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Q4 FY07
Result Update

Gateway Distriparks

Outperformer	Rs 175	May 3, 2007

On an inflexion point

Company Details	
Market Cap:	Rs 16,144m
52 Week High/Low:	Rs 266 / 138
Bloomberg Code:	GDPL@IN
Reuters Code:	GATE.BO / NS
Shares O/s:	92m
Average Volume (3 months):	0.5m

Price Performance

(%)	1m	3m	12m
Absolute	6.1	(9.9)	(28.2)
Relative to Sensex	(0.1)	(8.4)	(43.4)

Result Snapshot

Gateway Distriparks reported Q4FY07 results in line with expectations. Revenues grew by 43.3% YoY and 11.3% QoQ to Rs 469m. Profits grew by 7.3% YoY and 1.5% sequentially to Rs 193m. OPM continued to decline and stood at 46.5% in the quarter. Throughput rose by 26.4% YoY to 65,180 TEUs. Revenue per TEU has remained flat QoQ at Rs 7,198. For the full year, it has reported revenue and profit growth of 16.2% and 14.3% to Rs 1,610m and Rs 774m. Margins however have declined sharply from 60.4% to 50.4% mainly due to pricing pressure at JNPT and higher freight costs.

At the CMP, the stock is trading at extremely attractive valuations of 17.9x FY08E and 14.2x FY09E EPS estimates of Rs 9.8 and Rs 12.3 respectively (on a diluted equity of 115m shares post bonus issue). With new expansions yielding benefits this fiscal onwards coupled with the buoyant growth prospects and improving demand scenario at Mumbai the stock appears reasonably attractive from a medium term perspective. Upgrade to *Outperformer*.

Q4 FY07 Result Overview *(Rs m)*

Y/e March	Q4FY07	Q4FY06	*yoy gr. (%)*	Q3FY07	FY06	FY07	*yoy gr. (%)*
Income from operations	469	327	*43.3*	416	1,386	1,610	*16.2*
Container Throughput (TEU)	65,180	51,569	*26.4*	57,374	210,976	240,491	*14.0*
Revenue/TEU	**7,198**	**6,347**	***13.4***	**7,256**	**6,568**	**6,694**	***1.9***
Total Expenses	251	146	*71.8*	210	549	799	*45.6*
EBITDA	**218**	**181**	***20.5***	**206**	**837**	**811**	***(3.1)***
EBITDA Margin (%)	*46.5*	*55.4*		*49.4*	*60.4*	*50.4*	
Depreciation	45	28	*60.4*	36	106	139	*31.0*
EBIT	**173**	**153**	***13.1***	**170**	**730**	**671**	***(8.1)***
Interest	2	6	*(66.3)*	2	25	12	*(53.3)*
Other Income	64	62		54	59	245	
PBT	**235**	**209**	***12.3***	**221**	**764**	**905**	***18.4***
Tax	42	29	*42.5*	31	93	139	*48.5*
Effective Tax Rate (%)	*17.9*	*14.1*		*14.2*	*12.2*	*15.3*	
PAT	**193**	**180**	***7.3***	**190**	**670**	**766**	***14.3***
Less: Minority Interest	(6)	-		-	(2)	(8)	
PAT for Eq. Shareholders	**198**	**180**	***10.4***	**190**	**672**	**774**	***15.2***

(Stock price as on April 30, 2007)

Modest growth in volumes and realisations in FY07 but likely to spike up going forward

FY07 witnessed a very modest growth in volumes by 13% to 238,491 TEUs from 210,976 TEUs last year. YoY realisations have improved by only 2% to Rs 6,694 largely due to the pricing pressure at Mumbai. However the same is likely to improve significantly as new projects go on stream. Over the next two years we expect volumes to rise by 65% and 25% in FY08E and FY09E respectively to 393,510 TEUs and 493,510 TEUs respectively.

During the quarter, throughout rose by 12.0% QoQ and 43.3% YoY to 54,180 TEUs. Mumbai, which currently accounts for 71% of total volumes for GDL, had been witnessing declining volumes from the start of the year, finally witnessed revival. It increased from 39,203 TEUs in the previous quarter to 43,706 TEUs in this quarter. Chennai also saw good volume growth from 10,122 TEUs in the previous quarter and 25,535 TEUs last year to 14,213 TEUs in the fourth quarter and 41,473 TEUs for the full year. Vizag saw the maximum growth of over ten times in volumes albeit on a very small base to 10,661 TEUs in FY07.

Going forward, Garhi is likely to witness significant growth once the company takes delivery of two rakes within the next one month. Each train is expected to make 6 round trips per month, which works out to a monthly throughput estimate of 2,000 TEUs. Also, the recently acquired Punjab Conware CFS at Mumbai will also start contributing to volumes. This CFS, which has a capacity of 150,000 TEUs, is expected to ramp up utilisation to 60-70% by end of this fiscal and average at about 40% utilisation for the full year.

Realisations at Mumbai, which had been dropping, have already started to stabilise and move up. YoY at Delhi realisations have improved by 29% to Rs 7,202 this year. At Chennai they improved by 3% to Rs 3,488. At Vizag it dropped marginally from Rs 3,134 to Rs 3,112 but the same was more than offset by the volume growth. Going forward, realisations are likely to improve at all locations. Once the rail operations commence, in absolute terms realisations will improve to about Rs 20,000 per TEU (depending upon the route) at Garhi. This amount is only reflective of the inland haulage charges. It does not include the CFS charges, which would approximate to Rs 3,500 per TEU. Of this Rs 13,500 per TEU would be paid out at freight costs. Margins on this business are likely to be much lower than the existing margins of the company.

Snowman to break even in FY08

In November 06, the company had announced the acquisition of 50.2% stake in Snowman Frozen Foods Limited engaged in cold chain logistic services. This acquisition enabled GDL to offer a complete range of services to its clients. In FY07, this company garnered revenues of Rs 270m. It has accumulated losses to the tune of Rs 180m. The management has guided that this business will not only contribute to the topline more significantly in FY08, but it will break even during the year thereby ceasing to erode the profitability of GDL's profits.

Capacity expansions at new locations in the offing

Currently, GDL has 4 CFSes spread across Vizag, Chennai and Bombay. The fifth CFS is under development and will come up at Cochin. This CFS will commence operations 12 months hence with a capacity to handle 12,000 TEUs p.a. In addition the company is also setting up 2 new ICDs as Faridabad and Ludhiana respectively. Each one will approximately be of the same size of the Garhi facility (about 65 acres). An investment of Rs 1bn and Rs 600m respectively is planned at both locations. This only includes the land and infrastructure cost. Capex on acquiring rolling stock is not included in this. Both ICDs will commence operations only by Q1FY09. The recent JV with Concor envisages a further investment of Rs 700m. The total capex planned on the railways business is to the tune of Rs 6bn of which Rs 2.5bn has already been incurred so far.

Currently the company has placed an order for 2 rakes, which are likely to be delivered within the next one month. Over the next three years, the plan is to ramp it up to 30 rakes. The cost of each rake is about Rs 115m. On a ballpark basis each rake is expected to fetch revenues of about Rs 100m p.a. Under the JV with Concor, in addition to getting lease rentals (Garhi facility leased to the JC company) GDL will also receive 51% share of revenues and profits in the JV Company. Therefore as against previously only receiving the ICD operations charges, it will also receive a part of revenues of the inland haulage charges.

For the Punjab Conware acquisition, the company has paid an upfront fee of Rs 350m. In addition it will have to pay a yearly charge of Rs 100m p.a. It is incurring a capex of Rs 70-80m on certain equipment that needs to be installed. All capex is expected to be funded out of internal accruals and funds raised through the GDR.

Shareholders rewarded by way of a Bonus Issue

In light of healthy growth in profits the board has decided to reward shareholders by way of a bonus issue in the ratio of 1:4 (that is for every four shares held in GDL, one new share is allotted). This will result in the equity rising from the current 92m shares to 115m shares.

Financials & Valuations

During FY07, the company grew revenues by 16.2% to Rs 1,610m and profits by 15.2% to Rs 774m. OPM dropped by 10 percentage points to 50.4% due to pricing pressure at Mumbai. Freights costs witnessed maximum rise since rail haulage paid to Concor under the MoU is accounted for in transportation costs. Also there has been a diesel rate increase in Mumbai, which added further to the increase in transportation costs.

Going forward we expect revenues and profits to compound at 2 year CAGR of 44.7% and 36.1% to Rs 3,398m and Rs 1,418m respectively. We have revised our estimates marginally upwards for both FY08E and FY09E due to higher realisations. As on March 31, the company has debt of Rs 100m and cash of Rs 1.5bn.

At the CMP, the stock is trading at extremely attractive valuations of 17.9x FY08E and 14.2x FY09E EPS estimates of Rs 9.8 and Rs 12.3 respectively (on a diluted equity of 115m shares post bonus issue). With new expansions yielding benefits this fiscal onwards coupled with the buoyant growth prospects and improving demand scenario at Mumbai the stock appears reasonably attractive from a medium term perspective. Upgrade to *Outperformer*.

Key Figures

Y/e March	FY06	FY07E	FY08E	FY09E
Revenues (Rs m)	1,386	1,610	2,683	3,398
EBITDA (Rs m)	837	811	1,390	1,791
Margins (%)	*60.4*	*50.4*	*51.8*	*52.7*
PAT (Rs m)	672	774	1,124	1,418
EPS (Rs)	7.3	8.4	9.8	12.3
PER (x)	24.0	20.9	17.9	14.2
EV / E (x)	15.3	16.9	12.7	9.7
EV / Sales (x)	9.2	8.5	6.6	5.1
RoCE (%)	*15.7*	*12.1*	*16.4*	*16.9*
RoE (%)	*18.1*	*12.8*	*16.4*	*17.8*

Notes