

February 22, 2007

**FOR PRIVATE CIRCULATION**
**Equity**

	21 Feb 07	% Chg		
		1 Day	1 Mth	3 Mths
<b>Indian Indices</b>				
Sensex	14,188	(0.5)	(0.1)	3.5
Nifty	4,096	(0.3)	(0.2)	3.6
Banking	7,177	(0.1)	(4.0)	0.7
IT	3,851	(0.9)	3.2	7.6
Healthcare	3,788	(0.3)	(2.8)	1.8
FMCG	1,867	(0.7)	(5.5)	(7.2)
PSU	6,078	(0.6)	(2.4)	(1.6)
CNX Midcap	5,169	(0.0)	(2.1)	3.1
<b>World indices</b>				
Nasdaq	2,518.4	0.2	3.6	2.1
Nikkei	17,913	(0.1)	3.9	13.8
Hangseng	20,651	0.4	(0.0)	7.9

**Value traded (Rs cr)**

	21 Feb 07	% Chg - 1 Day
Cash BSE	3,872	5.3
Cash NSE	8,441	8.2
Derivatives	48,153	22.6

**Net inflows (Rs cr)**

	20 Feb 07	% Chg	MTD	YTD
FII	473.9	115.2	4,216	4,376
Mutual Fund	3.0	(97.7)	(1,193)	(2,535)

**FII open interest (Rs cr)**

	20 Feb 07	% chg
FII Index Futures	13,152.8	(2.8)
FII Index Options	8,044.4	0.0
FII Stock Futures	18,565.0	0.2
FII Stock Options	53.7	7.2

**Advances/Declines (BSE)**

	21 Feb 07	A	B1	B2	Total	% Total
Advances	95	289	284	668	43	
Declines	118	344	388	850	55	
Unchanged	2	9	17	28	2	

**Commodity**

	21 Feb 07	% Chg		
		1 Day	1 Mth	3 Mths
Crude (NYMEX) (US\$/BBL)	60.1	2.1	15.5	(0.2)
Gold (US\$/OZ)	678.9	3.3	7.0	7.6
Silver (US\$/OZ)	14.2	2.8	9.8	8.6

**Debt/forex market**

	21 Feb 07	1 Day	1 Mth	3 Mths
10 yr G-Sec yield	7.96	8.00	7.90	7.47
Re/US\$	44.19	44.18	44.17	44.87

**Sensex**


Source: Bloomberg

**ECONOMY NEWS**

- The Group of Ministers headed by External Affairs Minister Pranab Mukherjee has endorsed the Civil Aviation Ministry's proposal to merge state-run carriers Air-India and Indian, Civil Aviation Minister Praful Patel said. (BS)
- Taxpayers may have to wait at least a year for some of the big-ticket changes in direct tax policy to materialize. The Finance Ministry has decided to introduce key changes in direct taxes in the revised Income Tax Bill rather than push them in the coming Budget. (ET)
- The Government's move to usher in a uniform tax rate for goods and services may gather momentum only in 2008-09. The Finance Ministry has put on hold the proposal to hike service tax rate from 12% to 14%. (ET)
- The possibilities of a 1% cess for higher education appears to be losing support as the Finance Ministry is more in favor of using revenue buoyancy to meet additional demand. (ET)
- The Center's net direct tax collections grew 39.5% in April 1-February 15, more than double the budgeted collection growth rate of little over 19% for the current fiscal. (BL)

**CORPORATE NEWS**

- **Infosys** could make a move to acquire UK-based SmartStream Technologies, which provides solutions for financial services sector, for over £100 mn. SmartStream, majority owned by US buyout fund TA Associates, has 38% share of the transaction lifecycle management solutions market. (ET)
- Singapore's Changi Airports International and the **Tata Group** have entered into a strategic alliance to vie for modernization and upgradation of metro and non-airports. The two sides have signed an MoU to jointly invest, develop and manage Indian airports. (ET)
- Indian Oil, **Essar Oil** and the **HPCL-Mittal** consortium have firmed up plans to bid for a controlling stake in Port Harcourt Refinery Complex, one of the largest refineries in Nigeria. (ET)
- **BPCL** will sell its 49% holding in Bharat Shell to Shell Overseas Investments, exiting the lubricant joint venture company. The sale is subject to Government approval, but the BPCL stake is expected to be valued at about Rs.1.3 bn to Rs.1.5 bn. (ET)
- Amidst high speculation on the possible areas for strengthening of relations down the hydrocarbon chain between oil major Chevron Corp and **Reliance Industries**, indications are that the two are likely to deliberate on foraying into midstream activities - gas marketing. (BL)
- **Hindalco's** hopes of turning around its prized acquisition, Novelis, in three years took a setback, with a group of bottlers led by Coca Cola taking legal action against the Atlanta-based company on alleged breach of contract for an undisclosed amount. (BS)
- **Tata Motors** has crept past Hyundai Motor India Ltd in domestic car sales in January to gain the coveted second slot in the Indian car market. According to the Society of Indian Automobile Manufacturers, Tata Motors sold 17,673 units in January. (BS)
- The Vijay Mallya-promoted **United Breweries** group has started examining the books of the Scotland-based Whyte & Mackay as a precursor to acquiring the foreign company for the reported £550 mn (Rs.47 bn). (BS)

Source: ET = Economic Times, BS = Business Standard, FE = Financial Express, BL = Business Line, ToI: Times of India, BSE = Bombay Stock Exchange

## FROM OUR RESEARCH TEAM

### RESULT UPDATE

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## GATEWAY DISTRI PARKS LTD (Rs.172, FY08E PE: 15.5x, BUY)

The Q3FY07 results have been below expectations due to one time acquisition cost of Snowman Frozen Foods Ltd. We maintain BUY with a revised price target of Rs.239 (39% upside potential)

On a consolidated basis, the company handled 57374 TEUs in Q3FY07 against 55259 TEUs in Q3FY06, thereby registering YoY growth of 3.8%.

#### Summary table - consolidated

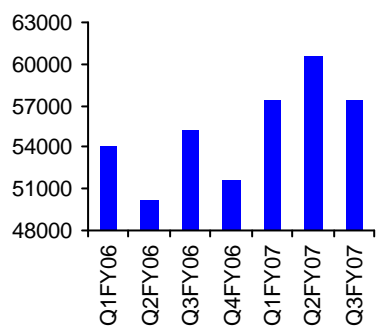
(Rs mn)	FY06	FY07E	FY08E
Sales	1,386	1,648	2,364
Growth (%)	45	19	43
EBITDA	837	819	1,208
EBITDA margin (%)	60.4	49.7	51.1
Net profit	722	804	1,021
Net debt	(3,207)	(1,295)	(1,027)
EPS (Rs)	7.8	8.7	11.1
Growth (%)	108.8	11.3	26.9
DPS (Rs)	3.0	3.0	3.0
ROE (%)	12.6	12.9	14.7
ROCE (%)	13.8	14.9	16.9
EV/Sales (x)	9.1	8.8	6.3
EV/EBITDA (x)	15.1	17.8	12.3
P/E (x)	22.0	19.7	15.5
P/BV (x)	2.8	2.5	2.3

Source: Company & Kotak Securities - Private Client Research

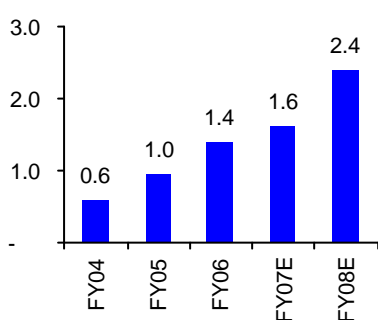
#### GDL quarterly performance - Consolidated

(Rs mn)	Q3FY07	Q3FY06	YoY (%)	Q2FY07	QoQ (%)	9MFY07
<b>Net Sales</b>	<b>414</b>	<b>346</b>	<b>19.4</b>	<b>382</b>	<b>8.4</b>	<b>1,141</b>
Staff cost	22	19	14.8	16	35.1	53.2
Transportation cost	87	33	164	68	28.1	204
Labour cost	22	13	71.7	10	109.3	44
Sub contract xp.	19	18	5.7	19	0.9	55.3
Auction exp.	8	2	367.0	1	509.4	12.0
Other exp	57	54	4.3	48	18.1	158
Total Exp.	214	138	54.8	163	31.9	527
<b>EBIDTA</b>	<b>199</b>	<b>208</b>	<b>(4.2)</b>	<b>219</b>	<b>(9.1)</b>	<b>613</b>
Other income	57	27	113.0	59	(4.9)	181
Depreciation	36	27	34.5	27	33.1	93.4
<b>EBIT</b>	<b>220</b>	<b>208</b>	<b>5.8</b>	<b>251</b>	<b>(12.6)</b>	<b>701</b>
Interest	2	6	(60.1)	3	(22.1)	9.9
<b>PBT</b>	<b>217</b>	<b>202</b>	<b>7.7</b>	<b>248</b>	<b>(12.5)</b>	<b>691</b>
Tax & deferred tax	31	23	34.8	37	(16.1)	96.7
<b>Net Profit</b>	<b>186</b>	<b>178</b>	<b>4.2</b>	<b>211</b>	<b>(11.8)</b>	<b>595</b>
Less minority int.	(2.4)	-	-	0.1	(2,595.8)	(2.1)
<b>PAT</b>	<b>188</b>	<b>178</b>	<b>5.6</b>	<b>211</b>	<b>(10.7)</b>	<b>597</b>
One time expence	21.2			-		21.2
<b>NPAT</b>	<b>167</b>	<b>178</b>	<b>(6.3)</b>	<b>211</b>	<b>(20.7)</b>	<b>576</b>
Equity shares o/s (mn)	92.3	75.0		92.3		92.3
<b>Ratios</b>						
<b>Operting profit margin (%)</b>						
<b>excluding other income</b>	<b>48.2</b>	<b>60.0</b>	<b>-1180 bps</b>	<b>57.4</b>	<b>-920 bps</b>	<b>53.8</b>
Staff cost / sales	5.3	5.5		4.2		4.7
Transport cost / sales	21.1	9.5		17.8		17.9
Labour cost / sales	5.3	3.7		2.7		3.9
Sub cont. exp. / sales	4.6	5.1		4.9		4.8
Auction exp. / sales	2.0	0.5		0.4		1.1
Other Exp. / Sales	13.7	15.7		12.6		13.9
Tax % of PBT	14.5	11.6		15.1		14.0
EPS (Rs)	1.8	2.4		2.3		6.2
CEPS (Rs)	2.2	2.7		2.6		7.2
<b>TEU`shandled</b>	<b>57374</b>	<b>55259</b>	<b>3.8</b>	<b>60497</b>	<b>(5.2)</b>	<b>175311</b>
Avg. Realisations per TEU	7,210	6,270	15.0	6,309	14.3	6,507

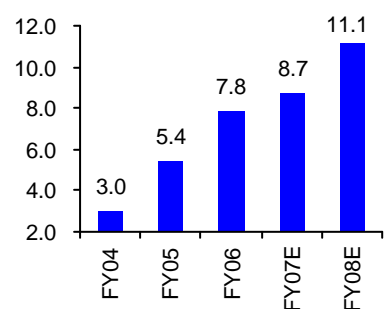
Source: Company

**TEU's handled - Quarterly**

Source: Company

**Net sales (Rs bn)**

Source: Company, Kotak Securities - Private Client Research

**EPS (Rs)**

Source: Company, Kotak Securities - Private Client Research

- Net sales for Q3FY07 was at Rs.414 mn, up 19.4% on a YoY basis and 8.4% on a QoQ basis due to higher contribution from the Garhi inland container depot on running container trains jointly with Concor.
- On a consolidated basis, average realizations per TEU were Rs.7210 in Q3FY07, as against Rs.6270 in Q3FY06, thereby registering YoY growth rate of 15.0%. The average realization at JNPT was also up 18.9% on a YoY basis to Rs.7868 per TEU.
- EBIDTA margin during Q3FY07 was down 1180 bps to 48.2% on a YoY basis due to significant rise in transportation and labor costs. Transportation cost as a percentage of sales rose from 9.5% in Q3FY06 to 21% in Q3FY07. Also, the labor cost to sales ratios stood at 5.3% in Q3FY07 as against 3.7% in Q3FY06.
- EBIDTA for Q3FY07 was at Rs.199 mn down 4.2% on a YoY basis and 9.1% on a sequential basis.
- Interest cost declined significantly in Q3FY07 to Rs.2 mn, down 60.1% YoY and down 22.1% on a sequential basis, as the company prepaid the loans having a very high rate of interest.
- The other income of the company went up significantly to Rs.57 mn in Q3FY07 as against Rs.27 mn in Q3FY06. This was primarily due to Rs.51.2 mn income from the proceeds of the GDR issue, which were invested in short-term fixed deposits and liquid mutual funds, pending deployment in business.
- PBT for Q3FY07 was up 7.7% YoY and down 12.5% on sequential basis to Rs.217 mn.
- PAT for Q3FY07 excluding one-time expenditure was at Rs.188.4 mn, up 5.6% on a YoY basis.
- NPAT for Q3FY07 was at Rs.167.2 mn, thereby translating into quarterly EPS of Rs.1.8 and quarterly CEPS of Rs.2.2. NPAT is down 6.3% on YoY basis and down 20.7% on a sequential basis due to one-time payment of Rs.21.1 mn towards the acquisition cost of Snowman Frozen Foods Ltd. We feel this is positive for the company in the long-term, as it will help the company to expand into new business.

**Steady growth in dispatch of trains from rail terminal ICD at Garhi Harsaru (near Delhi)**

GDL has got category one license from the Ministry of Railways to run container trains from domestic and export import cargo. GDL, with its tie up with Concor has run the first container train from the rail terminal ICD at Garhi Harsaru (near Delhi) to Mundra port on May 3 2006. This was followed up with another train between Garhi ICD and JNPT. Subsequently, the company has run two trains in June, four trains each in July and August, and 14 trains in September.

In October the company has run 19 trains, 24 trains in November and 19 in December. The dispatches are lower in December as the trains in the last week of December were dispatched in the first week of January 2007. The company is planning to increase the frequency of the services progressively for both imports and exports from and to JNPT and other gateway ports.

**Expansion plans on track**

The company is setting up its second rail-linked ICD at Faridabad, which will be on the electric railway route connecting JNPT to North India. The Faridabad ICD is expected to commence commercial operation by August 2007. GDL also has plans to set up a greenfield project at the Kochi port to set up a container freight station. Initially, the CFS will have a capacity of handling 15,000 TEUs per annum and will be spread across an area of 11 acres and is expected to commence commercial production by December 2007. However, we have not included any revenues or profitability out of the above ventures into our estimates, as we would like to monitor the progress of the construction of the facilities.

### Additional business opportunities at JNPT/NSICT

The first jetty of the new third terminal, which is being set up at Jawaharlal Nehru Port Terminal, Nhava Sheva, has commenced commercial operations in April 2006. The new terminal is expected to add another 1.3-1.5 mn TEUs capacity to the port. As against this additional capacity, no new CFS has been built around JNPT. The third terminal could bring additional business of 35000 TEU per annum to the company in the full year of operation. With the Punjab Conware CFS, the company is uniquely positioned to take advantage of the growth potential at JNPT.

#### Change in estimates

(Rs mn)	Old		Revised	
	FY07E	FY08E	FY07E	FY08E
Sales	1967	2,602	1,648	2,364
EBIDTA	1009	1,382	819	1,208
Net Profits	860	1,114	804	1,021
EPS (Rs)	9.3	12.1	8.7	11.1
CEPS (Rs)	11	14.5	10.2	13.1

Source: Kotak Securities - Private Client Research

- Accommodating Q3FY07 results we are revising our earnings estimates. We estimate the company to report lower net sales of Rs.1.6 bn in FY07E and Rs.2.4 bn in FY08E, as against our earlier estimate of Rs.1.9 bn and Rs.2.6 bn, respectively. This is primarily due to lower than expected growth in number of trains from Garhi ICD near Delhi.
- We expect the company to report lower PAT of Rs.804 mn in FY07E and Rs.1.02 bn in FY08E as against our earlier estimate of Rs.860 mn and Rs.1.11 bn, respectively. This is primarily due to higher than expected transportation and labor costs and also due to one-time cost for acquisition of Snowman Frozen Foods Ltd.
- Accordingly, we are revising the EPS estimate of the company downwards from Rs.9.3 to Rs.8.7 in FY07E and from Rs.12.1 to Rs.11.1 for FY08E.

#### Valuation and recommendation

- At the current market price of Rs.172, the stock trades at 2.5x for FY07E and 2.3x FY08E to book value.
- It discounts FY07E and FY08E earnings at 19.7x and 15.5x, respectively.
- It discounts FY07E and FY08E cash earnings at 16.9x and 13.1x, respectively.
- We remain positive on the growth prospects of the company. Increasing containerisation, export import trade and the company's presence at all the major ports and rail-linked ICD would keep its position stronger in the future as well.
- The expansion into new businesses such as Punjab Conware, cold storage and rail movement of Cargo is expected to be the major growth drivers for the company going forward.
- We maintain our positive bias for the stock and continue to recommend a **BUY** with a revised price target of Rs.239, which provides 39% upside potential. We maintain a **BUY**.

**We continue to recommend a BUY on GDL with a revised price target of Rs.239**

## Bulk deals

Trade details of bulk deals					
Date	Scrip name	Name of client	Buy/ Sell	Quantity of shares	Avg. Price (Rs)
21-Feb	Cerebra Int	Samta Jain	B	35,000	13.49
21-Feb	Conart Engin	H.R. Javeri	S	25,735	34.89
21-Feb	Deep Inds	Dilip B Desai	B	100,000	57.21
21-Feb	Epic Energy	Jasbir Singh	B	40,000	1.14
21-Feb	Epic Energy	Amrit Mahtani	S	58,905	78.00
21-Feb	Global Broad	Vinod N. Doshi	S	149,996	684.88
21-Feb	Gopala Polyp	Karni Dan Singh	S	49,000	7.10
21-Feb	Indra Gas	Robert Fleming Nominees	B	1,160,000	112.05
21-Feb	Karut Net L	Piush Avlani	B	38,255	235.35
21-Feb	Kaveri Tele	Kanaiyalal M. Sheth	S	56,318	56.67
21-Feb	Mida Pharms	Himmat Ratanshi Patel	B	63,530	5.62
21-Feb	Mohit Indust	Mala Hemant Sheth	B	25,000	60.00
21-Feb	Mohit Indust	Ketan Chandan	S	25,000	60.00
21-Feb	Shamke Multi	Gulshan Investment	B	1,000,000	1.50
21-Feb	Simplex Trad	Parvati Minerals Private	B	5,000	166.49
21-Feb	Simplex Trad	Girish Metal Pvt Ltd	B	3,000	166.50
21-Feb	Simplex Trad	Surendrakumar Somany HUF	S	19,079	166.50
21-Feb	Simplex Trad	Prasann Somany	S	4,500	166.50
21-Feb	Som Distil B	Anand Chunilal Mehta	B	176,207	21.75
21-Feb	Sujana Metal	Citigroup Global Mkt Maur	B	661,304	110.14
21-Feb	Sujana Metal	HSBC Financial Services M	S	500,000	110.05
21-Feb	Sumeet Indus	Purshottam Khandelwal	S	153,595	31.97
21-Feb	Tantia Cons	Prism Impex Pvt Ltd	B	85,000	116.97
21-Feb	Thiru Aroora	Rhodes Diversified	B	100,000	170.40
21-Feb	Tripex Over	Shahra Securites Pvt Ltd	B	99,850	161.68
21-Feb	Triven Glass	Sainath Herbalcare Market	B	100,000	53.58

Source: BSE

## Gainers & Losers

### Nifty Gainers & Losers

	Price (Rs)	% change	Index points	Volume (mn)
<b>Gainers</b>				
Bharti Airtel	808	2.0	6.1	1.7
Suzlon Energy	1,023	3.8	2.2	1.4
Tata Steel	455	2.4	1.2	2.9
<b>Losers</b>				
Infosys Tech	2,311	(2.1)	(5.5)	1.2
TCS	1,284	(1.2)	(3.1)	1.0
BHEL	2,315	(1.9)	(2.2)	0.4

Source: Bloomberg

## Forthcoming events

### COMPANY/MARKET

Date	Event
22-Feb	Firstsource Solutions hosts listing ceremony at NSE, Wockhardt to announce earnings and dividend; Shoppers Stop holds conference for announcing joint venture; Real Dabur Foods holds press conference; Uday Kotak holds press conference; Max India holds press conference for its future plans
23-Feb	Power Finance Corporation hosts listing ceremony at NSE
23-27 Feb	Initial Public Offer of Page Industries opens
26-Feb	India to present Railway Budget for year 2007-08
27-Feb	India to announce economic survey for year ending March 2007
28-Feb	India to unveil Federal Budget for year 2007-08 Alfa Laval to announce earnings and dividend.

Source: Bloomberg

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