Gateway Distriparks

Gateway to park your money

Gateway Distriparks (GDL), a port-related logistics company is all set to shoot up from the current levels on account of various micro as well as macro factors. The scrip is trading near its 52-week low and we think it is an undervalued scrip if we look at the growth prospects in the sector and GDL's ability to grab the opportunities. GDL has a strategic location and also enjoys early mover advantage in this capital intensive business. We would like to emphasise that the scrip has no downside risk. If we take look at the macro factors, the overall logistics sector in India is riding the investment boom in railways and ports. The investment of Rs 60,000 crore in the port sector, has given fillip to the sector. According to the estimates, after the development of ports, the total container handling capacity would rise from 3.9 mn TEUs to 21 mn TEUs in 2014 and this indeed is a vast opportunity. In addition, Indian Railways is also expected to spend on its own infrastructure development. Both these factors are expected to boost the performance of GDL as it is directly associated with the developments in ports and railways. In addition to the above factors, the retail market in India is expected to touch $ 330 bn in 2010 and this will also boost the demand for containerised cargo. The Indian government has set an export target of $150 bn by 2008-09 from the current level of $100 bn and the increasing number of special economic zones is expected to help meet the exports target.

On micro front, there are many organic as well as inorganic growth avenues for GDL, considering that it has Rs 350 crore cash in its kitty which can be invested in various ventures. Its recent entry into the cold chain segment by acquiring 50.10 per cent stake in Snowman Frozen Food clearly indicates the same. The cold chain market is expected to grow at 25 per cent for the organised players. As stated earlier, GDL has the licence for rail-based container service and the ramp up of GDL's own railway freight business will create huge value for the shareholders. It is the most profitable segment which was till date exclusively with Concor.

A prime location and an early mover advantage is the mantra for a highly profitable CFS and GDL has both things in place. JNPT is the largest port in terms of traffic and GDL has locational advantage here. As a result, it has a 20.20 per cent share of the overall CFS market. JNPT is undergoing expansion due to which there will be enough space for the new players too. In addition, the development and expansion of the Chennai port is expected to be a major growth factor for the company. In addition to the above facilities, GDL has already acquired 17 acres of land at Kochi for CFS development. With many ports getting congested, we think the traffic at Kochi port will also increase going forward.

In the ICD too, GDL has a locational advantage. The Garhi ICD is strategically located and can tap the traffic destined for or originating from the nearby industrial areas. The Tuglakabad ICD is now in a congested area and, as a result, GDL has an advantage having an ICD at Garhi. In addition to Garhi, GDL has already acquired 66 acres of land at Faridabad and intends to develop rail-linked ICD. In addition to the above, the company is planning to develop ICDs at Nagpur, Jalandhar and Surendranagar.The capital expenditure for these expansion plans is expected at around Rs 150 to Rs 200 crore. In view of the above factors, even FIIs have increased their stake to 35.72 per cent from 27.89 per cent in just three months.

In line with the overall developments in the logistics sector, the company has posted strong financial results in the past. According to estimates, GDL is expected to post a topline of Rs 166.40 crore and bottomline of Rs 87.30 crore. On the basis of above projected performance, the company is trading at 19x of FY07E earnings, but with new acquisitions and bright growth prospects we expect the valuations to improve further. Hence, we recommend investors to buy the scrip with a minimum two years' perspective.

(The analyst does not hold any shares in the company)

CAPACITY OF GDL

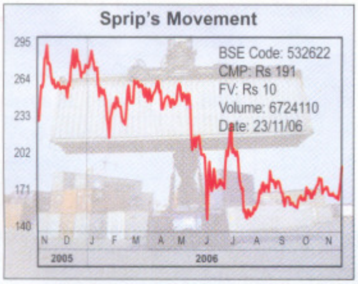
CFS	TEU	Land	Status
JNPT	216000	35 acres	Operational
Chennai	60000	19 acres	Operational
Vizag	30000	20 Acres	Operational
Kochi	15000	17 acres	NA
ICD	**TEU**	**Land**	**Status**
Garhi	360000	100 Acres	Operational
Faridabad	NA	66 Acres	NA

BEST OF LAST ONE YEAR

Company Name	Reco.	CMP(Rs)	Gain %
Marico	278	500	80
Infosys Technologies	1369	2231	63
Cummins India	174	280	61
Gujrat Heavy Chem.	123	176	43
Industrial Investment	68	97	42
Ashok Leyland	32	43	38
TCS	897	1144	28
ITC	143	180	26
Kirloskar Brothers	300	377	26
HDFC Ltd	1317	1652	25
Container Corpn.	1809	2175	20
Taj GVK Hotels	185	220	19

CMP as on November 7, 2006

Sprip's Movement



SHAREHOLDING PATTERN AS ON 30/09/2006

Foreign Promoters	24.88
Indian Promoters	13.43
Banks Fin. Inst. and Insurance	7.01
FII's	35.72
Private Corporate Bodies	7.3
NRI's/OCB's/Foreign Others	1.47
General Public	10.19
Grand Total	**100**

LAST FIVE QUARTERS (Rs/Cr)

	Sep-06	Jun-06	Mar-06	Dec-05	Sep-05
Sales	34.24	31.54	30.29	31.93	35.15
Other Income	6.23	6.75	6.62	2.72	1.64
Operating Profit	20.36	18.25	16.52	19.86	24.03
Interest	0.20	0.33	0.47	0.56	0.63
Depreciation	2.01	2.39	2.19	2.12	2.07
Net Profit / Loss	20.83	19.57	17.98	17.70	20.52
Equity Capital	92.35	92.35	92.20	92.20	75.00