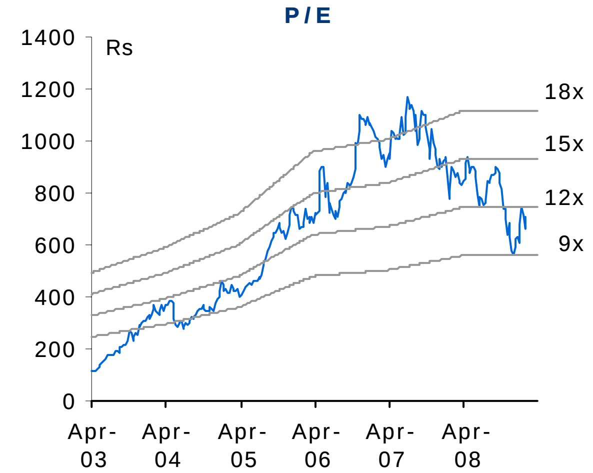
Sustainable competitive advantage	Dominant industry status (accounts for ~30% of India's EXIM traffic), pan-India infrastructure network (strategically located 58 rail-linked terminals; sizeable rolling stock), better service integration (end-to-end logistics solution), long-standing relationships with customers and sound liquidity position.
Financial structure	Zero-debt balance sheet with a cash balance of Rs 18.3bn (FY09E) along with sustainable, steady internal accruals, provides ample scope for funding its capex programme.
Shareholder value creation	Strong RoE amongst industry players. It pays promising dividends as well.
Earnings visibility	Top-line growth of 8.5% (2-year CAGR) percolates down to a net profit growth of 5.7% (2-year CAGR).
Valuation	At the CMP of Rs 677, the stock trades at 10.9x PER, EV/EBITDA of 6.8x and a P/B of 2x on FY10E. We have valued the company using DCF methodology at Rs 791/share, which implies 8.4x EV/EBITDA on FY10E and 12.7x on FY10E earnings. The stock would continue to enjoy premium valuation for its dominant industry status.
MF Global vs. consensus	We are on the lower side of the consensus, both in terms of our revenue and earnings estimates.
Future event triggers	Faster-than-expected recovery in EXIM trade.
Expected price momentum	We look forward to an upside of ~17% by FY10.

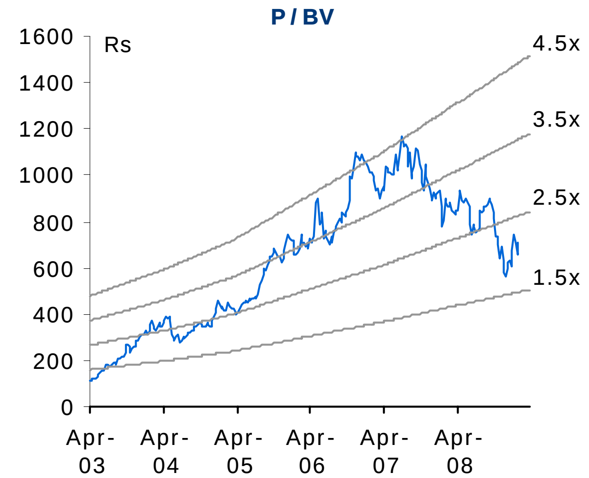
Valuation Summary

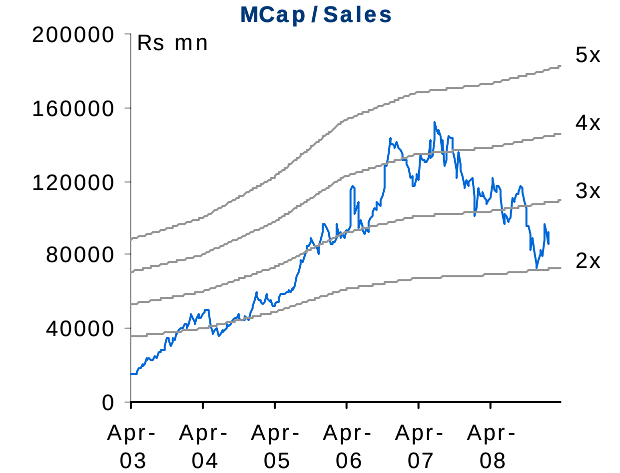
Y/E Mar, Rs mn	FY2007	FY2008	FY2009E	FY2010E	FY2011E
Net Sales	30621	33635	34547	36454	40664
Growth, %	25.8	9.8	2.7	5.5	11.5
Core EBIDTA	9018	8878	9786	9733	10900
EBIDTA margins, %	29.4	26.4	28.3	26.7	26.8
Net profit	6932	7268	8056	8069	8996
Net profit margin, %	22.6	21.6	23.3	22.1	22.1
EPS, Rs	53.3	55.9	62.0	62.1	69.2
EPS Growth, %	33.3	4.8	10.8	0.2	11.5
PER, x	12.7	12.1	10.9	10.9	9.8
EV/EBIDTA, x	8.6	8.3	7.2	6.8	5.7
EV/Net Sales, x	2.5	2.2	2.0	1.8	1.5
Price/Book Value, x	3.3	2.8	2.3	2.0	1.7
ROIC, %	39.5	34.0	33.1	28.2	28.3
ROE, %	29.4	25.1	23.2	19.8	19.0
Dividend Yield, %	1.6	1.9	1.9	1.9	1.9

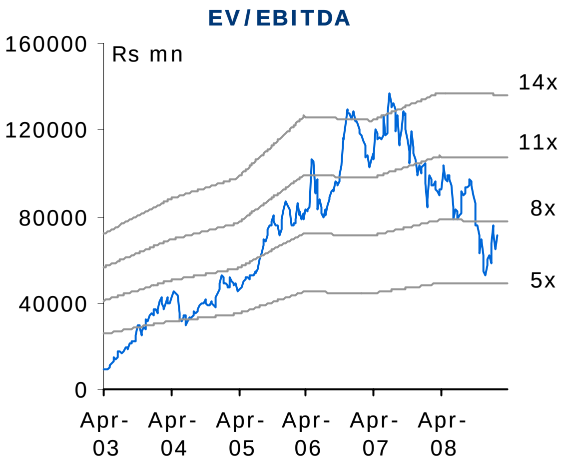
Source: Company, MF Global India Research Estimates

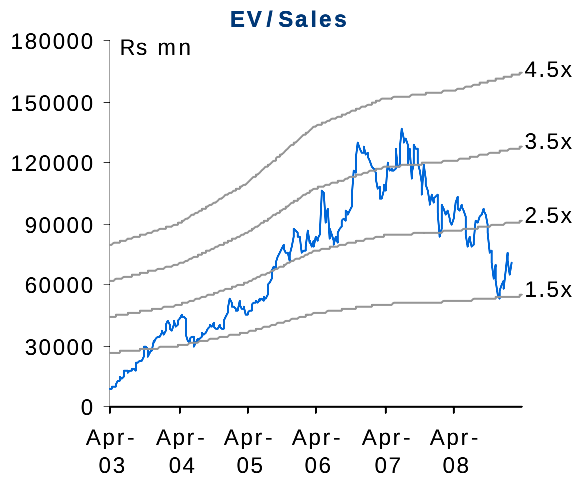
Absolute 1-year forward rolling valuation band charts











- The stock has traded at an average one-year forward PER of 13.5x and an EV/EBITDA of 9.2x over the last five years.
- We believe that concerns over Concor's business due to a slowdown in EXIM trade have been reflected in the recent months.
- We expect the stock to enjoy investor interest on positive news flow on EXIM trade. The valuation multiple would capture both the dominant industry status and ongoing expansion plans.

Source: MF Global India Research

Container Corporation–
Business Snapshot

Business offerings

Container rail haulage

~75% of revenues
~60% of gross profit

Transportation of containers from the hinterland to gateway ports for EXIM traffic and hinterland-to-hinterland movement for domestic traffic. Also includes road transportation for last mile connectivity.

CFS / ICDs

~25% of revenues
~40% of gross profit

Includes services for handling, warehousing, stuffing and destuffing, customs clearance of EXIM container cargo.

EXIM segment

79% of FY08 revenues &
88% of FY08 EBIT

- Of the total EXIM volumes of Concor, ~60% of the traffic flows from Northern (export traffic due to concentration of major industrial zones) and Western region (import traffic). The JNPT port alone accounts for ~50% of the EXIM traffic. Concor has deployed 16 rakes, one way, on the Tughlakabad-JNPT route to cater to traffic.
- Operates through a vast network of 19 exclusive EXIM terminals and 30 EXIM/Domestic terminals to support its operations. ICDs at Tughlakabad, Ludhiana, Mulund and Dronagiri account for ~47% of the EXIM traffic.
- Highly profitable segment with EBIT margins of ~27%.

Domestic segment

21% of FY08 revenues &
12% of FY08 EBIT

- Of the total domestic volumes of Concor, ~60% of the traffic flows from the Northern and Southern region.
- Operates through a vast network of 9 exclusive EXIM terminals and 30 EXIM/Domestic terminals to support its operations. ICDs at Whitefield and Tondiarpet (Southern region) and DCT Okhla (Northern region) account for ~40% of the domestic traffic.
- Enjoys higher realisations as compared to EXIM due to longer leads, however, EBIT margin is subdued at ~14% due to more number of empties on the domestic sector. Plus, in EXIM, transportation of empty containers is a revenue event.

Extensive Pan-India Network–

Imparts sustainable competitive advantage

- **Established player in the container rail haulage business**
  - Strategically located 58 rail-linked terminals, near the gateway ports and rail heads to ensure connectivity.
  - Sizeable fleet of ~8600 wagons (procured at lower capital cost). Better utilisation levels (~85%) of rolling stock improves profitability.
  - Hub & spoke model; single-window facility.
  - Long-standing relationships with major shipping lines and consolidators. Preferred provider due to wide network and better service potential.
  - Door-to-door logistics solution through tie-ups with Reliance Logistics.
  - Planned capex of ~Rs 25bn over the next 5-6 years on the rolling stock (~80% of capex), terminal development (~10% of capex) and miscellaneous equipment.

Region-wise traffic share

Region	International	Domestic
Northern	43%	40%
Western	16%	6%
Southern	14%	18%
North Central	12%	2%
North Western	8%	4%
Central	5%	5%
South Central	3%	9%
Eastern	1%	16%

Pan-India terminal network serving geographically diversified traffic flow

Source: Company

Private players increase footmark

Private operators	Existing business	Current status	Growth plans
Hind Terminals	Shipping, ICDs	10 rakes-Exim, Sabarmati/Ludhiana/Dadri to JNPT/Mundra.	14 rakes by FY10
Boxtrans	Road transport, Shipping	14 rakes-Exim/Domestic, Loni to Mundra/Vizag.	24 rakes by FY10, Plans for 3 ICDs
Adani	Ports/ICDs/SEZs	6 rakes-Exim/Domestic, Patli to JNPT/Mundra, Logistics park at Gurgaon, Patli and Kishangarh.	20 rakes by FY10, 14 ICDs within 2 years
Inlogistics	Road transport, Shipping	4 rakes-Exim, 8 rakes-Domestic, Exim route-Loni to JNPT, Domestic-multiple routes from Rourkela & Patali to Ernakulam.	21 rakes by FY09, 59 rakes by FY10 (EXIM - 10, Domestic - 49), ICDs at 6 new locations
APL IndiaLinx	Road transport, Shipping	9 rakes-Exim, operates through Loni/Patli/Faridabad to JNPT/Mundra.	-
Pipavav Rail Corp	Shipping/Ports/Railways	No development.	No plans as of now
Delhi Assam Roadways Corp	Road transport	2 rakes on domestic to be inducted in Q4FY09.	4 rakes in FY10
Sical	Ports/ICDS	3 rakes-Domestic, Delhi-Chennai route.	18 terminals to be developed in 3 phases
Arshiya	No related business	-	Plans to spend Rs 16bn in two phases on 75 rakes and related infrastructure by FY10.
Gateway	ICDs	13 rakes-Exim/Domestic, Exim-Garhi to JNPT, Domestic - Garhi to Kalamboli and catering parts of Northern Orissa, Coastal Orissa, Punjab and Haryana, operates through three CFSs-JNPT, Chennai, Vizag & an ICD at Ludhiana.	18 rakes by FY10 and an ICD at Faridabad to commence in Sept '09.

- **Embarking on an aggressive roll out strategy**
  - Setting up their own rail-linked terminals (~15 new terminals expected by FY11E, given that half of the capex plans are on stream).
  - 65 rakes presently operating, distributed equally on EXIM and domestic route (~0.35x of Concor's rolling stock).
  - We expect the number of private rakes to double by end FY11, more so on the domestic routes.

There are instances where some private operators are shifting to the domestic from the EXIM route. In addition, most of the private operators have cut down their capex plans for FY10, which were earlier announced. We expect private players to offer competition to Concor, especially in the domestic segment.

Source: Mf Global India Research

Competition from private players–
Moderate and balanced

- **It is difficult to replicate Concor's extensive network**
  - Non-availability of land at strategic locations for the setting up of captive ICDs.
  - Regulatory approvals (conversion of land usage) required in setting up infrastructure consumes time.

In fact, some of the private operators (Hind Terminals, GDL, Transworld, APL, JM Baxi) have entered into collaborative arrangements (MoUs/JVs) with Concor to share its infrastructure.

- **Strong relationship with customers**
  - Built over a period of 15 years.
  - Widespread network facilitates better service integration.

- **Private operators can not afford to reduce prices**
  - Rakes capacity utilisation of 65-70% vis-à-vis 85% of Concor.
  - Not all of them own captive ICDs.

However, Concor slashed rates by 8% on the Ludhiana–JNPT route, post commencement of operations by two private players in Jan '09. Going forward, the management has given us a clear indication that it does not foresee any severe price cuts, although route-specific price cuts cannot be ruled out wherein the threat of volume shifting is expected.

MF Global

EXIM segment outlook–
Leadership status to continue

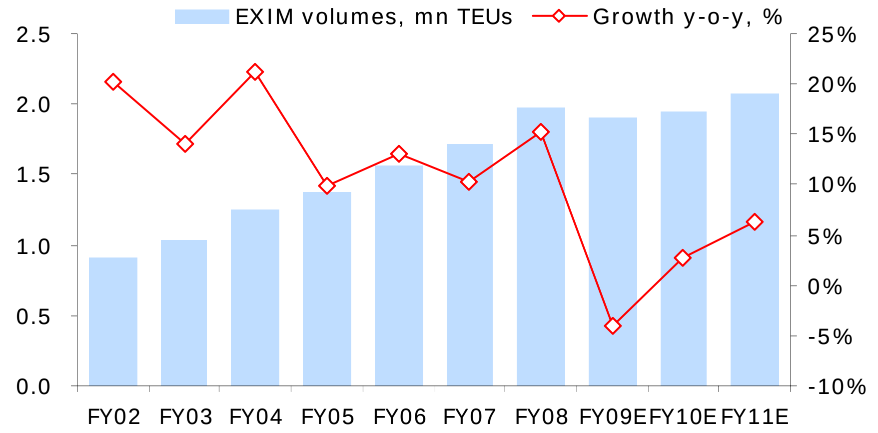
- **Recent hold-back in container volumes to dampen growth**
  - 9.4% YoY de-growth in last 4 months at major ports.
  - 2.1% YoY growth in 10MFY09 as against 21.1% YoY in FY08 at major ports.

We forecast volume CAGR of 1.6% over FY08-11E, largely due to volume de-growth in FY09E for Concor.

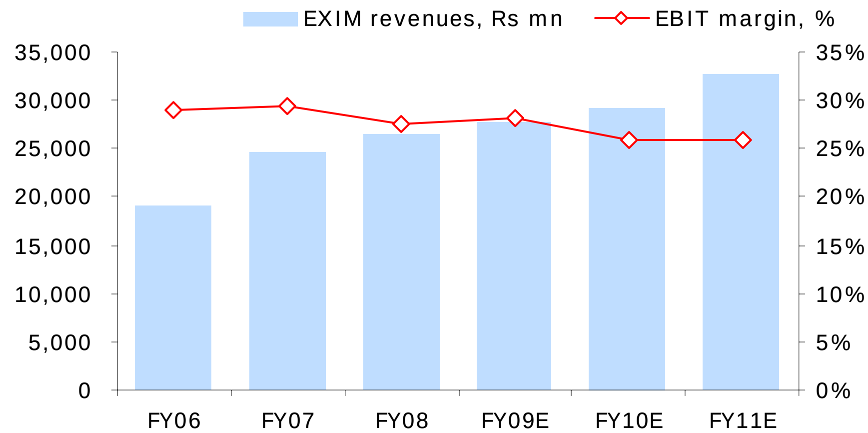
- **Long-term outlook remains positive**
  - We estimate container traffic to grow at 10% CAGR during FY09-12E.
  - We believe that railways will gain market share over roadways as:
    - Private players compete with roadways.
    - Railways offer cost advantages in the long haulages.
    - Emphasis on rail infrastructure built up during the XIth Plan.

We forecast a revenue CAGR of 7.2% during FY08-11E with a modest ~4% CAGR in average realisation.

EXIM volumes trend: 6-year CAGR (FY02-08) of 13.9%



EXIM revenues and margin outlook



Source: MF Global India Research Estimates

MF Global

Domestic segment outlook–
Private operators to tender moderate competition

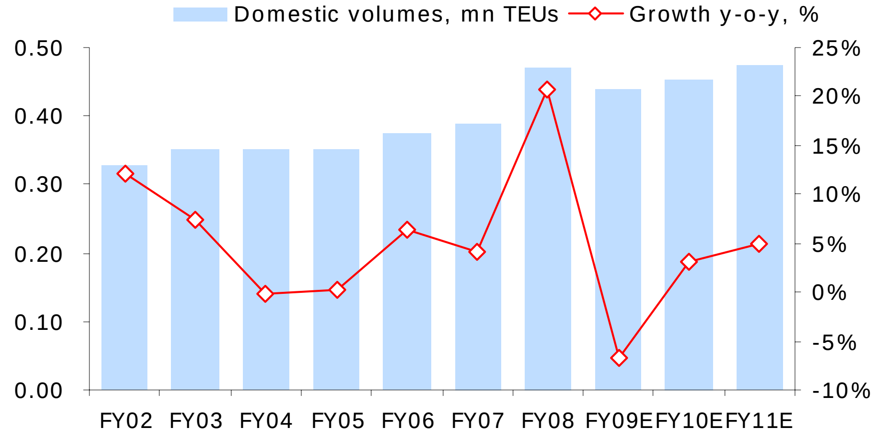
- **Concor: Well-positioned in terms of service offerings.**
  - Operates a string of scheduled rakes between major industrial hubs.
  - High-speed wagons minimise transit time.
  - Customised for large corporate clients.
  - Optimisation under the hub and spoke model.
  - Last mile connectivity.

We forecast revenue growth of ~6.5% on the back of ~4% CAGR in volume over FY09-11E on a conservative basis. 9MFY09 data suggest a 7% YoY decline in domestic volumes.

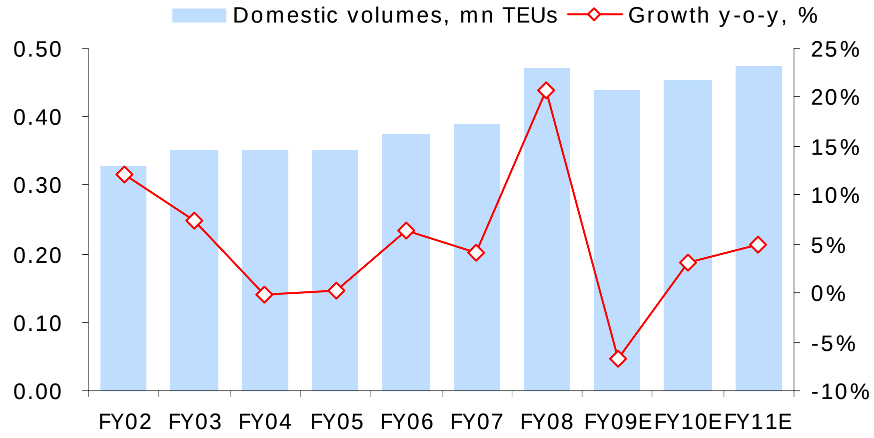
- **Private operators: Aggressive expansion plans in the offing.**
  - Good opportunity due to lower levels of penetration.
  - Shifting focus from EXIM to domestic.
  - Concor's dominance in the EXIM sector.
  - Slowdown in EXIM container traffic movement.

This may call for moderate competition, going forward.

Domestic volumes trend: 6-year CAGR (FY02-08) of 6.3%



Domestic revenues and margin outlook



Source: MF Global India Research Estimates

Other strategic initiatives

- **Foray into the nascent cold chain logistics business**
  - Established a 100% subsidiary, Fresh & Healthy Enterprises (FHEL), in 2006.
  - Operates through one cold store at Rai, Sonepat with a capacity of 12,000MT.
  - Operations include procurement, storage, branding, distribution and selling of fresh fruits, vegetable, frozen foods, etc.
  - Cold chain outlook in India as per FICCI:
    - Market size estimated at Rs 10bn.
    - Industry is expected to grow at 20-25% p.a.
    - Existing infrastructure handles only 10% of the produce, resulting in 25% foods spoilage.
    - Drivers include present inefficiencies, increase in consumption of perishable products, shifting customer preferences and entry of large retail chains.

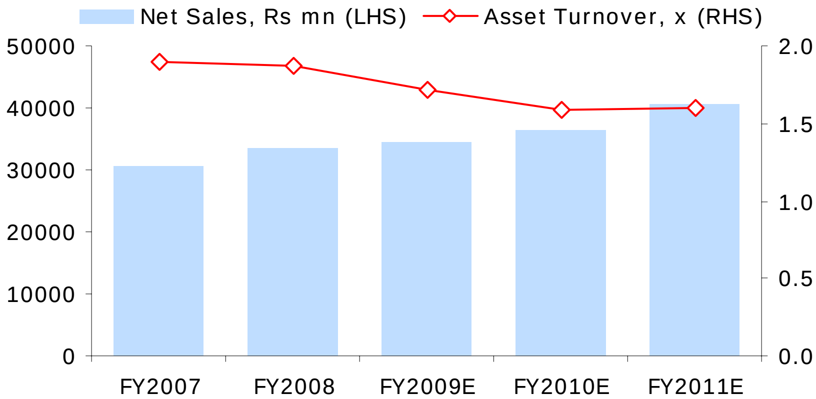
Since the business is in a nascent phase, we believe that earnings is still some time away.

JV Initiatives

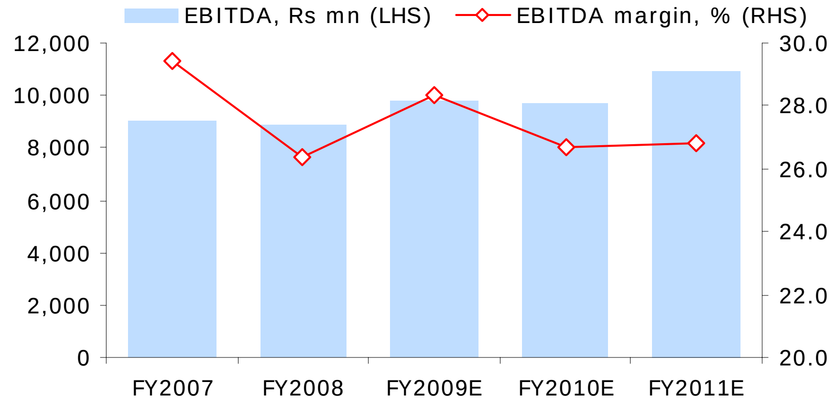
Maersk AS	Third container terminal at JNPT
Dubai Port World	Setting up & managing container terminal at Cochin Port
Reliance Logistics	Last mile connectivity
Hind Terminals	Setting up & running CFS at Dadri
Allcargo Global	Setting up & running CFS at Dadri
Halcon	Terminal Management at air cargo complex, Nasik
Maersk India	CFS operations at Dadri
Transworld group	CFS operations at Dadri
APL India	CFS operations at Dadri
CMA-CGM	CFS operations at Dadri

- **Plans to enter the air cargo business**
  - Planning for strategic alliances.
  - Starting with five air freight stations.
  - Services include warehouse and other facilities for palletization, x-ray, customs clearance formalities, etc.

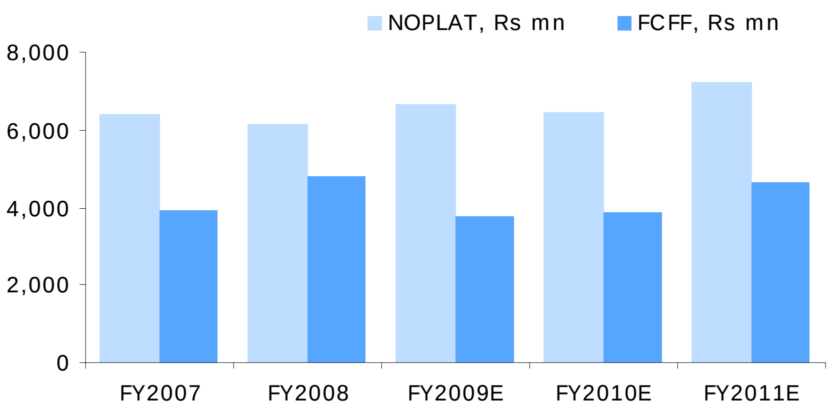
Financial Performance



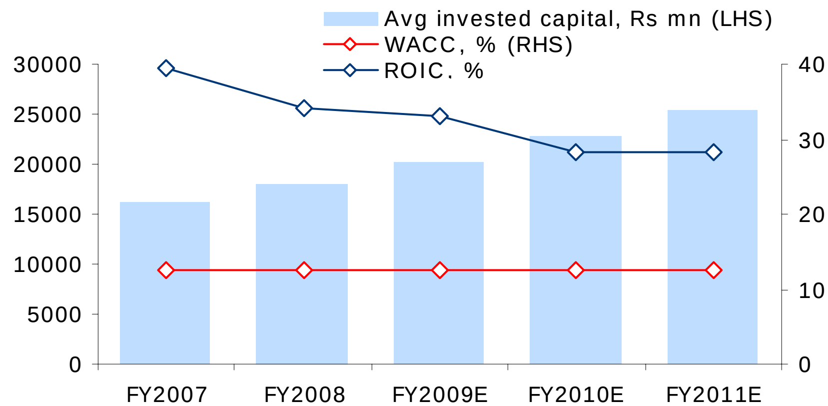
- Net sales expected to grow moderately at a CAGR of 6.5% over FY08-11E, on account of the slowdown in EXIM trade.



- Post FY09, we expect EBITDA margin to contract by 152bps due to moderate competition.



- FCFF to remain positive despite average capex of Rs 4bn every year on account of sustainable and steady internal accruals.



- Assets procured at low cost ensure returns ratio above WACC.

Source: Company, MF Global India Research Estimates

DCF Valuation

Particulars, Rs mn	FY05	FY06	FY07	FY08	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Free Cash Flow											
EBIT	5617	6144	8082	7793	8628	8398	9382	11194	12537	14042	15727
Growth in EBIT (%)	23%	9%	32%	-4%	11%	-3%	12%	19%	12%	12%	12%
Less: Tax on EBIT	1665	1343	1706	1659	1969	1937	2182	2593	4263	4774	5347
NOPLAT	**3952**	**4801**	**6376**	**6134**	**6660**	**6461**	**7201**	**8601**	**8275**	**9268**	**10380**
Depreciation / Amortization	666	833	936	1085	1158	1335	1518	1701	1881	2061	2241
Gross cash flow	**4618**	**5633**	**7312**	**7220**	**7817**	**7796**	**8719**	**10302**	**10156**	**11329**	**12621**
Change in WC	-396	351	129	229	64	-97	67	142	200	200	200
Operating cash flow	**5014**	**5282**	**7183**	**6990**	**7753**	**7892**	**8652**	**10160**	**9956**	**11129**	**12421**
Capex	3,807	2,681	3,248	2,176	4,000	4,000	4,000	4,000	4,000	4,000	4,000
FCFF	**1207**	**2602**	**3935**	**4815**	**3753**	**3892**	**4652**	**6160**	**5956**	**7129**	**8421**
% change		115.5%	51.2%	22.4%	-22.0%	3.7%	19.5%	32.4%	-3.3%	19.7%	18.1%

Valuation based on DCF Earnings Method	
Sum of present value of free cash flow	26,081
Present value of terminal value	55,366
Enterprise Value	81,447
Net debt	(21,390)
Equity Value	102,837
Shares outstanding (mn)	130
Implied share price, Rs	791

Terminal Growth rate	WACC 11.7%	12.2%	12.7%	13.2%	13.7%
3.0%	811	775	744	715	689
3.5%	840	801	766	735	707
4.0%	873	830	791	757	726
4.5%	911	862	819	782	748
5.0%	954	899	851	809	772

- We have a two-stage DCF model with explicit estimates till FY12, thereafter, we have factored a revenue growth of 12% till FY15. (World Bank estimates that container traffic will grow in India by 15% p.a. till FY15).
- Our cash flows are marginally front ended. Exit EV/EBITDA multiple stood at 3.1x.
- We have considered a WACC of 12.7%, based on R_f of 7.2%, M_p of 5.5%, Beta of 1 with no debt.
- We have taken a terminal growth rate of 4% based on the long-term (1951-2006) average GDP growth (net of inflation), which we believe is fairly conservative. Typically, EXIM trade grows at a multiple of ~2.5x of GDP growth. Data suggest that the elasticity of EXIM trade to GDP stood at 3.5x, 2.2x & 3.3x for the VIIIth, IXth & Xth Five Year Plan period, respectively.

Source: MF Global India Research Estimates

Financials

Income Statement

Y/E Mar, Rs mn	FY07	FY08	FY09E	FY10E	FY11E
Net sales	**30,621**	**33,635**	**34,547**	**36,454**	**40,664**
Growth, %	*25.8*	*9.8*	*2.7*	*5.5*	*11.5*
Other operating income	108	115	115	115	115
Total income	30,729	33,750	34,662	36,569	40,779
Operating expenses	(21,711)	(24,872)	(24,875)	(26,836)	(29,878)
EBITDA	**9,018**	**8,878**	**9,786**	**9,733**	**10,900**
Growth, %	*29.3*	*(1.5)*	*10.2*	*(0.5)*	*12.0*
Margin, %	*29.4*	*26.4*	*28.3*	*26.7*	*26.8*
Depreciation	(936)	(1,085)	(1,158)	(1,335)	(1,518)
EBIT	**8,082**	**7,793**	**8,628**	**8,398**	**9,382**
Growth, %	*31.5*	*(3.6)*	*10.7*	*(2.7)*	*11.7*
Margin, %	*26.4*	*23.2*	*25.0*	*23.0*	*23.1*
Interest paid	-	(26)	(40)	(45)	(45)
Other income	739	1,536	1,849	2,135	2,384
Pre-tax profit	**8,821**	**9,304**	**10,437**	**10,489**	**11,721**
Tax provided	(1,862)	(1,980)	(2,381)	(2,419)	(2,726)
Profit after tax	**6,959**	**7,324**	**8,056**	**8,069**	**8,996**
Net Profit	**6,959**	**7,324**	**8,056**	**8,069**	**8,996**
MF Global Net profit	**6,932**	**7,268**	**8,056**	**8,069**	**8,996**
Growth, %	*33.3*	*4.8*	*10.8*	*0.2*	*11.5*
EOI: Gains/(Losses)	77	17	0	0	0
Unadj. shares (m)	130	130	130	130	130
Wtd avg shares (m)	130	130	130	130	130

Balance Sheet

Y/E Mar, Rs mn	FY07	FY08	FY09E	FY10E	FY11E
Cash & bank	10,776	15,226	18,349	21,893	26,378
Debtors	99	168	215	223	293
Inventory	47	164	200	240	280
Loans & advances	2,710	2,824	2,921	3,070	3,416
Other current assets	212	619	643	675	752
Total current assets	13,844	19,000	22,327	26,102	31,119
Investments	967	1,204	1,204	1,204	1,204
Gross fixed assets	20,254	23,269	27,269	31,269	35,269
Less: Depreciation	(4,738)	(5,813)	(6,971)	(8,305)	(9,823)
Add: Capital WIP	2,570	1,721	1,721	1,721	1,721
Net fixed assets	18,086	19,177	22,019	24,684	27,166
Non-current assets	19,053	20,380	23,222	25,888	28,370
Total assets	**32,897**	**39,380**	**45,550**	**51,989**	**59,489**
Current liabilities	1,533	1,737	1,781	1,933	2,083
Provisions	3,083	3,660	3,680	3,856	4,171
Total current liabilities	4,616	5,397	5,461	5,788	6,254
Non-current liabilities	1,986	2,328	2,354	2,374	2,389
Total liabilities	6,602	7,726	7,815	8,162	8,643
Paid-up capital	650	650	1,300	1,300	1,300
Reserves & surplus	25,647	31,006	36,435	42,527	49,546
Shareholders' equity	26,295	31,655	37,735	43,827	50,846
Total equity & liabilities	**32,897**	**39,380**	**45,550**	**51,989**	**59,489**

Source: Company, MF Global India Research Estimates

Financials

Cash Flow

Y/E Mar, Rs mn	FY07	FY08	FY09E	FY10E	FY11E
Pre-tax profit	8,821	9,304	10,437	10,489	11,721
Depreciation	936	1,085	1,158	1,335	1,518
Chg in working capital	-109	-209	-38	117	-52
Total tax paid	-1,687	-1,856	-2,381	-2,419	-2,726
CF from operating activities	**7,961**	**8,324**	**9,176**	**9,520**	**10,462**
Capital expenditure	-3,248	-2,176	-4,000	-4,000	-4,000
Chg in investments	-23	-237	0	0	0
Chg in associates	350	0	0	0	0
CF from investing activities	**-2,921**	**-2,412**	**-4,000**	**-4,000**	**-4,000**
Free cash flow	5,040	5,911	5,176	5,520	6,462
Equity raised/(repaid)	-2	1	1	0	0
Debt raised/(repaid)	305	198	0	0	0
Dividend (incl. tax)	-1,408	-1,673	-2,053	-1,977	-1,977
Other financing activities	77	13	0	0	0
CF from financing activities	**-1,028**	**-1,461**	**-2,052**	**-1,977**	**-1,977**
Net chg in cash	4,012	4,450	3,124	3,544	4,485

Per-share data

Y/E Mar, Rs mn	FY07	FY08	FY09E	FY10E	FY11E
MF Global EPS (INR)	53.3	55.9	62.0	62.1	69.2
Growth, %	*33.3*	*4.8*	*10.8*	*0.2*	*11.5*
Book NAV/share (INR)	202.3	243.5	290.3	337.2	391.2
FDEPS (INR)	53.3	55.9	62.0	62.1	69.2
Growth, %	*33.3*	*4.8*	*10.8*	*0.2*	*11.5*
CEPS (INR)	60.3	63.8	70.9	72.3	80.9
CFPS (INR)	55.8	52.6	56.4	56.8	62.1
DPS (INR)	11.0	13.0	13.0	13.0	13.0

Ratios

Y/E Mar	FY07	FY08	FY09E	FY10E	FY11E
Return on assets (%)	23.6	20.3	19.0	16.6	16.2
Return on equity (%)	29.4	25.1	23.2	19.8	19.0
Return on Invested capital (%)	39.5	34.0	33.1	28.2	28.3
RoIC/Cost of capital (x)	3.1	2.7	2.6	2.2	2.2
RoIC - Cost of capital (%)	26.8	21.4	20.4	15.6	15.6
Return on capital employed (%)	27.5	23.6	21.8	18.8	18.2
Cost of capital (%)	12.7	12.6	12.7	12.7	12.7
RoCE - Cost of capital (%)	14.8	10.9	9.2	6.1	5.5
Total debt/Equity	0.01	0.02	0.01	0.01	0.01
Net debt/Equity	-0.40	-0.47	-0.47	-0.49	-0.51
Asset turnover (x)	1.9	1.9	1.7	1.6	1.6
Sales/Total assets (x)	1.0	0.9	0.8	0.7	0.7
Sales/Net FA (x)	1.8	1.8	1.7	1.6	1.6
Working capital/Sales (x)	-0.1	0.0	0.0	0.0	0.0
Fixed capital/Sales (x)	0.5	0.5	0.6	0.6	0.6
Receivable days	1.2	1.8	2.3	2.2	2.6
Inventory days	0.6	1.8	2.1	2.4	2.5
Payable days	25.8	25.5	26.1	26.3	25.4
Current ratio (x)	3.0	3.5	4.1	4.5	5.0
Quick ratio (x)	3.0	3.5	4.1	4.5	4.9
Interest cover (x)	na	305.6	215.7	186.6	208.5
Dividend cover (x)	4.8	4.3	4.8	4.8	5.3
PER (x)	12.7	12.1	10.9	10.9	9.8
PEG (x) - y-o-y growth	0.4	2.5	1.0	66.0	0.9
Price/Book (x)	3.3	2.8	2.3	2.0	1.7
Dividend Yield (%)	1.6	1.9	1.9	1.9	1.9
EV/Net sales (x)	2.5	2.2	2.0	1.8	1.5
EV/EBITDA (x)	8.6	8.3	7.2	6.8	5.7
EV/EBIT (x)	9.6	9.4	8.1	7.9	6.6
EV/NOPLAT (x)	12.2	11.9	10.5	10.3	8.6
EV/CE	2.7	2.2	1.7	1.4	1.2
EV/IC (x)	4.8	4.1	3.5	2.9	2.4

Source: Company, MF Global India Research Estimates

Gateway Distriparks (GDPL IN / GATE.BO)

Underperformer

Biding its time

CMP Rs 59
Target Rs 66 (+12%)

INITIATING COVERAGE

February 13, 2009

This note should be read for:
- *Views on the company and its prospects.*
- *Financials, valuation and price target.*

Investment Rationale

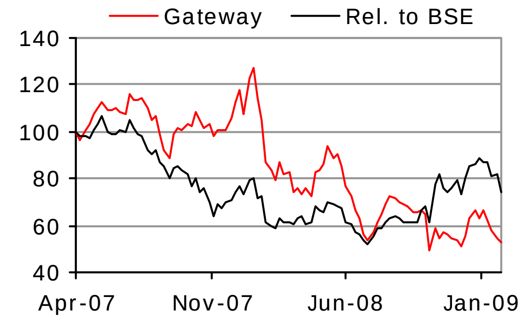
- Gateway Distriparks (GDL) is the largest private CFS/ICD operator in India with a handling capacity of 4,56,000 TEUs (which can accommodate 7% of the present total EXIM traffic). GDL has evolved as an integrated logistics player, post entry into container rail haulage services, cold chain business and road transport for last mile connectivity.
- Established CFS facilities at India's major container handling ports, which account for ~72% of the total EXIM traffic. Having headroom to grow in terms of utilisation at JNPT and Chennai CFS, GDL is positioned as a beneficiary of port expansion plans.
- The rail business will not break even over our forecast period in view of the highly capital-intensive nature of the business. The current mix skewed towards domestic rail haulage will keep a check on margins for the foreseeable future. We believe that this business will be earnings accretive post FY11.
- The cold chain business is still nascent and significant contribution to earnings will take some time.
- GDL's top-line CAGR of 17.3% over FY09-11E is predominantly based on expansion of its rail fleet to 21 by FY11E. We project EPS CAGR of 5.7% through FY09-11E, led by contribution from high-margin CFS business (~45% of sales; ~75% EBITDA in FY11E).
- Going forward, even though return ratios will expand due to better asset turnover, the RoIC-WACC spread stands negative.

Risks

- Better-than-expected utilisation of rolling assets and terminals, and quick turnaround in EXIM trade poses upside risk.

Valuation

- GDL currently trades at 5.3x EV/EBITDA on FY10E and 8.2x on FY10E earnings.
- Initiate coverage on GDL with an 'Underperformer' rating and FY10E price target of Rs 66/share based on DCF, which implies 5.8 EV/EBITDA and 9.3 PER on FY10E.



Company data	
O/S shares :	108mn
Market cap (Rs) :	6.3bn
Market cap (USD) :	130mn
52 - wk Hi/Lo (Rs) :	133 / 58
Avg. daily vol. (3mth) :	193,676
Face Value (Rs) :	10

Share holding pattern, %	
Promoters :	43.5
FII / NRI :	24.0
FI / MF :	11.2
Non Pro. Corp. Holdings :	5.5
Public & Others :	15.9

Y/E Mar, Rs mn	FY08	FY09E	FY10E
Net Sales	2714	4543	5178
PAT	736	876	771
EBIDTA mrg, %	38.4	35.2	31.4
PAT mrg, %	27.1	19.3	14.9
ROE, %	10.7	12.5	10.8
EPS, Rs	6.4	7.7	7.2
PER, x	9.3	7.3	8.2

Investment Overview

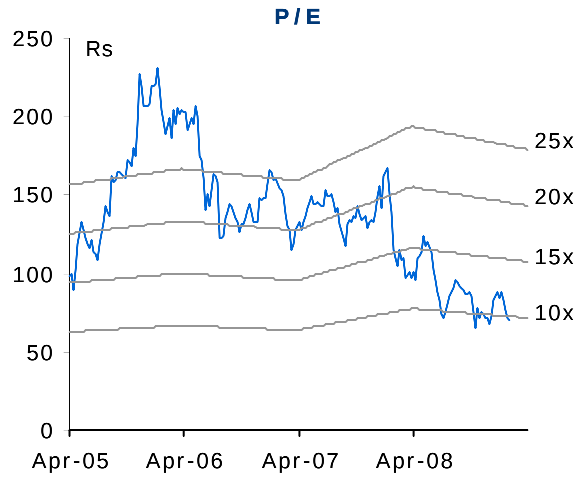
Sustainable competitive advantage	Presence across the rail-road logistics value chain, existing CFS facilities to supplement container rail haulage business, and under-leveraged balance sheet.
Financial structure	Low gearing ratio (estimated at 30% FY11) with sustainable, steady internal accruals provides ample room for funding the expansion programme.
Shareholder value creation	Better capacity utilisation of rolling stock and terminals provides scope for per share value enhancement. It pays promising dividends as well.
Earnings visibility	CAGR of 17.3% in top-line growth percolates down to an EPS CAGR of 5.7% during FY09-11E in view of the fact that the rail business will not break even over our forecast period.
Valuation	At the CMP of Rs 59, the stock trades at 8.2x PER, 5.3x EV/EBITDA and 0.9x P/B on FY10E.
MF Global vs. consensus	We are on the lower side of the consensus, both in terms of our revenue and earnings estimates.
Future event triggers	Faster-than-expected recovery in EXIM trade.
Expected price momentum	We look forward to an upside of 12% by FY10. However, the absence of triggers and slowdown in Indian EXIM trade in the near term will keep a check on stock price performance.

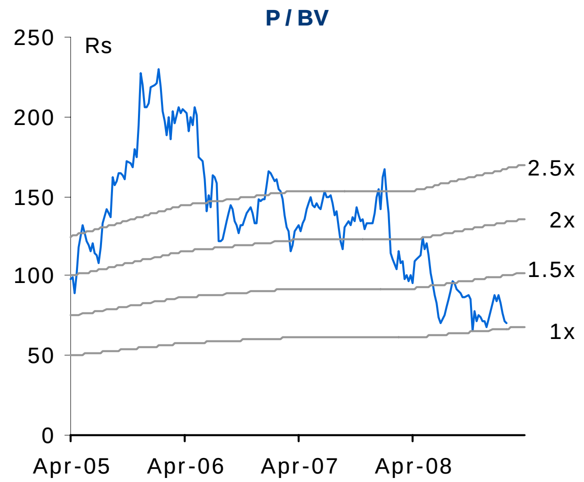
Valuation Summary

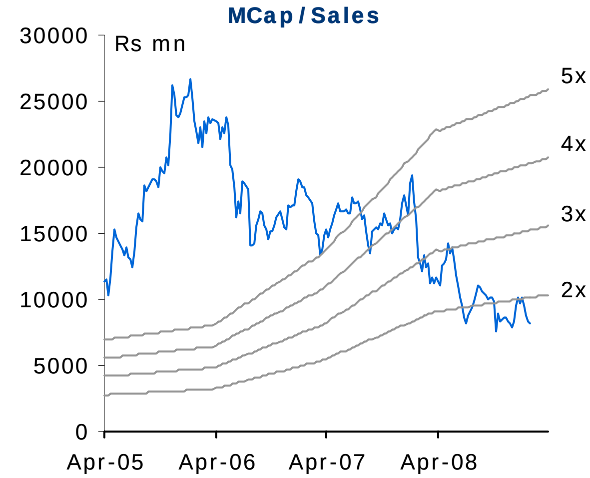
Y/E Mar, Rs mn	FY2007	FY2008	FY2009E	FY2010E	FY2011E
Net Sales	1610	2714	4543	5178	6248
Growth, %	16.2	68.6	67.4	14.0	20.7
Core EBIDTA	823	1041	1597	1626	1879
EBIDTA margins, %	51.2	38.4	35.2	31.4	30.1
Net profit	770	736	876	771	931
Net profit margin, %	47.9	27.1	19.3	14.9	14.9
EPS, Rs	6.7	6.4	7.7	7.2	8.6
EPS Growth, %	6.6	-4.5	21.6	-7.5	20.7
PER, x	8.8	9.2	7.2	8.2	6.8
EV/EBIDTA, x	5.8	6.0	5.1	5.3	4.6
EV/Net Sales, x	3.0	2.3	1.8	1.6	1.4
Price/Book Value, x	1.0	1.0	1.0	0.9	0.8
ROIC, %	15.4	10.8	12.6	10.3	11.4
ROE, %	12.4	10.7	12.5	10.8	12.2
Dividend Yield, %	4.8	6.0	5.1	5.1	5.1

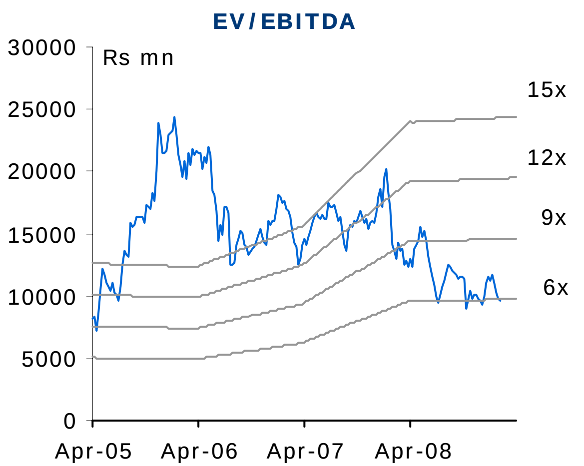
Source: Company, MF Global India Research Estimates

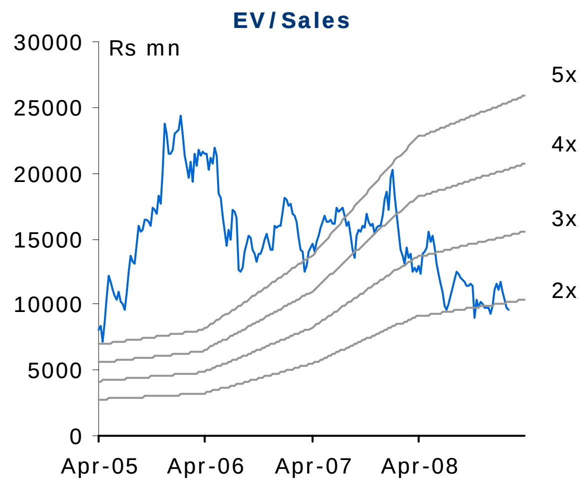
Absolute 1-year forward rolling valuation band charts











- The stock has traded at an average PER of 20.2x and an EV/EBITDA of 14.4x since listing.
- We believe that concerns over GDL's business due to the slowdown in EXIM trade have been reflected on the stock in the recent months.
- We expect the stock to enjoy investor interest on positive news flow on the EXIM front.

Source: MF Global India Research

Business Snapshot

CFS business

71% of FY08 revenues &
111% of FY08 EBIT

- Customs bonded in-transit facility, equipped with container yard space, handling equipment and IT infrastructure; CFS is an off-dock facility located near the ports whereas ICD is generally located in the hinterland.
- Offers services for handling, temporary storage, stuffing and destuffing, customs clearance of EXIM container cargo.
- Revenue streams include ground rent and handling charges.
- Presently operating through 5 facilities—JNPT, Punjab Conware, Chennai, Vizag and Kochi (JV with 'PACE', three-year arrangement, 7:3 profit sharing ratio).

Rail haulage (includes ICDs)

19% of FY08 revenues &
-8% of FY08 EBIT

- In its effort to have a presence in each strategic sphere of the logistics space, GDL entered into the container rail haulage business through its subsidiary (Gateway Rail Freight Ltd. (GRFL); GDL's share is 87%) post opening up for private players.
- Revenue streams include container storage and handling from ICDs, rail transport for transporting of containers and road transport for providing end-to-end logistics solutions.
- Infrastructure: Functional terminals at Garhi (Delhi/NCR), Kalomboli (Mumbai) and Ludhiana; 13 rakes operational (3 rakes EXIM and 10 on domestic routes.
- Going forward, GDL intends to deploy 12 more rakes over FY10-11E and operationalise new terminals at Asaoti (Faridabad) by Sept'09.

Cold Chain business

10% of FY08 revenues &
-3% of FY08 EBIT

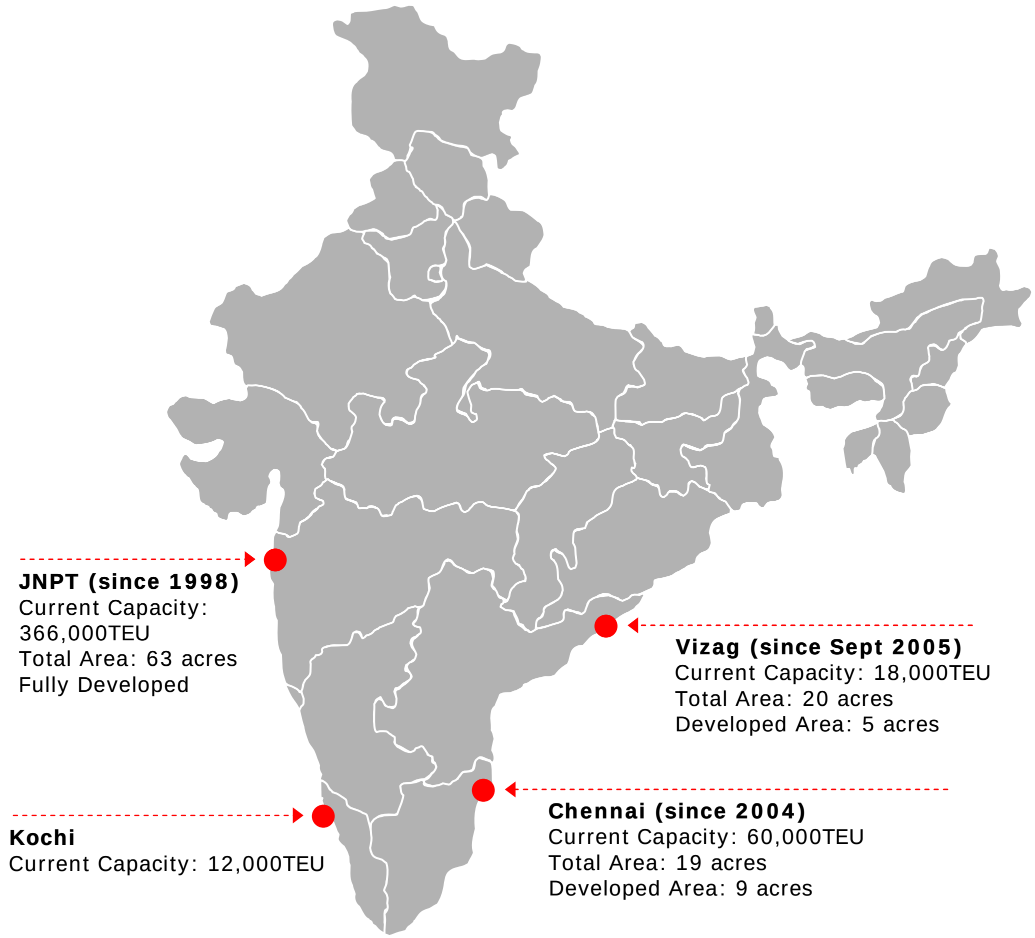
- Acquired 50.1% shareholding in Snowman Frozen Foods Ltd. for Rs 480mn to enter into the cold chain logistics market in Nov '06. Mitsubishi Corporation, Mitsubishi Logistics Corporation and Nichirei Logistics group of Japan are the other shareholders in this JV company.
- Engaged in the business of transporting and warehousing of frozen foods (present capacity ~10,500 pallets) with a fleet of ~90 reefer trucks and 15 cold storage facilities spread across 11 locations.
- Intends to double the capacity to 20,000 pallets by FY10E by refurbishing operations at the existing locations and expanding to newer locations. Recently commissioned facilities include Nagpur (300 pallets) and Ahmedabad (1200 pallets).

CFS Business–
A snapshot

- **Established CFS facilities at India's major container handling ports**
  - Presence in JNPT, Chennai, Vizag and Kochi, which accounts for ~72.3% of the total EXIM traffic.
  - Strategically located closer to the port gateways.
  - Conversion of 4 berths into container berths at JNPT and expected commencement of Chennai container terminal-2 by Dec '10 will keep container traffic buoyant at these two locations.

- **Largest private sector player in the CFS business**
  - Total handling capacity of 4,56,000 TEUs p.a.
  - Capacity addition of 1,50,000 TEUs in Q1FY08 with the takeover of Punjab Conware CFS under a 15- year O&M agreement (upfront fees of Rs 350mn and annual lease of Rs 100mn) at JNPT augurs well for the company, keeping in view the fact that post expansion, the utilisation level stood at ~75% (JNPT and Punjab Conware combined) as against ~90% pre-augmentation.

CFS / ICD Locations



CFS–
Subdued volume growth in the near term

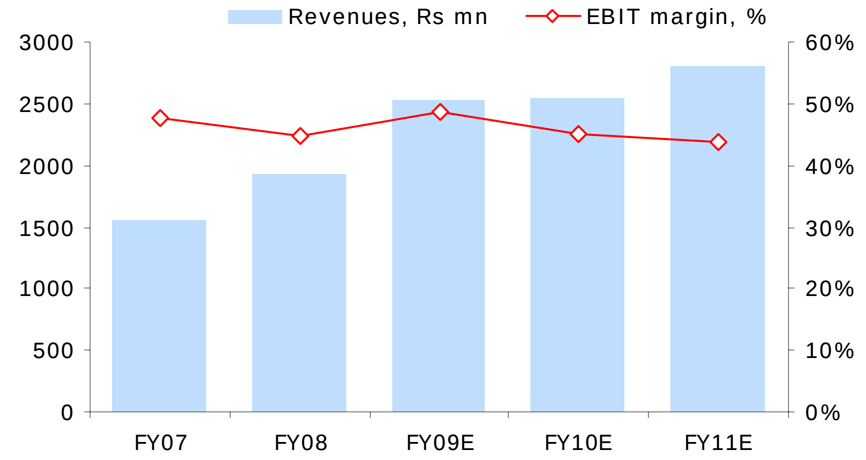
- **CFS volumes to exhibit de-growth during FY08-10E**
  - Slowdown in EXIM container volumes in the near term.
  - CFSs to deliver a volume CAGR of -2% during FY08-10E.
- **Post FY10, volume to pick up**
  - Recovery in exports anticipated.
  - Handling capacity at Chennai port to increase; GDL to augment container stacking from G+3 to G+4 to tap incremental volumes.
  - Better capacity utilisation at JNPT (~67% in FY10E).
  - Commencement of Kochi CFS.
- **Realisation and margin to remain passive**
  - 18 CFS operating at JNPT and 19 CFS at Chennai to intensify competition.

We forecast revenue CAGR of 5.4% during FY09-11E with almost flat growth in average realisation.

CFS volumes forecast, TEUs

Facility	FY07	FY08	FY09E	FY10E	FY11E
JNPT	171,279	251,728	254,126	246,822	271,504
Chennai	41,473	62,553	56,163	55,283	63,575
Vizag	10,661	15,631	18,000	18,000	18,000
Cochin	na	922	1,700	1,700	3,500
Total	**223,413**	**330,834**	**329,989**	**321,804**	**356,579**

Revenues and EBIT margin trend-CFS business



Source: MF Global India Research Estimates

Container rail business–
Moving up the value chain

- **First private sector company to commence container rail transportation business**
  - Operates through a subsidiary, Gateway Rail Freight Ltd. (GRFL).
  - Commissioned 13 rakes till date, 6 rakes deployed together on Garhi-JNPT (EXIM) & Garhi-Kalamboli (Domestic) route, 3 rakes in Eastern India catering to coastal Orissa & northern Orissa, 2 rakes in northern India catering to Haryana and Punjab, and 2 rakes in Rajasthan.
  - Functional terminals at Garhi (Delhi/NCR) and Kalamboli (Mumbai). Also, a rail-linked logistics park at Ludhiana commenced operations in Q3FY09.
  - Operates a fleet of ~300 trailers which provide last mile connectivity.

- **High capital commitment needed**
  - Till date, the company has employed capital of Rs 5.7bn (Rs 500mn on the railway license to operate on all routes, Rs 150mn on the acquisition of rakes, Rs 60mn on ~300 trucks/trailers, Rs 100mn on Ludhiana & Asaoti ICD, Rs 100mn on Garhi ICD (actually owned by GDL, given on temporary arrangement to GRFL) and the remaining in other miscellaneous equipment.

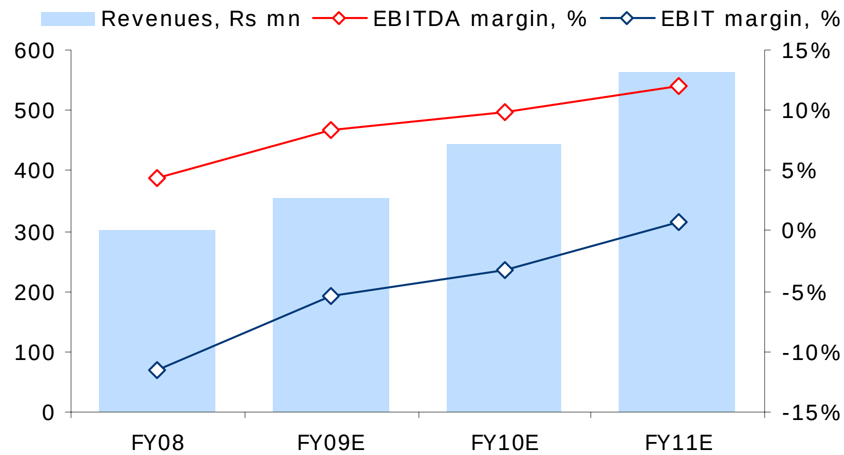
- **Capex plans**
  - Investment in rolling stock, 8 more rakes expected by FY11 (cost per rake: Rs 120mn).
  - Every new route will call for investment in trucks/trailers.
  - New terminal at Asaoti (Faridabad) expected to be completed by Dec '10.

MF Global

Container rail business–
Contribution to bottom line will take time

- **Vehicle for top-line growth**
  - Revenue is a function of the addition of rakes. GDL intends to induct one rake in Q4FY08 and six rakes each in FY10 and FY11.
  - ICDs at Ludhiana and Faridabad (planned capacity of 1,20,000 TEUs each p.a.) to boost revenues when they are in full-scale operation, post FY11E.
  - Rakes deployment in new routes will call for further investment in trailers (in order to provide end-to-end logistics solutions), which, in turn, will contribute to the top line.

Revenues and margin trend



We forecast revenue CAGR of 31.5% over FY09-11E, primarily due to the addition of 7 rakes and commissioning of ICDs at Ludhiana & Asaoti.

- **Contribution to bottom line: Will take time**
  - Domestic operations plagued by low utilisation levels and hence, inferior EBITDA margins.
  - High overheads cost in view of low utilisation levels of ICDs in the initial years.
  - Higher depreciation/amortisation charges.

We do not expect the rail business to break even before FY11 at the PAT level, in view of the highly capital intensive nature of the business and the current mix skewed towards domestic rail haulage.

Source: MF Global India Research

Cold Chain Logistics–
An emerging opportunity

- **Acquired Snowman Frozen Foods Ltd. as a foray into the nascent cold chain logistics business.**
  - Rs 480mn invested for 50.1% shareholding.
  - Services include transportation and warehousing of frozen foods (present capacity ~10500 pallets).
  - Operates through a fleet of ~90 reefer trucks and 15 cold storage facilities spread across 11 locations.
  - Intends to double the capacity to 20,000 pallets by FY10E by refurbishing operations at existing locations and expanding to newer locations.
  - Recently commissioned facilities include Nagpur (300 pallets) and Ahmedabad (1200 pallets).

- **Cold chain outlook in India as per FICCI**
  - Market size is estimated at Rs 10bn.
  - Industry is expected to grow 20-25% p.a.
  - Existing infrastructure handles only 10% of the produce, resulting in 25% foods spoilage
  - Drivers include present inefficiencies, increase in consumption of perishable products, shifting customer preferences and entry of large retail chains.

Cold chain facilities: pan-India presence

Source: Company

DCF Valuation

Particulars, Rs mn	FY06	FY07	FY08	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Free Cash Flow										
EBIT	737	685	749	1,154	1,110	1,292	1,669	1,886	2,115	2,281
Growth in EBIT (%)	61%	-7%	9%	54%	-4%	16%	29%	13%	12%	8%
Less: Tax on EBIT	84	104	119	187	191	197	251	641	719	776
NOPLAT	**653**	**580**	**630**	**967**	**920**	**1,095**	**1,418**	**1,245**	**1,396**	**1,505**
Depreciation / Amortization	106	139	292	443	516	586	630	707	773	840
Gross cash flow	**759**	**719**	**922**	**1,411**	**1,436**	**1,682**	**2,048**	**1,952**	**2,170**	**2,345**
Change in WC	525	(419)	33	-42	35	37	57	150	150	150
Operating cash flow	**234**	**1,138**	**889**	**1,452**	**1,400**	**1,645**	**1,991**	**1,802**	**2,020**	**2,195**
Capex	396	2,698	2,228	2,250	1,200	1,200	1,200	1,200	1,200	1,200
FCFF	**(162)**	**(1,560)**	**(1,339)**	**(798)**	**200**	**445**	**791**	**602**	**820**	**995**
% change		*na*	*na*	*na*	*na*	*122.2%*	*77.9%*	*-23.9%*	*36.2%*	*21.4%*

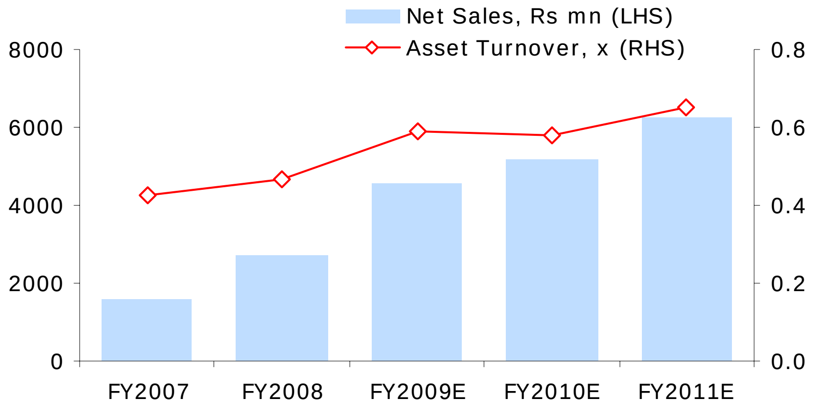
Valuation based on DCF Earnings Method	
Sum of present value of free cash flow	2,690
Present value of terminal value	6,501
Enterprise Value	9,191
Less: Minorities' share	460
Less: Net debt	1,582
Equity Value	7,149
Shares outstanding (mn)	108
Implied share price, Rs	66

Terminal Growth rate	WACC 11.7%	12.2%	12.7%	13.2%	13.7%
3.0%	69	64	60	56	53
3.5%	73	68	63	59	55
4.0%	77	72	66	62	58
4.5%	82	76	70	65	61
5.0%	88	81	74	69	64

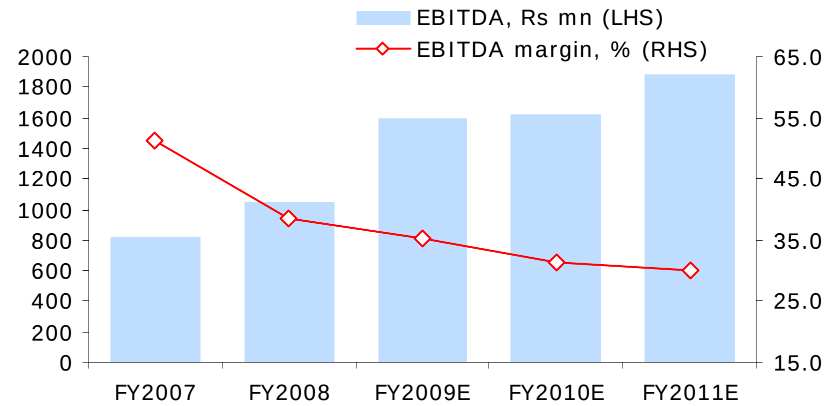
- We have a two-stage DCF model with explicit estimates till FY12, followed by a semi-explicit period till FY15.
- For our semi-explicit period (FY12-15), we have assumed better utilisation levels at ICDs and the addition of two rakes every year, rendering a revenue CAGR of ~13.5% as against ~35% CAGR during FY05-12E.
- We have considered a WACC of 12.7% based on R_f of 7.2%, M_P of 5.5%, Beta of 1.3 and a gearing ratio of 0.25
- Our cash flows are back-ended. Exit EV/EBITDA multiple stood at 2.1x.
- We have taken a terminal growth rate of 4% based on the long-term (1951-2006) average GDP growth (net of inflation), which we believe is fairly conservative.

Source: MF Global India Research Estimates

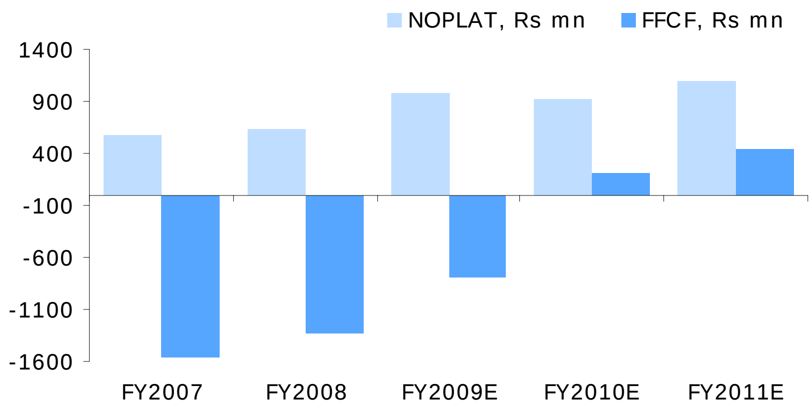
Financial Performance



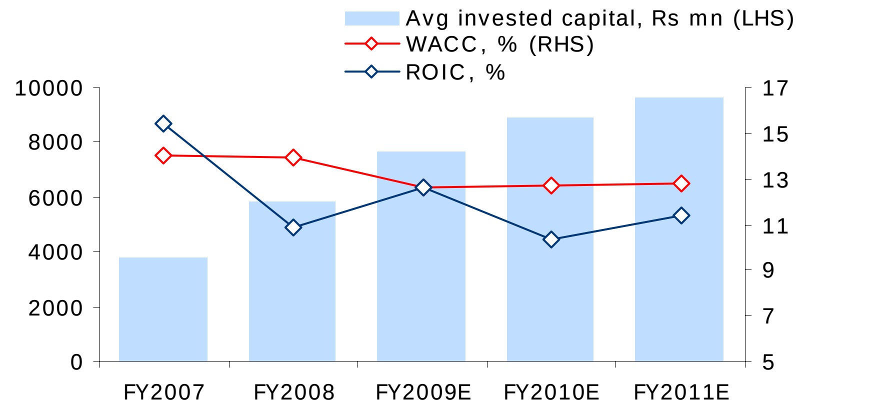
- Asset turnover ratio to improve, going forward, in view of improved capacity utilisation of assets.



- EBITDA margin to decline as contribution from container rail haulage business contributes more to the top line.



- FCFF to turn positive as a major chunk of capex is completed. Going forward, steady internal accruals will take care of capex.



- Return ratios to improve due to better capacity utilisation of rolling stock and terminals.

Source: Company, MF Global India Research Estimates

Financials

Income Statement

Y/E Mar, Rs mn	FY07	FY08	FY09E	FY10E	FY11E
Net sales	**1610**	**2714**	**4543**	**5178**	**6248**
Growth, %	*16.2*	*68.6*	*67.4*	*14.0*	*20.7*
Other operating income	11	17	0	0	0
Total income	1621	2731	4543	5178	6248
Operating expenses	-797	-1689	-2945	-3552	-4369
EBITDA	**823**	**1041**	**1597**	**1626**	**1879**
Growth, %	*na*	*26.5*	*53.4*	*1.8*	*15.5*
Margin, %	*51.2*	*38.4*	*35.2*	*31.4*	*30.1*
Depreciation	-139	-292	-443	-516	-586
EBIT	**685**	**749**	**1154**	**1110**	**1292**
Growth, %	*na*	*9.4*	*54.0*	*-3.8*	*16.4*
Margin, %	*42.5*	*27.6*	*25.4*	*21.4*	*20.7*
Interest paid, net	160	90	-139	-201	-197
Other income	64	17	0	0	0
Pre-tax profit	**910**	**856**	**1015**	**910**	**1095**
Tax provided	-139	-136	-164	-156	-167
Profit after tax	**771**	**720**	**851**	**754**	**928**
Net Profit	**778**	**736**	**876**	**771**	**931**
MF Global Net profit	**770**	**736**	**876**	**771**	**931**
Growth, %	*na*	*-4.5*	*19.0*	*-11.9*	*20.7*
Unadj. shares (m)	92	116	108	108	108
Wtd avg shares (m)	116	116	113	108	108

Balance Sheet

Y/E Mar, Rs mn	FY07	FY08	FY09E	FY10E	FY11E
Cash & bank	2,068	957	849	518	425
Debtors	182	317	384	469	591
Inventory	0	0	0	0	0
Loans & advances	80	162	270	308	371
Other current assets	29	35	59	68	81
Total current assets	2,360	1,472	1,562	1,362	1,469
Investments	0	0	0	0	0
Gross fixed assets	4,373	7,186	9,436	10,636	11,836
Less: Depreciation	-714	-1,001	-1,444	-1,960	-2,546
Add: Capital WIP	1,055	466	466	466	466
Net fixed assets	4,715	6,651	8,458	9,142	9,756
Non-current assets	4,763	6,651	8,458	9,142	9,756
Total assets	**7,122**	**8,123**	**10,020**	**10,504**	**11,225**
Current liabilities	179	305	513	590	730
Provisions	41	329	289	297	320
Total current liabilities	220	634	802	887	1,050
Non-current liabilities	231	396	2,287	2,292	2,297
Total liabilities	452	1,030	3,089	3,179	3,347
Paid-up capital	924	1,156	1,077	1,077	1,077
Reserves & surplus	5,264	5,311	5,228	5,621	6,174
Shareholders' equity	6,188	6,458	6,296	6,689	7,242
Minorities	483	636	636	636	636
Total equity & liabilities	**7,122**	**8,123**	**10,020**	**10,504**	**11,225**

Source: Company, MF Global India Research Estimates

Financials

Cash Flow

Y/E Mar, Rs mn	FY07	FY08	FY09E	FY10E	FY11E
Pre-tax profit	910	856	1015	910	1095
Depreciation	139	292	443	516	586
Chg in working capital	420	-28	48	-30	-32
Total tax paid	-111	-118	-164	-156	-167
CF from operating activities	**1357**	**1003**	**1342**	**1239**	**1483**
Capital expenditure	-2698	-2228	-2250	-1200	-1200
Chg in investments	144	0	0	0	0
CF from investing activities	**-2553**	**-2228**	**-2250**	**-1200**	**-1200**
Free cash flow	-1196	-1225	-908	39	283
Equity raised/(repaid)	20	10	-640	0	0
Chg in minorities	482	168	25	18	3
Debt raised/(repaid)	-244	141	1885	0	0
Dividend (incl. tax)	-527	-203	-469	-388	-378
Other financing activities	6	-2	0	0	0
CF from financing activities	**-262**	**114**	**800**	**-370**	**-375**
Net chg in cash	-1458	-1111	-108	-331	-93

Per-share data

Y/E Mar, Rs mn	FY07	FY08	FY09E	FY10E	FY11E
MF Global EPS (INR)	6.7	6.4	7.7	7.2	8.6
Growth, %	*6.6*	*-4.5*	*21.6*	*-7.5*	*20.7*
Book NAV/share (INR)	57.7	61.4	61.3	68.0	73.1
FDEPS (INR)	6.7	6.4	8.1	7.2	8.6
Growth, %	*6.6*	*-4.5*	*27.8*	*-11.9*	*20.7*
CEPS (INR)	7.8	8.9	11.7	11.9	14.1
CFPS (INR)	11.3	8.5	11.9	11.5	13.8
DPS (INR)	2.8	3.5	3.0	3.0	3.0

Ratios

Y/E Mar	FY07	FY08	FY09E	FY10E	FY11E
Return on assets (%)	11.5	9.6	10.7	8.9	10.0
Return on equity (%)	12.4	10.7	12.5	10.8	12.2
Return on Invested capital (%)	15.4	10.8	12.6	10.3	11.4
RoIC/Cost of capital (x)	1.1	0.8	1.0	0.8	0.9
RoIC - Cost of capital (%)	1.4	(3.1)	(0.1)	(2.4)	(1.4)
Return on capital employed (%)	11.9	10.2	11.6	9.7	11.0
Cost of capital (%)	14.0	13.9	12.6	12.7	12.8
RoCE - Cost of capital (%)	(2.1)	(3.7)	(1.0)	(3.0)	(1.8)
Total debt/Equity	0.0	0.0	0.3	0.3	0.3
Net debt/Equity	-0.3	-0.1	0.2	0.2	0.2
Asset turnover (x)	0.4	0.5	0.6	0.6	0.6
Sales/Total assets (x)	0.2	0.4	0.5	0.5	0.6
Sales/Net FA (x)	0.5	0.5	0.6	0.6	0.7
Working capital/Sales (x)	0.0	0.0	0.0	0.0	0.0
Fixed capital/Sales (x)	2.3	2.3	1.8	1.7	1.5
Receivable days	41.3	42.7	30.9	33.1	34.5
Inventory days	0.0	0.0	0.0	0.0	0.0
Payable days	82.0	65.8	63.6	60.6	61.0
Current ratio (x)	10.7	2.3	1.9	1.5	1.4
Quick ratio (x)	10.7	2.3	1.9	1.5	1.4
Interest cover (x)	na	na	8.3	5.5	6.6
Dividend cover (x)	2.4	1.8	2.6	2.4	2.9
PER (x)	8.8	9.2	7.2	8.2	6.8
PEG (x) - y-o-y growth	1.3	-2.0	0.4	-1.1	0.3
Price/Book (x)	1.0	1.0	1.0	0.9	0.8
Dividend Yield (%)	4.8	6.0	5.1	5.1	5.1
EV/Net sales (x)	3.0	2.3	1.8	1.6	1.4
EV/EBITDA (x)	5.8	6.0	5.1	5.3	4.6
EV/EBIT (x)	7.0	8.3	7.1	7.7	6.7
EV/NOPLAT (x)	8.3	9.9	8.5	9.3	7.9
EV/CE	0.7	0.8	0.9	0.9	0.8
EV/IC (x)	1.3	1.1	1.1	1.0	0.9

Source: Company, MF Global India Research Estimates

Allcargo Global (AGLL IN / ALGL.BO)

Sell

All that glitters is not gold

CMP Rs 685
Target Rs 604 (-12%)

INITIATING COVERAGE

February 13, 2009

This note should be read for:
- *Views on the company and its prospects.*
- *Financials, valuation and price target.*

Investment Rationale

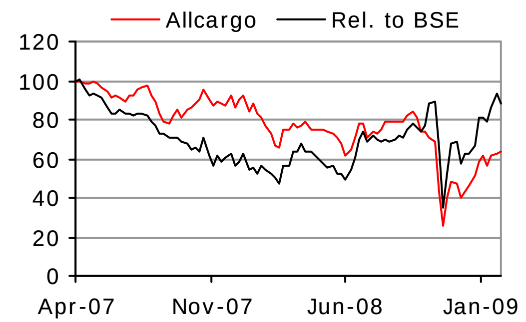
- Allcargo (AGL), a leading MTO player, has transformed itself from a domestic player (pan-India network presence across 26 locations) into an integrated global player with the acquisition of the second-largest NVOCC player (pioneer in LCL consolidation) in the world with 120 offices in 60 countries and an agent network across 120 countries.
- Established CFS facilities at India's major container handling ports, which account for ~77.4% of the total EXIM traffic.
- Diversification in the air freight business and equipment business is a strategic fit and will complement the existing CFS/MTO operations.
- The MTO business, characterised by low entry barriers (~84% of revenues and ~50% of EBIT in CY10) has kept overall margins low for the company with industry slated to grow at ~7-8%.
- Bottom-line growth is predominantly based on volume growth at its CFS/ICD (~8% of revenues and ~39% of EBIT in CY10E) locations, other than JNPT. We project an earnings CAGR of ~9% through CY08-10E, led by contribution from the CFS business. Return ratios stand to deteriorate in the near term due to low utilisation levels of new ICDs.
- We hold a cautious outlook on the company's performance due to: (1) Slowdown in global trade (~35% of EBIT comes from global MTO operations), (2) Meaningful bottom line from proposed new ICDs unlikely in the near term, and (3) Significant contribution to earnings from air cargo and the equipment business division will still take some time.

Risks

- Faster-than-expected recovery in global trade and warrant conversion poses upside risk.

Valuation

- AGL currently trades at 7.4x EV/EBITDA on FY10E and 13x on CY09E earnings.
- Initiate coverage on AGL with a 'Sell' rating and CY09E price target of Rs 604/share based on DCF, which implies 11.5x EV/EBITDA and 6.6x PER on CY09E.



Company data	
O/S shares :	25mn
Market cap (Rs) :	17.1bn
Market cap (USD) :	0.35bn
52 - wk Hi/Lo (Rs) :	950 / 272
Avg. daily vol. (3mth) :	25,000
Face Value (Rs) :	10

Share holding pattern, %	
Promoters :	81.5
FII / NRI :	11.5
FI / MF :	0.0
Non Pro. Corp. Holdings :	2.4
Public & Others :	4.6

Y/E Dec, Rs mn	CY07	CY08E	CY09E
Net Sales	16135	22488	24087
PAT	760	1262	1312
EBIDTA mrg, %	8.8	10.3	10.4
PAT mrg, %	4.7	5.6	5.4
ROE, %	17.3	23.6	18.7
EPS, Rs	34.0	51.1	52.5
PER, x	21.5	13.6	13.0

MF Global

Investment Overview

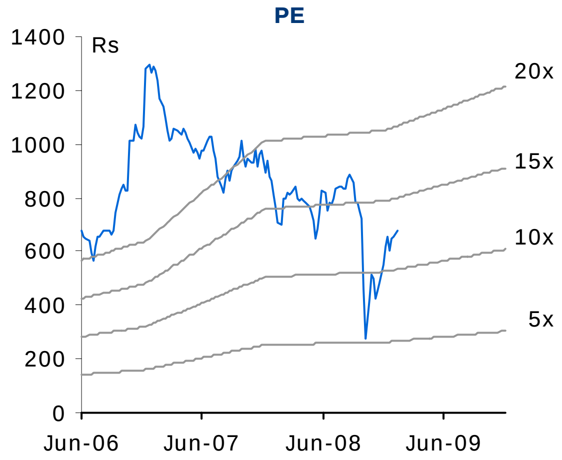
Sustainable competitive advantage	Second largest NVOCC player in the world, strong customer relationships (the shipping lines eye freight from Allcargo and this facilitates the locking of import volumes for the CFS business).
Financial structure	Low gearing ratio of 0.3 in CY07.
Earnings visibility	Moderate CAGR of 7.3% in the top line translates into a net profit CAGR of 9.7% during CY08-10E.
Valuation	At the CMP of Rs 685, the stock trades at 13x PER, 7.4 EV/EBITDA, and 2.1 P/B on CY09E.
MF Global vs. consensus	We are on the lower side of the consensus, both in terms of our revenue and earnings estimates.
Future event triggers	Faster-than-expected recovery in EXIM trade.
Expected price momentum	We look forward to a downside of 12% by FY10.

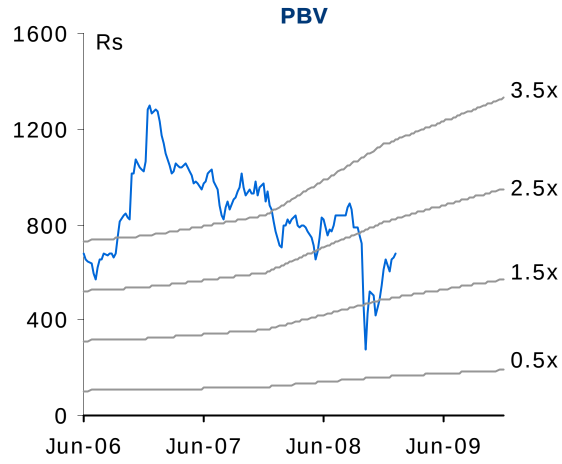
Valuation Summary

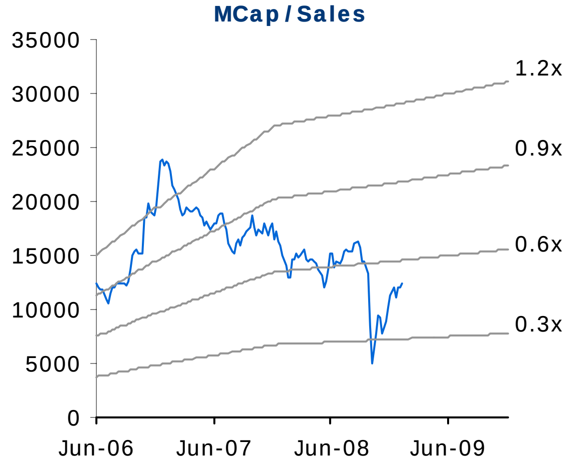
Y/E Dec, Rs mn	CY2006	CY2007	CY2008E	CY2009E	CY2010E
Net Sales	8952	16135	22488	24087	25913
Growth, %	230.1	80.2	39.4	7.1	7.6
Core EBIDTA	799	1424	2318	2498	2711
EBIDTA margins, %	8.9	8.8	10.3	10.4	10.5
Net profit	525	760	1262	1312	1518
Net profit margin, %	5.9	4.7	5.6	5.4	5.9
EPS, Rs	26.7	34.0	51.1	52.5	60.8
EPS Growth, %	(0.7)	27.4	50.3	2.8	15.7
PER, x	27.5	21.5	13.6	13.0	11.3
EV/EBIDTA, x	21.8	12.5	8.8	7.4	6.6
EV/Net Sales, x	1.9	1.1	0.9	0.8	0.7
Price/Book Value, x	3.4	3.2	2.9	2.1	1.8
ROIC, %	25.1	19.6	22.0	18.7	19.4
ROE, %	18.8	17.3	23.6	18.7	17.3
Dividend Yield, %	0.7	0.7	0.7	0.7	0.7

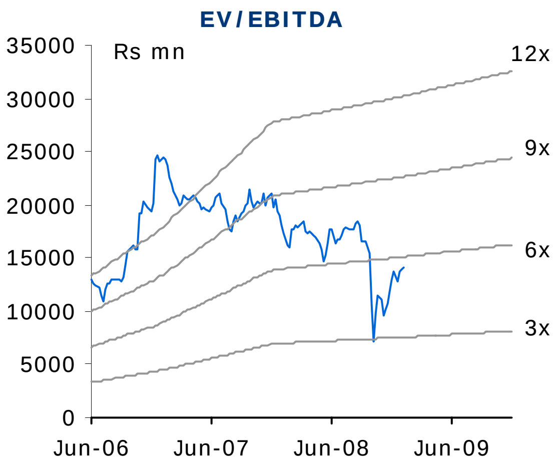
Source: Company, MF Global India Research Estimates

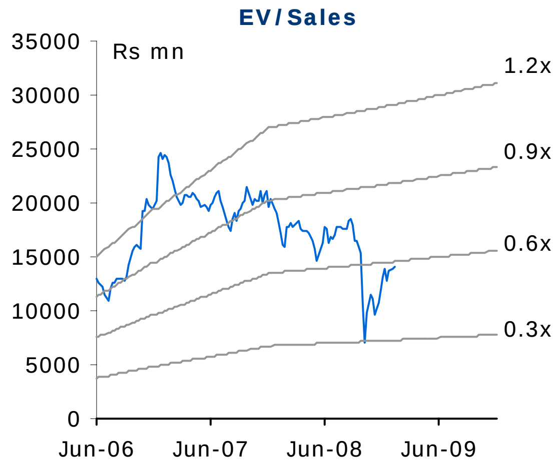
Absolute 1-year forward rolling valuation band charts











- The stock has traded at an average PER of 20.7x and an EV/EBITDA of 9.3x since listing.
- Since Jan '07, Allcargo's multiple has contracted significantly due to declining margins and return ratios.
- We hold a cautious outlook on the company's performance due to a slowdown in the global economy (~35% of EBIT comes from global MTO operations).

Source: MF Global India Research

AGL–
An overview

1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008

- **1993**: Incorporated as a Pvt. Ltd. Co.
- **1994**: Appointed as agent of ASIA Lines Ltd., a Mauritian shipping line, to work for them under daily supervision of general agents i.e., Sea Trade Shipping Services LLC, Dubai, UAE
- **1995**: Formed an association with ECU NV, Belgium, to serve as their agents in Mumbai and New Delhi
- **1998**: Obtained MTO license from the Ministry of Shipping, GoI
- **2001**: Made strategic investments in ECU, Mauritius and ECU Middle East (Dubai)
- **2002**: Awarded with “Best Consolidator” by CONCOR; Acquired 50% stake in ACM Lines (Pty) Ltd.
- **2003**: Commissioned CFS as Koproli near JNPT. Entered into JV with Transworld Logistic & Shipping Services Inc.
- **2004**: Commissioned the 2nd phase of our CFS at Koproli near JNPT; Started Project Cargo Handling Business
- **2005**: Acquired 33.8% stake in Ecu Hold NV with a representation on the Board of the company
- **2006**: Converted into a Public Limited Company; Increased stake to 100% in Ecu Hold NV; Commissioned the 3rd Phase of CFS at Koproli near JNPT
- **2007**: Acquired 100% stake in HCL; Commissioned CFS near Chennai & Mundra Ports; Acquired the Projects & Equipment division of TFSPL
- **2008**: Blackstone to invest Rs 2.4bn for 10.38% stake; JV with CONCOR for setting up CFS at Dadri

Source: Company

Business Snapshot

CFS / ICD operations

6% of CY07 revenues & 35% of CY07 PBIT

- Customs bonded in-transit facility, equipped with container yard space, handling equipment and IT infrastructure; CFS is an off-dock facility located near the ports whereas ICD is generally located in the hinterland.
- Offers services for handling, temporary storage, stuffing and destuffing, customs clearance of EXIM container cargo.
- Revenue streams include ground rent and handling charges.
- Presently operating through 4 facilities—JNPT, Chennai and Mundra (CFS) & Pithampur (ICD).
- Plans for ICDs at 5 new locations: Dadri (Greater Noida), Nagpur, Hyderabad, Bangalore, Ahmedabad at a capex of Rs 2.5bn.

MTO operations

93% of CY07 revenues & 57% of CY07 PBIT

- Offers end-to-end freight services for EXIM cargo using multiple modes of transport, such as sea, road, rail and air; Extensive pan-India network with presence across 26 locations in India and 4000 destinations worldwide.
- Leading consolidator for Less Than Container Load (LCL) and also undertakes Multi-City Consolidation (MCC), which involves the movement of cargo from the hinterland to CFS at gateway ports in order to facilitate consolidation.
- Built on its Indian presence by acquiring Ecu HOLD NV, the second largest NVOCC (non-vessel owning container carrier–they are basically sea freight forwarders who do not own vessels and consolidate freight for transportation in containers) player in the world with 120 offices in 60 countries in 2006.
- Offers project cargo handling solutions for high value specialised equipment like oil field equipment, power plants, compressor stations and other over-dimensional cargo on a turnkey basis.
- Acquired airfreight company from Thomas Cook for air freight forwarding.

Infrastructure support

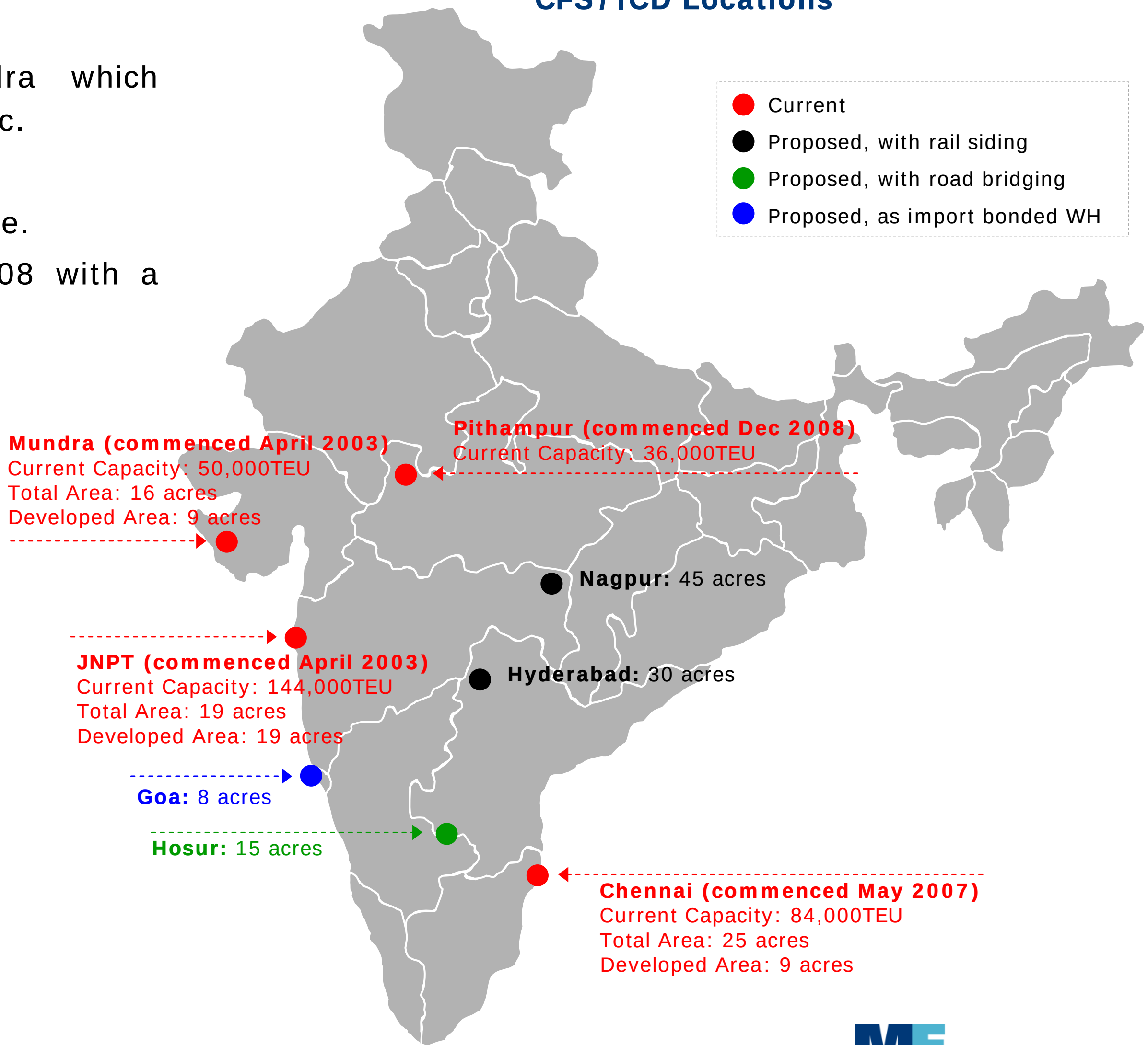
2% of CY07 revenues & 8% of CY07 PBIT

- Acquired project and equipment business of Transindia Freight Services by issuing 2.1mn equity shares in a share swap ratio of 5.19:1.
- Engaged in the business of transporting containers and project-related cargo through trailers, hiring out cranes (for industrial manufacturing and infrastructure sectors) and port handling equipment, that is, forklifts and reach stackers for containers.
- Operates through a fleet of 53 cranes, 49 forklifts, 20 reach stackers and 353 trailers.
- Acquisition is an ideal fit to the existing CFS and MTO operations. Trailers are kept under the MTO segment and container handling equipment under the CFS, while the cranes under an infrastructure support segment.

CFS/ICD–
Embarking on network expansion

- **Established CFS facilities at India's major container-handling ports**
  - Presence in JNPT, Chennai and Mundra which accounts for ~77.4% of the total EXIM traffic.
  - 8% market share of all its CFS put together.
  - Import-export mix of 90:10 provides an edge.
  - Rolled out an ICD in Pithampur in Dec '08 with a capacity of 36,000 TEUs.
- **Strong customer relationship**
  - Shipping lines eyeing freight from Allcargo (NVOCC/MTO player) facilitate the locking of import volumes for the CFS business.
  - Chennai attained a capacity utilisation of 85% in a time frame of just 15 months.
- **Embarks on pan-India presence**
  - Plans to set up CFS/ICD in five new locations (Dadri, Nagpur, Hyderabad, Bangalore, Ahmedabad) at a capex of Rs 3.5bn, of which 1.5bn has already been spent in the last 15 months.

CFS / ICD Locations



Source: Company, MF Global India Research

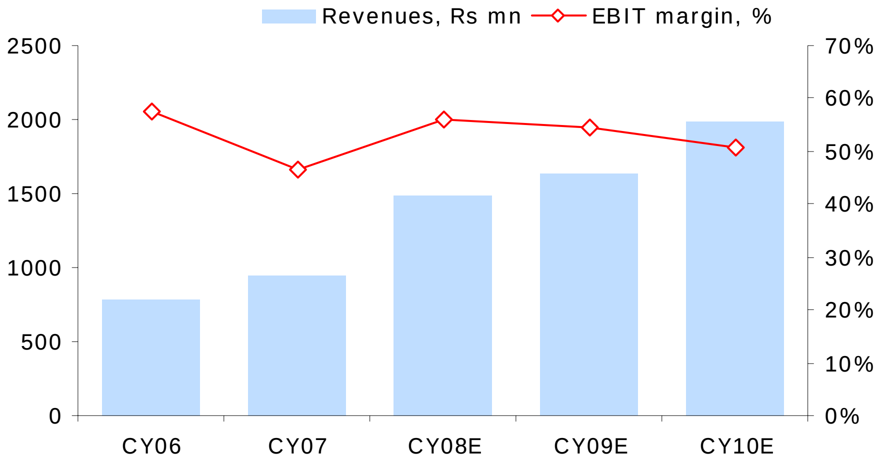
CFS/ICD outlook–
Meaningful bottom-line growth from new ICDs some time away

- **Volume growth to continue through capacity additions and new ICDs.**
  - CFS volumes to grow by ~4% (CY08-10E), largely driven by Chennai and Mundra CFS.
  - JNPT CFS to deliver a subdued volume CAGR of ~1% through CY08-10E, primarily due to a decline in EXIM container volumes.
  - Growth will come from the recently Pithampur ICD (commissioned in Dec '08) and expected commencement of Dadri ICD in April '09.

CFS / ICD volumes forecast

Volumes, TEUs	CY07	CY08	CY09E	CY10E
CFS volumes	**127,434**	**172,940**	**163,925**	**187,174**
JNPT	114,601	120,133	113,807	121,774
Chennai	8,539	40,379	40,429	50,400
Mundra	4,294	12,428	9,688	15,000
ICD volumes	**na**	**na**	**25,800**	**55,800**
Pithampur - Indore	na	na	9,000	18,000
Dadri - Greater Noida	na	na	16,800	37,800
Total volumes	**127,434**	**172,940**	**189,725**	**242,974**

Revenues and margin trend



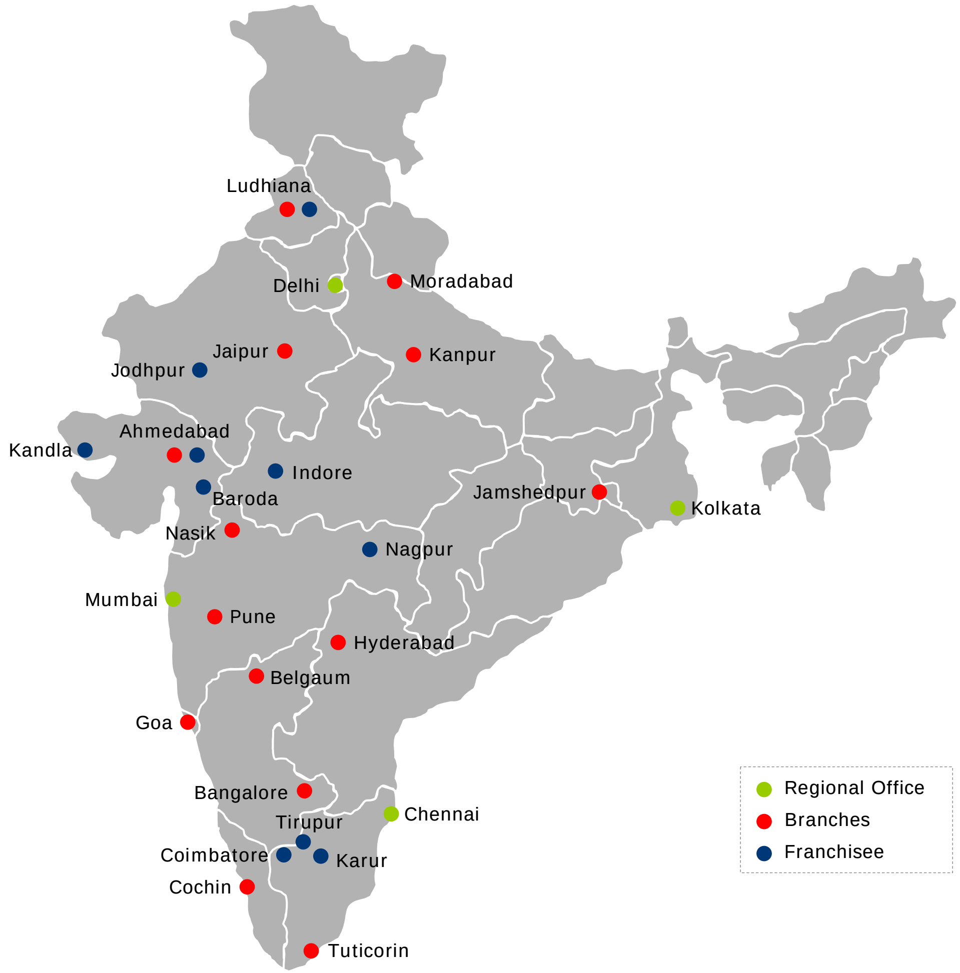
- **Realisation and margin to remain in check**
  - 18 CFS operating at JNPT and 19 CFS at Chennai to intensify competition.
  - Factored in a 450bps decline in EBIT margin by CY10E as Chennai and Mundra CFS as well as other ICDs start increasing its share in the overall volumes, as they earn lower margins compared to JNPT CFS.

Source: MF Global India Research

MTO Operations–
To benefit from ECULINE acquisition

- **Largest MTO player in India with an early mover advantage.**
  - Offers LCL consolidation, FCL forwarding, Multi-City consolidation and project cargo-handling solutions.
  - Extensive pan-India network with a presence across 26 locations and 4000 destinations worldwide.
  - Enjoys good relationship with CHAs, freight forwarders and shipping lines.
- **Built on its dominant Indian presence by acquiring ECU HOLD NV (ECU).**
  - In 1995, AGL acted as their agents in Mumbai and New Delhi, then became minority partners with ECU in Dubai & Singapore; acquired a 33.8% stake in June '05, scaled it to 49.99% in Jan '06 and bought it out in June '06 for € 22.5mn (~Rs 2.2bn).
  - Second largest NVOCC in the world with 120 offices in 60 countries and an agent network across 120 countries.
  - Operates one trans-shipment hub in each continent (Antwerp, Singapore, Santos, Milan, and Dubai) plus 120 direct export/import hubs in five continents.
  - Provides AGL with a global network, increased buying power with shipping lines, improved service capability and cargo consolidation.

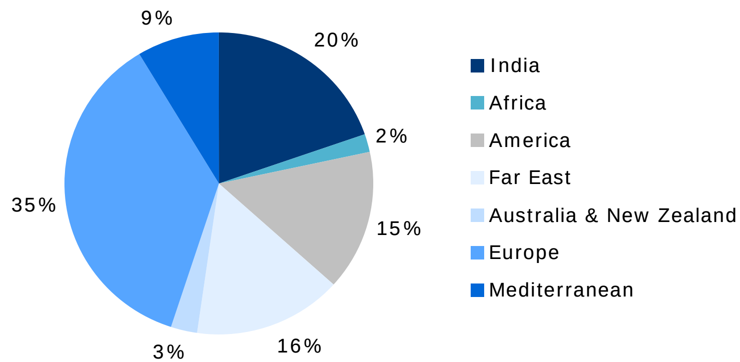
India Branch Network



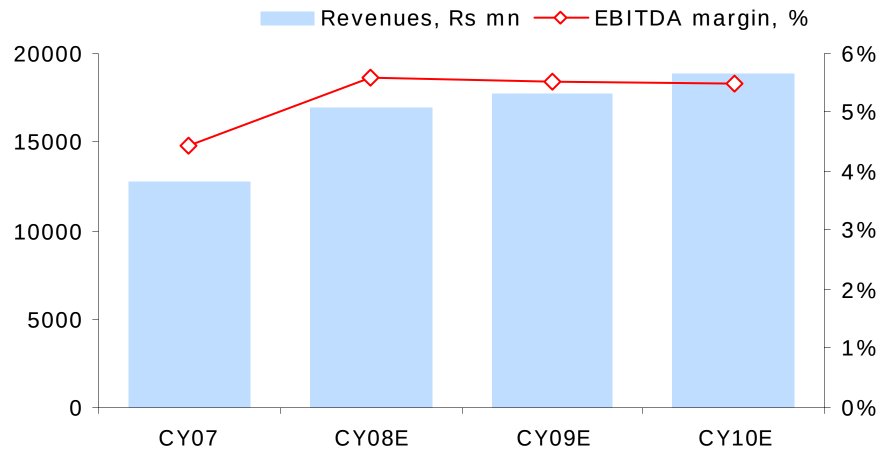
Source: Company

MTO operations–
Benefits of restructuring flow in

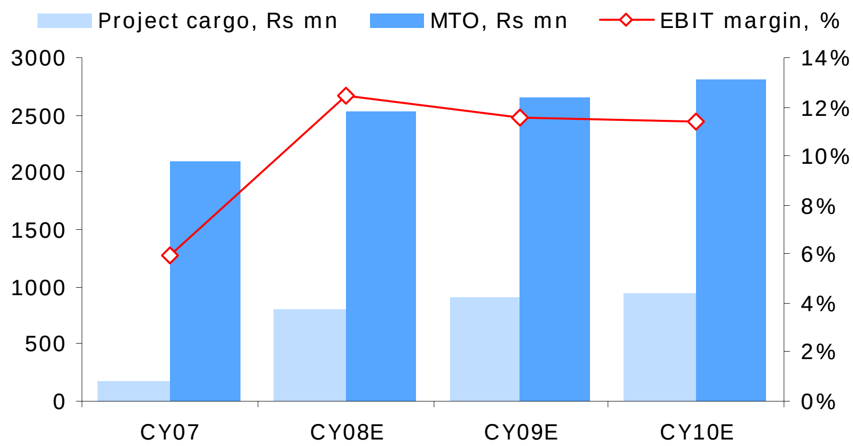
- **Restructuring initiatives post acquisition**
  - ECU has a higher gross profit margin of 32.5% in CY08E, its EBITDA margin is as low as 4.4% due to the high staff cost and SG&A expenses.
    - Outsourced back-end operations.
    - Centralised freight buying in Hong Kong.
  - Tie-up with Econocaribe, US-based NVOCC
    - Exclusive agent for their worldwide network in the US-EU corridor.
- **Impact of global slowdown on ECULINE**
  - Transition from FCL to LCL sets in.
  - Operates on fixed absolute margins.
  - Fairly diversified across geographies.
  - In our view, volume decline is inevitable.



Benefits of restructuring flow in—Margin expansion



MTO operations (India)—Revenues and margin trend



World trade volume growth was revised downwards by 200bps to 2.1% for CY09 (Source: IMF)

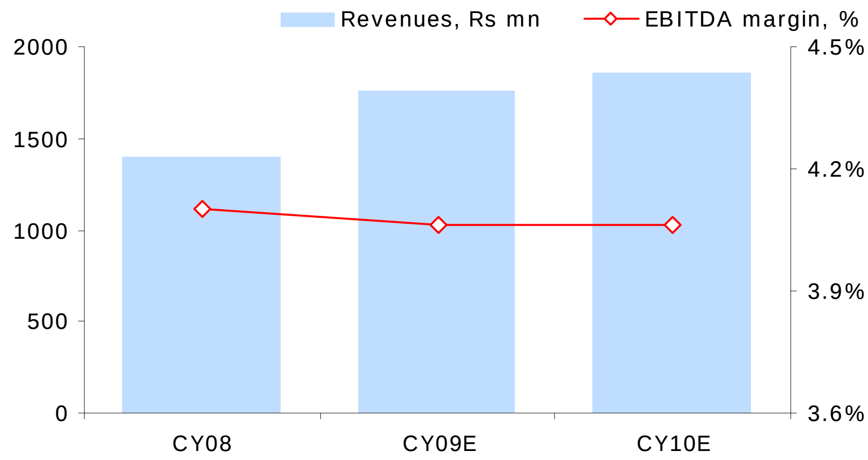
Source: Company, MF Global India Research

Other acquisitions–
To move up the value chain

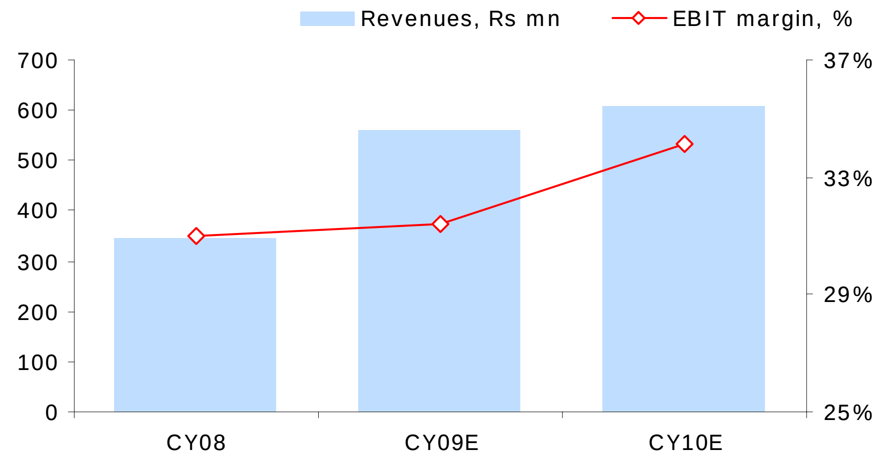
- **Acquired airfreight company (Hindustan Cargo) from Thomas Cook**
  - To establish its presence in the air freight segment.
  - Developing synergies with ECU air operations.
  - Spread across nine locations in India covering metros and Tier-1 cities and has 120 agents worldwide.
  - To contribute ~6% of CY08 revenues.
  - Operates at 4-4.5% EBITDA margin.
- **Acquired project and equipment business of Transindia Freight Services**
  - Engaged in transporting containers and project-related cargo through trailers and hiring cranes.
  - Strategic fit to the existing CFS/MTO operations
  - Fleet of 53 cranes to benefit from the increased spending in infrastructure. All cranes are fully deployed.
  - Capex of Rs 1.1bn for the purchase of 35 cranes.
  - Huge EBITDA margin of 60-65%; asset turns of ~0.45.
  - Revenues of Rs 536mn in CY09E.

Significant contribution to earnings from these business divisions will take some time.

Airfreight business: Revenues & Margin trend



Equipment division: Revenues & Margin trend



Source: MF Global India Research

MF Global

DCF Valuation

Particulars, Rs mn	CY05	CY06	CY07	CY08E	CY09E	CY10E	CY11E	CY12E	CY13E	CY14E
Free Cash Flow										
EBIT	520	718	1,169	1,930	2,079	2,271	2,524	2,776	3,054	3,359
Growth in EBIT (%)		38.0%	62.9%	65.1%	7.7%	9.2%	11.1%	10.0%	10.0%	10.0%
Less: Tax on EBIT	46	158	253	383	459	496	555	944	1,038	1,142
NOPLAT	**474**	**560**	**916**	**1,547**	**1,620**	**1,775**	**1,969**	**1,832**	**2,016**	**2,217**
Depreciation / Amortization	63	82	254	388	419	441	486	531	576	621
Gross cash flow	**537**	**641**	**1,171**	**1,935**	**2,039**	**2,216**	**2,454**	**2,363**	**2,591**	**2,838**
Change in WC	180	544	(9)	1,843	182	208	250	250	250	250
Operating cash flow	**357**	**97**	**1,179**	**92**	**1,857**	**2,008**	**2,204**	**2,113**	**2,341**	**2,588**
Capex	548	2,675	2,019	1,500	500	1,000	1,000	1,000	1,000	1,000
FCFF	**(191)**	**(2,578)**	**(839)**	**(1,408)**	**1,357**	**1,008**	**1,204**	**1,113**	**1,341**	**1,588**
% change			-67.4%	67.7%	-196.4%	-25.8%	19.5%	-7.6%	20.5%	18.4%

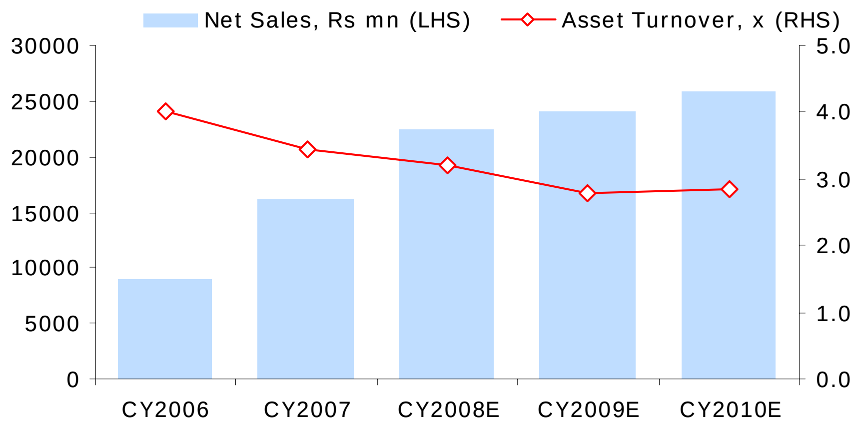
Valuation based on DCF Earnings Method, Rs mn	
Sum of present value of free cash flow	5,677
Present value of terminal value	10,370
Enterprise Value	16,047
Less: Minorities share'	1,605
Less: Net debt	153
Add: Investments	800
Equity Value	15,089
Shares outstanding (mn)	25
Implied share price, Rs	604

		WACC				
		11.7%	12.2%	12.7%	13.2%	13.7%
Terminal Growth rate	3.0%	622	591	563	538	515
	3.5%	647	613	582	555	530
	4.0%	676	638	604	574	547
	4.5%	709	666	629	596	566
	5.0%	746	698	657	620	588

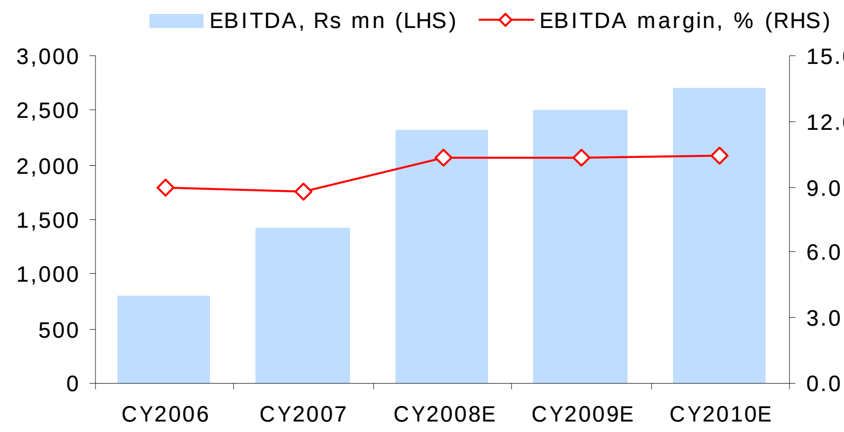
- We have a two-stage DCF model with explicit estimates till FY12, thereafter, we have factored a revenue growth of 10% till FY15.
- Our cash flows are marginally back ended. Exit EV/EBITDA multiple stood at 2.6x.
- We have considered a WACC of 12.7% based on R_f of 7.2%, M_P of 5.5%, Beta of 1.3 and a gearing ratio of 0.25
- We have taken a terminal growth rate of 4% based on the long-term (1951-2006) average GDP growth (net of inflation).

Source: MF Global India Research

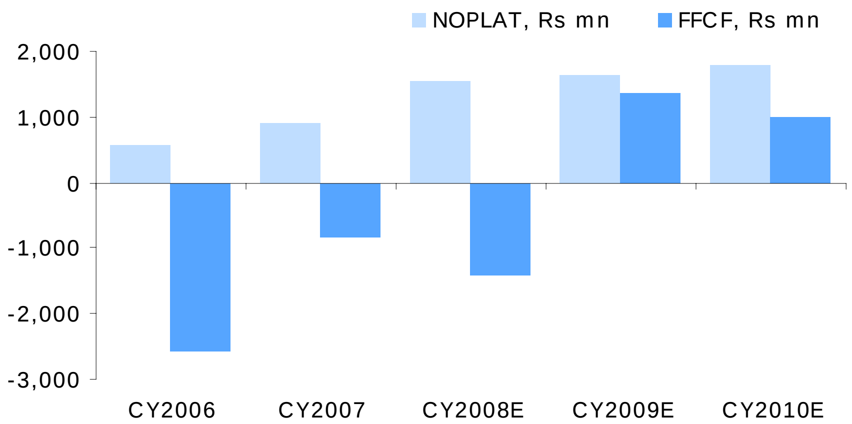
Financial Performance



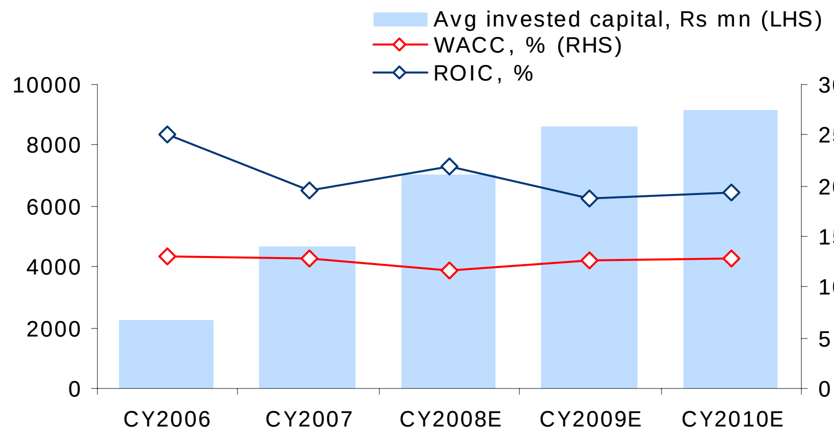
- Net sales is expected to grow moderately at a CAGR of 7.3% over CY08-10E, on account of the slowdown in EXIM trade.



- We expect EBITDA margin to remain constant as the change in business mix offsets competition.



- FCFF to turn positive as a major chunk of capex is completed. Going forward, steady internal accruals will take care of capex.



- Return ratios to decline in the near term due to the decline in asset turnover. Service-based MTO business ensures ROIC above WACC.

Source: MF Global India Research Estimates

Financials

Income Statement

Y/E Dec, Rs mn	CY06	CY07	CY08E	CY09E	CY10E
Net sales	**8952**	**16135**	**22488**	**24087**	**25913**
Growth, %	*230.1*	*80.2*	*39.4*	*7.1*	*7.6*
Other operating income	0	0	0	0	0
Total income	8952	16135	22488	24087	25913
Operating expenses	-8153	-14711	-20170	-21588	-23202
EBITDA	**799**	**1424**	**2318**	**2498**	**2711**
Growth, %	*37.2*	*78.1*	*62.8*	*7.8*	*8.5*
Margin, %	*8.9*	*8.8*	*10.3*	*10.4*	*10.5*
Depreciation	-82	-254	-388	-419	-441
EBIT	**718**	**1169**	**1930**	**2079**	**2271**
Growth, %	*38.0*	*62.9*	*65.1*	*7.7*	*9.2*
Margin, %	*8.0*	*7.2*	*8.6*	*8.6*	*8.8*
Interest paid (net)	-36	-92	-172	-249	-171
Other income	35	20	37	37	37
Non-recurring items	78	5	-25	0	0
Pre-tax profit	**795**	**1103**	**1770**	**1867**	**2137**
Tax provided	-175	-239	-352	-413	-467
Profit after tax	**620**	**864**	**1418**	**1454**	**1670**
Net Profit	**604**	**766**	**1237**	**1312**	**1518**
MF Global Net profit	**525**	**760**	**1262**	**1312**	**1518**
Growth, %	*6.2*	*44.7*	*66.0*	*4.0*	*15.7*
EOI: Gains/(Losses)	-1	0	-21	0	0
Unadj. shares (m)	21	24	24	25	25
Wtd avg shares (m)	20	22	25	25	25

Balance Sheet

Y/E Dec, Rs mn	CY06	CY07	CY08E	CY09E	CY10E
Cash & bank	450	631	541	1,232	1,859
Debtors	1,861	2,271	3,697	3,959	4,260
Inventory	0	0	0	0	0
Loans & advances	808	719	1,513	1,619	1,740
Other current assets	0	15	15	15	15
Total current assets	3,120	3,637	5,765	6,826	7,874
Investments	578	65	865	865	865
Gross fixed assets	3,408	5,581	6,831	7,331	8,331
Less: Depreciation	-670	-1,144	-1,532	-1,951	-2,392
Add: Capital WIP	340	405	655	655	655
Net fixed assets	3,078	4,842	5,954	6,035	6,594
Non-current assets	3,656	4,907	6,819	6,899	7,459
Total assets	**6,775**	**8,544**	**12,583**	**13,725**	**15,333**
Current liabilities	1,229	1,482	1,658	1,774	1,907
Provisions	788	944	1,162	1,251	1,345
Total current liabilities	2,017	2,427	2,820	3,026	3,252
Non-current liabilities	764	1,315	3,856	2,596	2,596
Total liabilities	2,781	3,742	6,676	5,622	5,849
Paid-up capital	211	239	239	250	250
Reserves & surplus	3,737	4,483	5,589	7,774	9,154
Shareholders' equity	3,994	4,802	5,908	8,103	9,484
Total equity & liabilities	**6,775**	**8,544**	**12,583**	**13,725**	**15,333**

Source: Company, MF Global India Research Estimates

Financials

Cash Flow

Y/E Dec, Rs mn	CY06	CY07	CY08	CY09E	CY10E
Pre-tax profit	795	1,103	1,770	1,867	2,137
Depreciation	82	254	388	419	441
Chg in working capital	-546	16	-1,843	-182	-208
Total tax paid	-162	-149	-322	-397	-453
CF from operating activities	**169**	**1,224**	**-6**	**1,707**	**1,916**
Capital expenditure	-2,673	-2,018	-1,500	-500	-1,000
Chg in investments	212	513	-800	0	0
CF from investing activities	**-2,461**	**-1,504**	**-2,300**	**-500**	**-1,000**
Free cash flow	-2,292	-280	-2,306	1,207	916
Equity raised/(repaid)	1,301	29	0	1,021	0
Chg in minorities	36	-65	-181	-142	-152
Debt raised/(repaid)	551	487	2,541	-1,260	0
Dividend (incl. tax)	-92	-94	-144	-134	-137
Other financing activities	535	105	0	0	0
CF from financing activities	**2,330**	**461**	**2,216**	**-515**	**-289**
Net chg in cash	38	181	-91	692	627

Per-share data

Y/E Dec, Rs mn	CY06	CY07	CY08E	CY09E	CY10E
MF Global EPS (INR)	26.7	34.0	51.1	52.5	60.8
Growth, %	*-0.7*	*27.4*	*50.3*	*2.8*	*15.7*
Book NAV/share (INR)	202.9	214.8	239.2	324.5	379.8
FDEPS (INR)	24.9	31.8	50.5	52.5	60.8
Growth, %	*-7.2*	*27.6*	*58.8*	*4.0*	*15.7*
CEPS (INR)	26.9	45.1	67.8	69.3	78.4
CFPS (INR)	6.8	53.8	-1.7	66.9	75.3
DPS (INR)	4.6	4.8	4.5	4.7	4.7

Ratios

Y/E Dec	CY06	CY07	CY08E	CY09E	CY10E
Return on assets (%)	14.8	12.3	14.7	12.5	12.6
Return on equity (%)	18.8	17.3	23.6	18.7	17.3
Return on Invested capital (%)	25.1	19.6	22.0	18.7	19.4
RoIC/Cost of capital (x)	1.9	1.5	1.9	1.5	1.5
RoIC - Cost of capital (%)	12.0	6.8	10.3	6.1	6.6
Return on capital employed (%)	19.8	17.4	19.6	16.1	16.0
Cost of capital (%)	13.1	12.8	11.7	12.6	12.8
RoCE - Cost of capital (%)	6.8	4.6	7.9	3.5	3.3
Total debt/Equity	0.19	0.26	0.64	0.31	0.27
Net debt/Equity	0.08	0.13	0.55	0.16	0.07
Asset turnover (x)	4.0	3.4	3.2	2.8	2.8
Sales/Total assets (x)	2.0	2.1	2.1	1.8	1.8
Sales/Net FA (x)	5.0	4.1	4.2	4.0	4.1
Working capital/Sales (x)	0.1	0.0	0.1	0.1	0.1
Fixed capital/Sales (x)	0.3	0.3	0.2	0.2	0.2
Receivable days	75.9	51.4	60.0	60.0	60.0
Inventory days	0	0	0	0	0
Payable days	55.0	36.8	30.0	30.0	30.0
Current ratio (x)	1.5	1.5	2.0	2.3	2.4
Quick ratio (x)	1.5	1.5	2.0	2.3	2.4
Interest cover (x)	20.0	12.7	11.3	8.3	13.3
Dividend cover (x)	5.8	7.1	11.3	11.2	12.9
PER (x)	27.5	21.5	13.6	13.0	11.3
PEG (x) - y-o-y growth	(34.4)	0.7	0.3	4.6	0.7
Price/Book (x)	3.4	3.2	2.9	2.1	1.8
Yield (%)	0.7	0.7	0.7	0.7	0.7
EV/Net sales (x)	1.9	1.1	0.9	0.8	0.7
EV/EBITDA (x)	21.8	12.5	8.8	7.4	6.6
EV/EBIT (x)	24.3	15.2	10.6	8.9	7.8
EV/NOPLAT (x)	31.1	19.4	13.2	11.4	10.0
EV/CE	3.7	2.9	2.1	1.7	1.5
EV/IC (x)	7.8	3.8	2.9	2.1	1.9

Source: Company, MF Global India Research Estimates

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