

## GATEWAY DISTRI PARKS

INR 134

*Robust volume growth*

BUY



Gateway Distriparks' (GDL's) Q2FY08 results reflected continued trend of robust volume growth, with volumes increasing 49% Y-o-Y and 12.6% Q-o-Q, to 90,277 TEUs. The volume growth is partly aided by contribution from Punjab Conware CFS and 46% Q-o-Q growth in volumes at Garhi Hasaru (Garhi). Revenues and EBITDA (per TEU for the Mumbai facility) however declined 5% and 8% Q-o-Q on account of EXIM mix of Punjab Conware (30:70 as against 70:30 for Dronagiri CFS) rather than pricing pressure.

GDL's consolidated net revenues registered a growth of 67.8% Y-o-Y, at INR 640 mn, and net profit declined 10.4% Y-o-Y, to INR 189 mn. Low EBITDA growth of 16.6% Y-o-Y is on account of higher overheads of Punjab Conware CFS and commencement of container train business. GDL started running container trains on the domestic circuit from Orissa to north India, generating revenues of INR 91 mn in the quarter as against INR 42 mn in Q1FY08. The company has already placed order for 10 rakes. Delivery of these rakes is expected to start from November-December 2007 and end by April 2008.

At JNPT, India's largest container port, volumes are expected to register steady growth of 20% in FY08E, improving realisations at the CFS. On the new CFS/ICD front, GDL's capacity expansions at Ludhiana and Faridabad ICD are on track and expected to accomplish by Q2FY09. The stock trades at a P/E of 15.5x and 11.2x our estimates for FY08 and FY09, respectively. We continue to maintain our positive outlook on GDL with our 'BUY' recommendation.

## Key highlights

- Net revenues in Q2FY08 stood at INR 640 mn, up 67.8% Y-o-Y and 33% Q-o-Q. Total volume growth for the quarter, at 90,277 TEUs, stood at 49% Y-o-Y, owing to contribution from Punjab Conware CFS and 46% Q-o-Q growth in volumes at Garhi ICD.
- EBITDA, at INR 255 mn, registered a growth of 16.6% Y-o-Y. EBITDA margin stood at 39.9%, as against 57.4% in Q2FY07 and 45.6% in Q1FY08, on account of higher other expenditure; other expenditure grew 136.8% Y-o-Y due to increased overheads of Punjab Conware CFS and commencement of container train business.
- Increased staff cost is on account of provision of INR 3.5 mn of cost for gratuity, leave encashment, and exercising of ESOPs. GDL also paid a one-time expense of INR 11.2 mn as dues to the Indian Railways (IR).

## Financials

Year to March	Q2FY08	Q2FY07	% change	Q1FY08	% change	FY08E	FY09E
Sales (INR mn)	640	382	67.8	483	32.5	2,448	3,783
EBITDA (INR mn)	255	219	16.6	220	15.9	1,298	1,929
Net profit (INR mn)	189	211	(10.4)	186	1.6	995	1,374
EPS (INR)						8.6	11.9
P/E (x)						16.8	12.2

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Reuters : GATE.BO  
Bloomberg : GDPL IN

## Market Data

52-week range (INR) : 214 / 114  
Share in issue (mn) : 92.4  
M cap (INR bn/USD mn) : 12.4 / 314.4  
Avg. Daily Vol. BSE/NSE ('000) : 799.9

## Share Holding Pattern (%)

Promoters : 39.1  
MFs, Fls & Banks : 8.4  
Fls : 32.2  
Others : 20.4

- On the segmental front, margins in the CFS business declined to 42.6% as against 50.7% in Q2FY07 and 48.5% in Q1FY08. This is on account of increase contribution from other facilities like Garhi, Chennai, and Vizag where the blended margins are lesser than JNPT.
- Other income, at INR 43 mn, declined 27% Y-o-Y on account of funds utilised for the capex purpose. GDL invested INR 950 mn in this quarter in its container train business and construction activities at its other CFS facilities.
- Net profit, at INR 189 mn, was down 10.7% Y-o-Y, resulting in net margin of 29.4% compared to 38.6% in Q1FY07.

### Other highlights

#### \* Increased traction in the container train business

GDL has started providing container movement services through its subsidiary, Gateway Rail Freight (GRF), in joint venture with Concor. Currently, GDL is running two container trains on the domestic circuit between Orissa and NCR. It is transporting raw material for one of its clients from Orissa to NCR and wheat from NCR back to Orissa. The company has already placed order for delivery of 10 rakes, which it intends to deploy on the EXIM circuit. The delivery for the rakes is expected to start November-December 2007 onwards and accomplish by April 2008.

Financial snapshot						(INR mn)		
Year to March	Q2FY08	Q2FY07	% change	Q1FY08	% change	FY07	FY08E	FY09E
Net sales	640	382	67.8	483	32.5	1,610	2,448	3,783
Total expenditure	385	163	136.8	263	46.4	797	1,150	1,854
- Transportation	165	68	142.3	94	75.9	297	224	257
- Employee	43	16	164.0	23	86.9	91	146	161
- Labor cost	35	10	239.8	21	69.5	64	84	99
- Other	142	68	109.0	126	13.1	345	696	1,337
EBITDA	255	219	16.6	220	15.9	812	1,298	1,929
Other income	43	59	(27.0)	48	(9.5)	250	100	30
Depreciation	69	27	153.9	46	49.0	139	203	313
EBIT	230	251	(8.5)	222	3.6	923	1,072	1,592
Interest (Net)	5	3	68.4	3	56.1	14	17	28
PBT	225	248	(9.4)	219	2.8	910	1,156	1,594
Taxes	37	37	(2.0)	32	13.7	139	155	213
Adjusted PAT	189	211	(10.4)	186	1.6	778	995	1,374
Tax rate (%)	16.3	15.1		14.7				
<b>% of sales</b>								
Transportation cost	25.8	17.8		19.4		18.4	9.1	10.5
Employee expense	6.7	4.2		4.7		5.7	6.0	6.6
labor cost	5.5	2.7		4.3		4.0	3.4	4.1
Other expense	22.2	17.8		26.0		21.4	28.4	54.6
Operating profit	39.9	57.4		45.6		50.5	53.0	51.0
Net profit	29.5	55.3		38.4		48.3	40.6	36.3

## Company Description

Gateway Distriparks (GDL) provides port-related logistics support services for international trade imports and exports. The company has established three container freight station (CFS) facilities at JNPT (Mumbai), Chennai, and Vishakapatnam, and one inland container depot (ICD) at Garhi, Haryana. It plans to have a network of CFS and ICD covering northern, western, and southern India with a rail link connecting western and northern India.

## Investment Theme

GDL commands a market share of ~22% in JNPT CFS, India's largest container handling port. With the ramp up in third terminal at JNPT, capacity utilisation at the CFSs will go up, which will improve the pricing environment (following soft prices for a few quarters). The recent SEZ notification will also benefit existing CFSs, as no new land is been allotted for further capacity expansion. GDL is also well-positioned, compared to its peers, in running container trains by virtue of its well-established ICDs at Garhi. Moreover, it is experienced in the business through its tie-up with Concor in running container trains between JNPT and Garhi.

## Key Risks

GDL currently derives ~80% of its revenues and ~88% of EBITDA from the JNPT CFS. Such high dependence on a single location makes GDL vulnerable to any structural and regulatory changes in the JNPT CFS. Land acquisition for its further expansion into CFS and ICD can also be challenging, given the recent spike in real estate prices in the NCR region.

## Financial Statements

<b>Income statement</b>					(INR mn)
<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>
Income from operations	956	1,386	1,610	2,448	3,783
Direct costs	368	273	361	612	1,201
Employee costs	37	77	91	146	161
Other expenses	135	200	345	392	451
Total operating expenses	540	549	797	1,150	1,813
EBITDA	415	837	812	1,298	1,929
Depreciation and amortisation	72	106	139	226	336
EBIT	343	731	674	1,072	1,592
Interest expenses	46	25	14	17	28
Other income	13	119	250	100	30
Profit before tax	311	824	910	1,156	1,594
Provision for tax	70	93	139	155	213
Profit before minority interests	240	731	778	1,001	1,381
Less: Minority interests	-	1	-	6	7
Reported net profit	240	730	778	995	1,374
Adjusted net profit	240	730	778	995	1,374
Shares outstanding	75	115	115	115	115
Dividend per share	2.0	1.2	1.2	1.6	2.3
Dividend payout (%)	62.4	19.0	18.5	19.1	19.1

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

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>
Operating expenses	56.5	39.6	49.5	47.0	47.9
Depreciation	7.6	7.7	8.6	9.2	8.9
Interest expenditure	4.8	1.8	0.8	0.7	0.8
EBITDA margins	43.5	60.4	50.5	53.0	51.0
Net profit margins	25.1	52.7	48.3	40.6	36.3

### Growth metrics (%)

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>
Revenues	61.6	45.0	16.2	52.1	54.5
EBITDA	151.1	101.4	(2.9)	59.8	48.6
PBT	185.9	165.3	10.4	27.1	38.0
Net profit	211.4	203.8	6.6	27.8	38.1
EPS	165.7	97.7	6.6	27.8	38.1

### Cash flow statement

<b>Cash flow statement</b>					(INR mn)
<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>
Net profit	240	731	759	1,001	1,381
Add: Depreciation	72	106	125	203	313
Add: E.O.adjustments	-	-	-	-	1
Add: Deferred tax	36	17	47	62	86
Gross cash flow	348	853	931	1,266	1,781
Less: Dividends	(150)	(139)	(144)	(190)	(262)
Less: Changes in W. C.	(79)	537	4	(63)	(132)
Operating cash flow	277	178	783	1,139	1,651
Less: Change in investments	149	(5)	-	-	-
Less: Capex	845	394	1,195	3,053	2,790
<b>Free cash flow</b>	<b>(717)</b>	<b>(211)</b>	<b>(411)</b>	<b>(1,914)</b>	<b>(1,139)</b>

<b>Balance sheet</b>					(INR mn)
<b>As on 31st March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>
Equity capital	750	922	922	1,153	1,153
Reserves & surplus	910	4,830	5,441	6,015	7,127
Shareholders funds	1,660	5,752	6,363	7,168	8,280
Minority interest	8	8	13	19	26
Secured loans	828	319	169	169	419
Unsecured loans	30	-	-	-	-
Borrowings	866	327	181	188	445
<b>Sources of funds</b>	<b>2,526</b>	<b>6,079</b>	<b>6,544</b>	<b>7,356</b>	<b>8,725</b>
Gross block	1,939	2,387	3,582	6,285	9,098
Depreciation	259	365	490	693	1,006
Net block	1,679	2,022	3,092	5,592	8,092
Capital work in progress	188	134	134	134	134
Total fixed assets	1,868	2,156	3,226	6,076	8,553
Investments	149	144	144	144	144
Sundry debtors	85	70	133	212	327
Cash and equivalents	927	3,526	2,965	1,051	161
Loans and advances	120	575	625	675	725
Total current assets	1,131	4,172	3,724	1,938	1,214
Sundry creditors and others	128	108	154	260	479
Provisions	240	163	226	312	389
Total CL & provisions	367	271	380	571	868
Net current assets	764	3,900	3,343	1,367	345
Net Deferred tax	(106)	(122)	(169)	(232)	(318)
<b>Uses of funds</b>	<b>2,526</b>	<b>6,078</b>	<b>6,544</b>	<b>7,356</b>	<b>8,725</b>
Book value per share (BV)	22	50	55	62	72

**Ratios**

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>
ROAE (%)	14	13	12	14	17
ROACE (%)	14	12	10	15	18
Current ratio	3.1	15.4	9.8	3.4	1.4
Debtors (Days)	32	18	30	32	32
Fixed assets t/o (x)	0.5	0.6	0.5	0.4	0.4
Average working capital t/o (x)	1.3	0.4	0.5	1.8	11.0
Gross debt/Equity	0.5	0.1	0.0	0.0	0.1

**Valuations parameters**

<b>Year to March</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08E</b>	<b>FY09E</b>
EPS (INR)	3.2	6.3	6.8	8.6	11.9
Y-o-Y growth (%)	165.7	97.7	6.6	27.8	38.1
CEPS (INR)	4.2	7.3	8.0	10.6	14.8
P/E (x)	45.3	22.9	21.5	16.8	12.2
Price/BV(x)	6.6	2.9	2.6	2.3	2.0
EV/Sales (x)	17.3	9.6	8.6	5.6	3.6
EV/EBITDA (x)	39.7	16.0	17.0	10.6	7.1

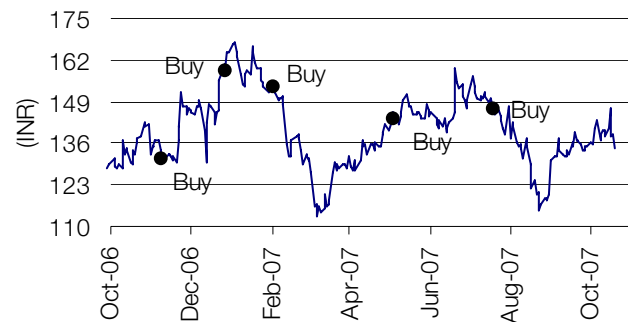
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### Coverage group(s) of stocks by primary analyst(s): Logistics:

Allcargo, Concor, Dredging Corp Of India, Gateway Distriparks, Gati, SICAL and Transport Corporation of India

### Gateway Distriparks



### Recent Research

Date	Company	Title	Price (INR)	Recos
18-Oct-07	<b>Gati</b>	Softer quarter; Result Update	106	Buy
12-Oct-07	<b>Container Corporation</b>	A bad patch; Result Update	1,954	Buy
14-Sep-07	<b>Sical Logistics</b>	Value unlocking; Event Update	239	Buy
8-Aug-07	<b>Gati</b>	On an express way; Result Update	97	Buy

### Distribution of Ratings / Market Cap

#### Edelweiss Research Coverage Universe

	Buy	Accumulate	Reduce	Sell	Total
Rating Distribution*	101	44	24	6	183

\* 6 stocks under review / 2 rating withheld

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	86	66	31

### Rating Interpretation

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

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