

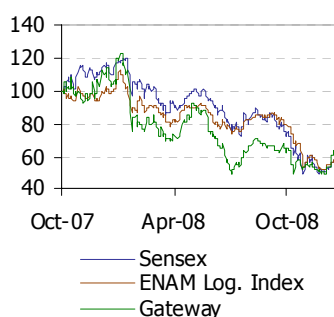
Gateway Distriparks

 Relative to sector: **Underperformer**

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Relative Performance



Source: Bloomberg, ENAM Research

Stock data

 No. of shares : 116mn
 Market cap : Rs 10.1bn
 52 week high/low : Rs 174/ Rs 61
 Avg. daily vol. (6mth) : 375,800 shares
 Bloomberg code : GDPL IB
 Reuters code : GATE.BO

Shareholding (%)	Sep-08	QoQ chg
Promoters	43.5	2.3
FII's	22.8	1.4
MFs / UTI	4.4	(0.2)
Banks / FIs	6.8	(0.3)
Others	22.5	(3.3)

ADVERSE DEMAND CONDITIONS

We recently met the management of Gateway Distriparks (GDL) and revalidated our view that container volumes are declining at certain CFS (container freight station) locations. However, we were surprised to see a continued improvement in operating margin suggesting that competitive pricing rationality has been maintained. We have lowered our earnings forecast for FY10E to Rs8.4 (earlier Rs10.1) on lower growth expectation from CFS division and factoring in a breakeven for the rail freight business. Considering the deterioration in macroeconomic trade environment, we continue to maintain our **Underperformer** rating.

Key Highlights

- **Slowdown in container traffic at ports to impact CFS volumes:** Container traffic at 12 major ports witnessed a 3% decline in the month of November and a 5% decline at J.N.P.T port. GDL has 72% of its CFS throughput capacity at J.N.P.T. We have lowered our volume growth forecast for CFS division to 3% in FY09E and 12% in FY10E.
- **Competitive intensity could escalate:** The new tariff structure implemented by GDL from July 2008 along with an increase in container dwell time, led to the margin expansion in Q2FY09. Pricing environment continues to remain rational. However, we expect competitive intensity to escalate, if volumes continue to decline. Thus, we have forecasted a decline in operating margin for CFS division in FY10E.
- **Deferment in Capex plan:** Considering the weak macroeconomic conditions, the management has decided to defer the roll-out plan for the rail freight business. A total of 16 rakes will be operational by FY09 end (currently at 12 rakes) and additional 5 rakes in FY10E. GDL intends to double its ICD/CFS throughput handling capacity to 1mn TEUs by FY12 (currently at 0.5mn TEU).
- **GDL-Concor JV still in arbitration:** The proposed investment by Concor into the double stack container hub at Garhi ICD is unlikely to materialize. Thus, the throughput projection at Garhi ICD has been lowered.

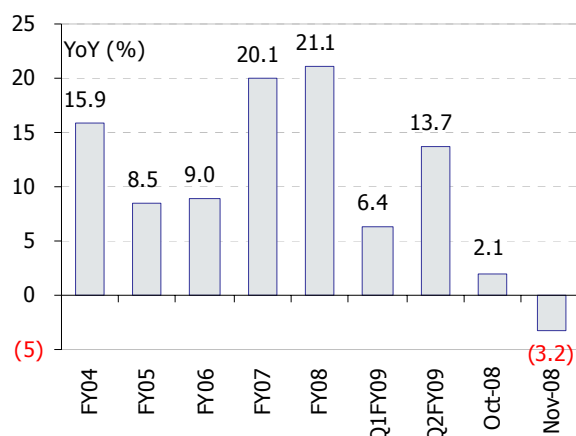
Financial summary (Consolidated)

Y/E Mar	Sales (Rs.mn)	Adj. PAT (Rs. mn)	Consensus EPS* (Rs.)	Adj. EPS (Rs.)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs.)
2007	1,610	715	-	7.7	3	11.3	11.5	13.4	8.1	3.5
2008	2,714	721	-	6.2	(19)	14.0	10.5	12.3	9.8	3.5
2009E	4,181	774	7.6	7.2	15	12.2	11.1	13.2	8.0	3.0
2010E	6,305	909	9.7	8.4	17	10.4	12.9	14.3	6.4	4.5

Source: *Consensus broker estimates, Company, ENAM estimates

Container traffic at 12 major ports declined in the month of Nov.

Ports on the west coast face a slowdown.



000' TEU	8m FY09	8m FY08	YoY %	Nov-09	Nov-08	YoY %
J.N.P.T.	2,791	2,625	6	314	329	(5)
Chennai	820	731	12	91	85	7
Kolkata	304	272	12	34	34	0
Tuticorin	304	289	5	34	38	(11)
Cochin	185	164	13	17	18	(3)
Kandla	99	106	(7)	13	11	18
Mumbai	69	72	(4)	6	13	(54)
Vizag	49	44	12	6	5	23
Others	32	27	18	5	5	3
Total	4,653	4,330	8	521	538	(3)

Source: IPA, ENAM Research

GDL: Volume growth forecast

(TEUs)	FY07	FY08	FY09E	FY10E
CFS	229,413	330,834	351,257	390,799
ICD / Rail	17,078	36,666	81,004	160,400
TOTAL	246,491	367,500	432,261	551,199
YoY %	17%	49%	18%	28%

Source: ENAM Research

GDL: Segmental revenue trend

(Rs mn)	FY07	FY08	FY09E	FY10E
CFS	1,429	1,931	2,190	2,350
ICD/Rail	124	517	1,607	3,335
Cold Chain	86	266	384	620
TOTAL	1,638	2,714	4,181	6,305
YoY %	17%	66%	54%	51%

Source: ENAM Research

GDL: Segmental EBITDA trend

(Rs mn)	FY07	FY08	FY09E	FY10E
CFS	823	1,005	1,177	1,252
Margin %	58%	52%	54%	53%
ICD/Rail	30	18	176	442
Margin %	24%	4%	11%	13%
Cold Chain	(4)	2	42	93
Margin %	-5%	1%	11%	15%
TOTAL	849	1,025	1,396	1,789
Margin %	52%	38%	33%	28%

Source: ENAM Research

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