Equity Research

Gateway Distriparks:

……….Good Long Term Pick

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Equity Research

Gateway Distriparks Ltd.

BSE	:	532622
NSE	:	GDL
Bloomberg	:	GDPL.IN
CMP	:	115.60
Sector	:	Logistics
View	:	Neutral

Key Metrics

Listing	NSE/BSE
Current Price (Rs)	115.60
Market Cap (Rs Cr)	1245.16
Free Float (%)	54.46
52-WEEK HIGH (Rs)	139.60
52-WEEK LOW (Rs)	42.00
BETA	0.97
P/B (x)	1.00
Current P/E (x)	15.90
PEG Ratio	0.92
Dividend Yield (%)	3.05

Price Performance

Period	Stock	S&P CNX NIFTY
1 M	-0.6	4.24
3 M	25.04	19.69
1 Year	42.28	38.4

Shareholders Pattern as on 30th June 2009

PROMOTER	45.54
FII	16.47
DII	19.00
PUBLIC	12.04
OTHERS	6.95

Company Background:

GDL, a leading provider of port related logistics support services in India, promoted by three business groups based in Singapore and a business group in India. It operates container freight station (CFS) on a pan India basis with strategic locations at Jawaharlal Nehru Port Trust (JNPT), Chennai, Vizag and Kochi.

Investment Rationale:

- With pan India presence, the Company caters to the West coast traffic, demand from the Northern hinterlands as well as the east coast traffic
- The customer base of the Company includes large FMCG companies like HUL, ITC etc and large organized retail chains like Pizza Hut, KFC etc
- The top line and profitability of the rail business are likely to improve with improvement in the utilization level of rakes, lower operating expenses, opening of two additional Inland Container Depots(ICDs) and strong growth of rail logistics
- The Company has strong track record of dividend payment

Key Risks:

- Transport and handling costs could increase with the spike in fuel costs
- Any delay in setting up of dedicated rail freight corridors in Mumbai-Delhi, Delhi-Kolkata sectors, would dilute the attraction in its rail business.
- The Bombay port (JNPT) accounts for around 75% of GDL's business. Thus, any downturn or regulatory changes at JNPT could be detrimental to the Company's growth prospects.
- Increase in container traffic vis-à-vis creation of capacity at the ports could lead to congestion at ports which would result in decline / delay in the throughput handled by the Company

Company Background

Gateway Distriparks Ltd (GDL), a leading provider of port related logistics support services in India, was promoted by three business groups based in Singapore and a business group in India (Singapore-based Windmill Group, Parameswara Holdings, and Thakral Corporation along with an Indian partner, Prism International Pvt. Ltd) in 1994.GDL operates container freight station on a pan India basis with strategic locations at JNPT, Chennai, Vizag and Kochi.

GDL Ltd has 95% ownership interest in its subsidiary Gateway Rail Freight Ltd which operates rail linked terminals with customs facilities (Dry ports) at Gurgaon in Haryana and Ludhiana in Punjab. It also provides rail and transport services from its Kalamboli terminal in Navi Mumbai. GDL Ltd acquired 50.1% shareholding in Snowman Frozen Foods Ltd (SFFL), a joint venture company with Mitsubishi Corporation, Japan. Its Freezer division offers storage facilities at 17 cold stores at location including Mumbai, Delhi, Chennai, Bangalore, Kolkata, Pune, Goa, Kochi, Vizag, Hyderabad, and Ludhiana with capacity of over 11000 pallets for frozen and chilled products and fleet of over 100 refrigerated trucks.

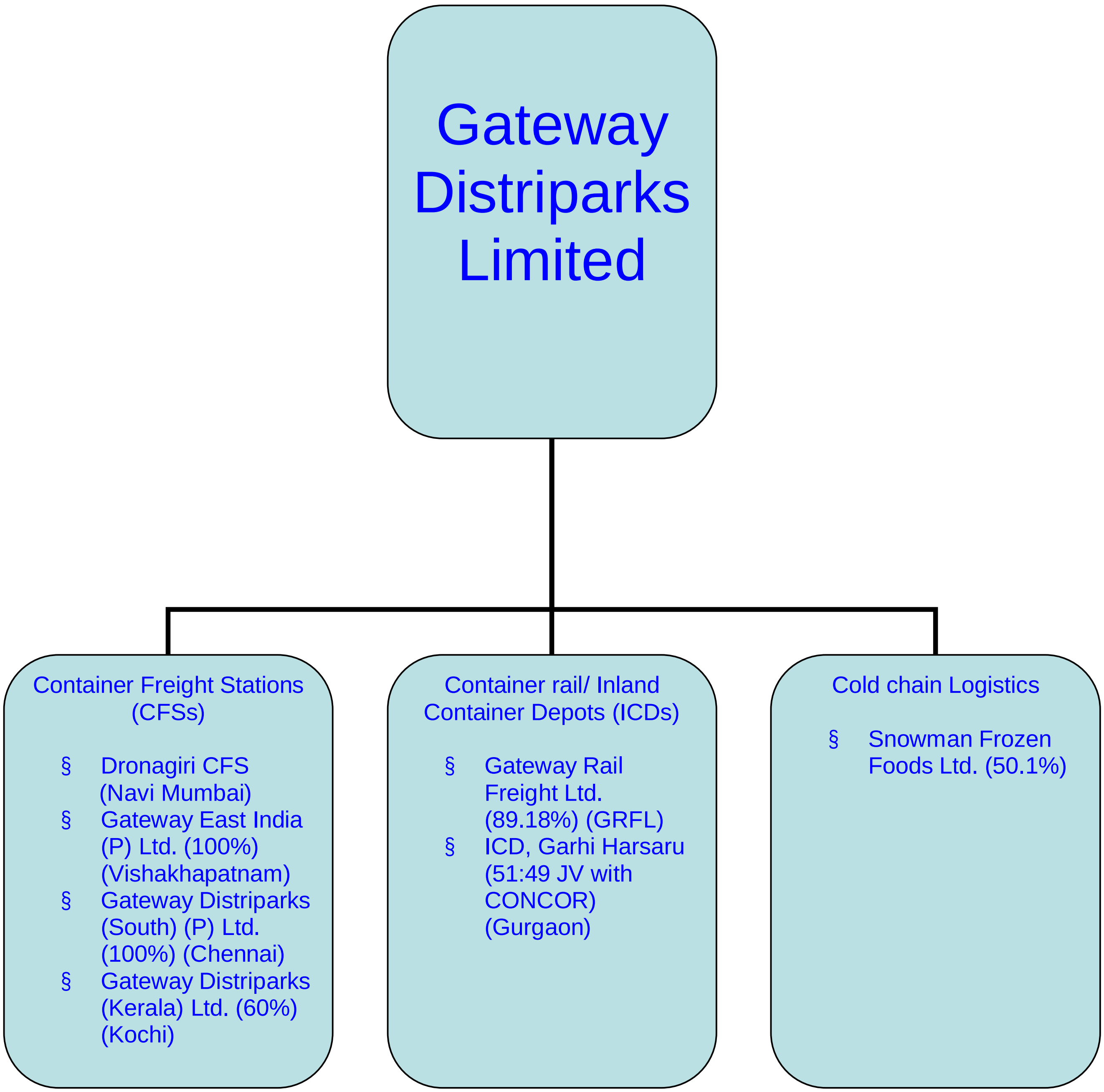
LOCATION OF DIFFERENT CFS/ICDS

Location	CFS/ICDs	Area(Acres)	Capacity	Title
Navi Mumbai- JNPT	CFS	35	216000	Leasehold
Punjab Conware – JNPT	CFS	27	150000	15 years O&M
Chennai	CFS	20	60000	Freehold
Vizag	CFS	20	18000	Leasehold
Cochin	CFS	20	12000	Freehold
Grahi Harsaru	Rail ICD	90	60000	Freehold
Ludhiana	Rail ICD	50	55000	Freehold
Faridabad	Rail ICD	56	36000	Freehold

Source: Company

The service offerings of the Company include transportation of containers to and from the port, stuffing/destuffing of cargo, customs clearance and storage in warehouse or as a full container load in the container yard.GDL also provides a range of value added services such as general and bonded warehousing service, palletizing, shrink-wrapping and other administrative services. It is amongst the few CFSs that provide a single point contact for customs clearance.

GDL operates in three business segments: container handling and storage; container rail business; and cold chain logistics. The CFS/ICD business is the key contributor to the company's revenue and earnings.



Investment Rationale:

Pan Indian Presence

GDL is strategically located and enjoys fair market share. In India, the key container terminals of JNPT at Navi Mumbai and Chennai cater to around 67% of total container traffic. The industrial belts of northern hinterlands of Delhi, Haryana, Punjab and Rajasthan can be catered to by GDL's ICD at Garhi Harsaru. GDL with its pan- India presence at Navi Mumbai, Chennai, Vizag and Delhi and en-route access to Western Gateway ports of Kandla, Pipavav and Mundra can effectively address the requirements of import/export bound container cargo from various strategic locations.

The Company is in the process of setting up a CFS at the fast growing port of Kochi in a joint venture with Chakiat Agencies Private Ltd.

JNPT has recorded a CAGR of 8% from 1.19 million TEUs in 2000-01 to 3.9 million TEUs in 2008-09 in the volume of container throughput handled over the past 8 years. GDL is very well positioned to take advantage of this growth potential at JNPT.

Domestic cargo movement & early mover advantage in Rail Haulage Business to remain key factors

Container traffic on Indian Railways network continues to show high growth due to increase in containerization of bulk movement of cargo offering potential for savings in cost and time.

Currently, the Company operates 17 rakes and is the largest private railway haulage operator in India. In the near term it is not aggressively looking for further addition of new rakes, rather will focus on the better utilization of present rakes. Revenue from rail business grew by 251.0% to Rs 183.36crores in FY09.

GRFL's ICD facility at Ludhiana is operational since May'09. It is showing incremental monthly growth since then, adding to the top line. We expect the rail business to post progressively better results. Further, the Company is already in process of setting up one more ICD at Faridabad that will in operational by FY11.

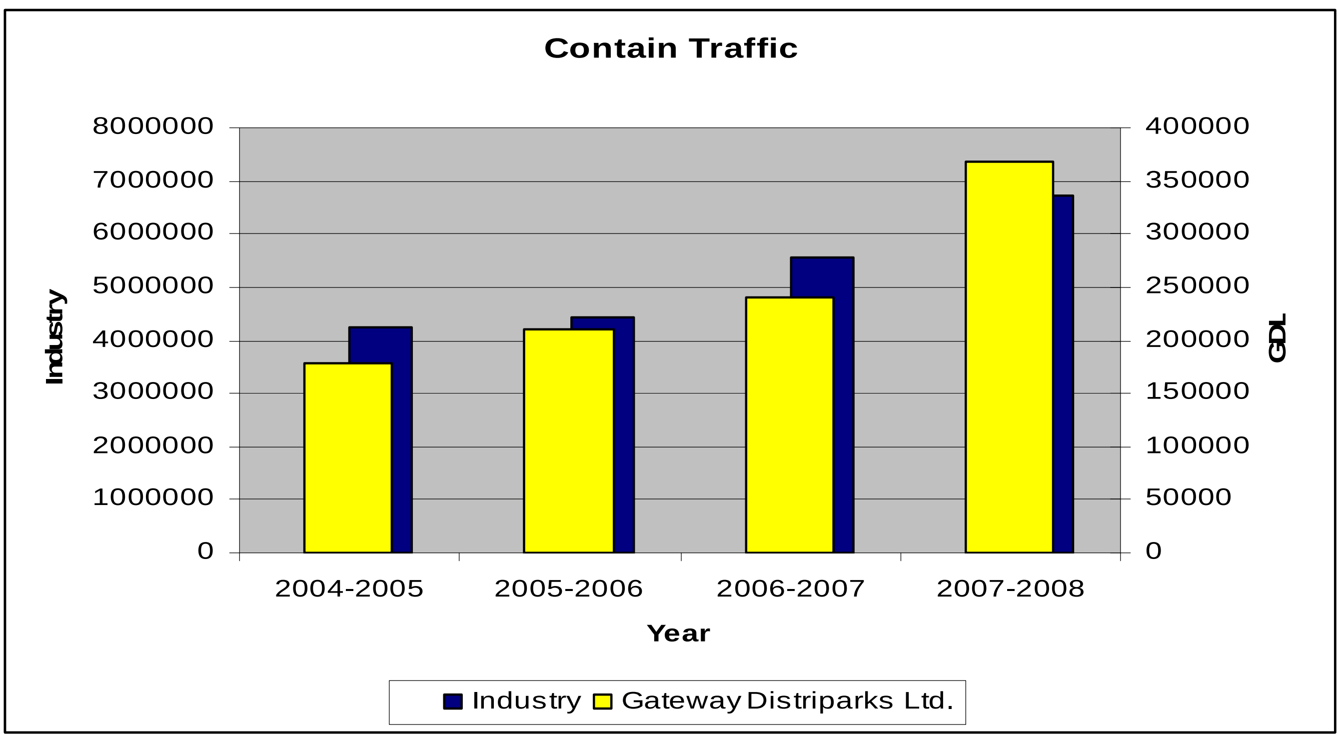
GDL has an edge over other players due to its early entry in to rail haulage business which makes it possible to secure healthy contracts from chemical and construction material companies before other players.

Railways have relative advantage over trucker due to the price benefits. Further, the construction of dedicated freight corridor (DFC) will add additional capacity to the railway haulage business giving the players opportunity to utilize the same.

Containerized cargo represents only 30% of India's Export Import trade as compared to the global average of 70%. As the penetration level of containers in general cargo increases, GDL stands to benefit, with a significant presence at the largest container ports of India, given that it is developing its own haulage system.

EXIM Container traffic in Indian ports has shown impressive growth of 14 % per annum over the past decade. Despite the unfavorable global economic environment, the medium term prospects for EXIM trade from India are bright. Various initiatives from the Government for Public-Private Partnership (PPP) in setting up logistics infrastructure will provide the Company with opportunities to consolidate and grow its CFS business.

The following chart depicts the container traffic in terms of twenty foot equivalent units (TUEs):



Source: India Port Association & Company Website

Diversification into cold chain logistics business to compliment its core business

Cold Chain Logistics business offers market opportunity of Rs. 1000 crore in India. Organized players account for 15.0% of the market share. GDL accounted for 20-25% of the organized market in FY09. Snowman Frozen Foods Ltd is the only organized pan India player in this growing business, with sales of Rs. 34 crore in FY09.

Demand for cold chain logistics services encompassing cold stores and refrigerated transport has increased due to increase in consumption of perishable products and due to the supply chain requirements of retail chains.

The Company uses refrigerated trucks mainly for perishable products which have a chance of early spoilage. The Company cannot provide full services to the container holder of perishable products at its CFS. By diversifying in to Cold Chain business, the company can extend its client base by providing its service to the client of perishable goods. As the company provides cold stores to its clients, it can charge ground rent from its client. Providing cold stores and refrigerated trucks, the Company can retain clients of multi product container importer which require services both for perishable and non perishable products

GDL has progressively increased volume of business not only by maintaining strong relations with its client but also by adding more new customers to its list. Customer base of the Company includes HUL, ITC, Pizza Hut, Amul, and Mother Dairy etc.

Higher dividend pay-out ratio

GDL Ltd has a good dividend track record. For the last 4 years Company has maintained a dividend pay-out in excess of 45.0%. For FY09, the Company declared a dividend of 30% on the face value of Rs 10. With a long term point of view one can look at this investment for constant returns.

Recent Developments

- As on September 7th 2009, the Company announced that the news regarding the sale of its 25.0% stake in subsidiary Gateway Rail Freight; to raise Rs 300 cr via stake sale in PE firm as speculative in nature and not founded on any concrete developments / public statements made by the Company.

KREDENT FINANCE

SWOT ANALYSIS

Strength	Weakness
• First private sector Company to operate container trains. The Government of India expects the volume of EXIM containers to jump from 4 mn TEUs currently to 20 mn in 2014. The JV with Concor for the rail-linked ICD at Gurgaon offers the potential to consolidate its double-stack container business on the NCR-western ports route • The Company has diversified into the cold chain logistics business • GDL offers port-related logistics, rail movement of containers and cold chain logistics services. Ability to provide value-added services will improve its margins	• The Company derives nearly 75.0% of the revenue from JNPT, which is characterized by high competition and pricing pressures on freight operators. A downturn at JNPT or regulatory changes could adversely affect the Company • GDL has 60% of its containers at JNPT for imports, unlike Allcargo, which has 95% of its containers for imports. This lowers GDL's potential to earn ground rent from import containers • At the CFSs, the company has lower margins as it does not own its road transport/handling equipment in these CFSs
Opportunities	**Threats**
• Initiative by Indian Railways to allow private operators to run container trains. ICDs coming up at Faridabad and CFS at Kochi could cater to the current sizeable demand for hinterland connectivity • There is increasing demand for cold chain facilities due to increase in consumption of perishable products and entry of large retail chains, which require extensive network of cold chain stores and refrigerated transport to manage their supply chain • Keeping in line with the global trend, the Planning Commission of India expects the penetration of container cargo in India to improve to 75% as the sector experiences growth in the next few years, underpinned/driven by cost advantages in favor of containerization, which could benefit companies such as GDL	• The sector is capital intensive as cost for acquiring lands for developing ICDs is high • Increase in transport/handling costs will affect the margins of the Company • Business depends on international trade to a huge extent. Hence, companies in this sector have exposure to geopolitical risk

Financials

Exhibit:: Consolidated Financial Analysis

Figures in Crores

Particulars	FY2007	FY2008	FY2009
Total Income	183.60	284.89	460.40
EBIDTA	103.73	117.00	152.14
EBIT	89.87	86.76	107.45
PBT	90.83	86.19	92.29
Reported PAT	77.82	73.56	78.26
Earning Per Share	8.43	6.36	7.27
EBIDTA (%)	56.50	41.07	33.05
EBIT (%)	48.95	30.45	23.34
NPM (%)	42.39	25.82	17.00
ROE (%)	12.58	11.37	12.55
ROCE (%)	12.35	11.17	12.34
Current Ratio	4.76	1.09	0.57
Debt To Equity Ratio	0.01	0.03	0.33
Interest Coverage Ratio	65.60	43.38	5.33

Source: Company

Peer Analysis

Figures in Crores

Company	Gateway Distriparks Ltd.	Allcargo Global Logistics Ltd.	Container Corpn. Of India Ltd.
Total Income	460.40	2,330.07	3,663.96
EBIDTA	152.14	228.51	2,525.46
EBIDTA Margins (%)	33.05	9.81	68.93
Net Profit	78.26	121.57	779.15
Net Profit Margin (%)	17.00	5.23	21.26
EPS	7.27	54.36	59.94
BVPS	57.90	260.23	287.10
CMP (07.10.2009)	115.60	818.20	1231.70
Beta	0.97	0.38	0.51
P/E	15.90	15.05	20.55
P/B	1.00	3.14	4.29
Dividend Yield	3.05	0.29	1.15
Market Cap/Sales	2.70	0.78	4.37

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