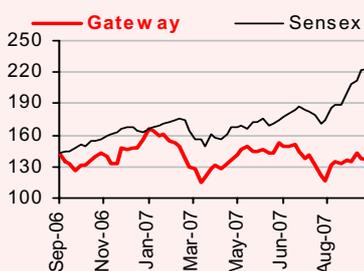


Key data

Sector	Logistics
Market cap	Rs17.6bn/US\$0.4bn
52 Wk H/L (Rs)	171.52/110.12
Avg. daily vol. (6 month)	806,514
BSE Code	532622
NSE Code	GDL
Bloomberg	GDPL IN
Reuters	GATE.BO
Sensex	19738
Nifty	5940


Shareholding pattern (%)

	30-Jun-07	30-Sep-07
FII's NRI, ADR/GDR	35.6	34.2
MFs and institutions	8.4	7.9
Promoters	39.1	39.6
Others	16.9	18.2

Absolute returns (%)

	1mth	3mth	12mth
Gateway Distriparks	20.8	15.5	2.7
Sensex	0.8	27.8	41.6

Manak Gaushal
 manak.gaushal@religare.in
 +91 22 6655 0106

Sneha Rungta
 sneha.rungta@religare.in
 +91 22 6655 0170

Gateway Distriparks

Accumulate
Current Price: Rs.153
Target price: Rs.170

We recently met the management of Gateway Distripark (GDL). The key takeaways are:

Rail JV with Concor kicks off. Gateway Rail, a subsidiary of GDL has formed a JV with Concor to run container trains on the EXIM routes from its Garhi ICD. This JV comes into effect from 1st Dec'07 with both the companies initially deploying 2 trains each. The ICD revenues will be shared in the ratio of 51:49, however both will deploy same number of trains at any given point of time.

Strong volume CAGR of 41% in container traffic over FY07-10E. GDL will witness a strong volume growth at a 41% CAGR over FY07-10E driven by the ramp up of Punjab Conware and start off of the rail JV with Concor. The addition of new rail linked ICD's at Faridabad and Ludhiana from Q4FY09 onwards will lead to a further surge in container volumes.

Higher competition will limit margin improvement. Rising operating costs and increasing competition will keep a check on the margins, thus leaving little room for improvement. Margins seem to have bottomed out in Q2FY08 and will remain stable at these levels with slight improvement in the upcoming quarters driven by an improving import export mix at the Punjab Conware facility and commencement of exim rail operations.

Commencement of rail operations on the EXIM route will provide earnings upside. Gateway Rail will gradually add more rakes by 1HFY09 wherein the full impact of the JV will be seen. The commissioning of rail linked ICD's at Faridabad & Ludhiana from Q4FY09 onwards will lead to further growth in volumes. Gateway Rail has got delivery of 3 rakes so far with the balance 9 are expected to be delivered by Q2 FY09. Out of total 9, orders for 6 rakes have been placed with Texmaco & 3 with Titagarh. We expect the rail business to be the main growth driver for the company; adding significantly to the topline and the bottomline. GDL has invested Rs3bn till date in its subsidiary Gateway Rail. Further capex of Rs3bn will be needed, which the company plans to fund either through debt or through a private placement of equity.

Valuations. At the CMP of Rs153, the stock trades at 17.4x 1-year forward earnings. We remain positive on GDL's long term prospects and expect earnings to grow at a CAGR of 24% over FY07-10E. At our target price of Rs170, it will trade at 14.5x its 2 year forward earnings. We maintain our

Accumulate rating.

Financials

Year to 31 March	FY06	FY07	FY08E	FY09E	FY10E
Net Revenues (Rs mn)	1,386	1,610	2,556	3,797	5,139
EBITDA (Rs mn)	836	812	1,078	1,597	2,156
PAT adj (Rs mn)	725	779	812	1,112	1,476
EPS adj (Rs)	7.4	6.8	7.0	9.6	12.8
EPS diluted (Rs)	7.4	6.8	7.0	9.6	12.8
EPS growth (%)	71.5	-9.2	4.1	37.0	32.7
P/E (x)	20.5	22.6	21.7	15.8	11.9
Div. yield (%)	2.0	2.3	2.3	2.3	2.3
RoE (%)	19.6	13.1	12.8	16.2	19.3
RoCE (%)	16.9	12.0	11.0	13.2	15.8
Price/BV (x)	2.6	2.8	2.7	2.5	2.2
EV/EBITDA (x)	17.0	19.2	15.0	10.5	7.6
EV/Sales (x)	10.3	9.7	6.3	4.4	3.2

Source: Company, Religare Institutional Research

JV with Concor commences operations

GDL, through its subsidiary Gateway Rail, had formed a 51:49 JV (Container Gateway Pvt Ltd) with Concor, for constructing and operating a rail-linked double-stack container terminal at Garhi-Hasaru. This JV has commenced operations from 1st Dec'07 with 2 trains each being plied by both the companies on the EXIM route.

GDL had been operating the rail-linked ICD at Garhi and Concor had been providing the rail connectivity between Garhi & different ports. This rail terminal caters to the industrial areas of Delhi, Bijwasan, Gurgaon, Manesar, Dharuhera, Bawal, Hissar, Sonapat, Panipat in Haryana and Bhiwadi, Neemrana and Behror in Rajasthan. The operation of this existing terminal now been transferred to Container Gateway on which GDL will be earning lease rentals.

Container Gateway will expand the existing rail linked terminal into a Mega Terminal. The expansion of the terminal will be undertaken by the JV and will become operational in the Q2FY09. It aims at consolidating the cargo volumes of North India for double-stack container train operation on the diesel route from NCR to JN Port, Mundra and Pipavav. This terminal will also have connectivity to the proposed Western Dedicated Freight Corridor.

This Mega Terminal will be developed over an additional area of about 80 acres from current 18 acres and will have a new rail handling and transshipment area, multiple CFS & a warehousing complex. When fully operational, it will have capacity to handle ~400,000 TEU's annually.

The ICD revenues will be shared in 51:49 ratio, while the railway haulage will be shared equally as both the companies will operate equal number of trains. This JV will help GDL to earn lease rentals, 51% of the ICD's revenues and rail haulage charges on the number of trains it operates. Typically rail haulage is much higher than the plain ICD revenues, thus augurs well for GDL's topline. GDL earns a realization of ~Rs7200 /TEU and EBITDA of ~Rs1700 /TEU in its ICD business. Concor, the largest container train operator, earns a realization of ~Rs14,000 /TEU and EBITDA of ~Rs4,000/TEU which shows the earnings potential for GDL.

Revenues & earnings to grow at a CAGR of 47% and 24% over FY07-10E

We expect GDL's earnings to grow at a much slower pace of 23.7% CAGR over FY07-10E vs. sales CAGR of 47.3% due to escalating costs and increasing competition. FY08 will bear the brunt of the drop in margins due to consolidation of Punjab Conware CFS and Gateway Rail operations. We expect earnings growth in FY09 and FY10 to rebound upwards with the full impact of rail business coming in FY09 onwards and also due to the lower base of FY08.

Key Triggers

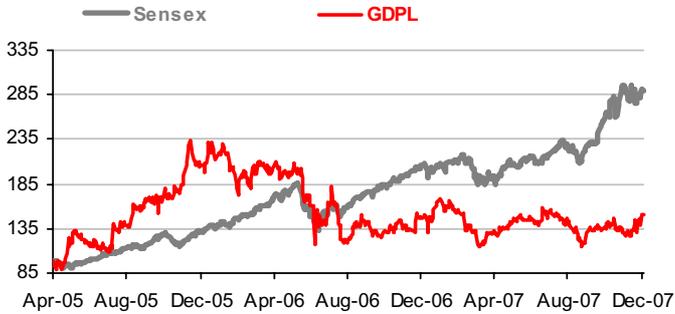
The key triggers for the stock are:

- The full impact of the rail JV with Concor will be seen in FY09
- Punjab Conware will start contributing significantly from FY09 onwards
- Strong earnings growth of 37% and 32.7% expected in FY09 and FY10 respectively
- Private placement of equity might take place in Gateway Rail by the end of FY08

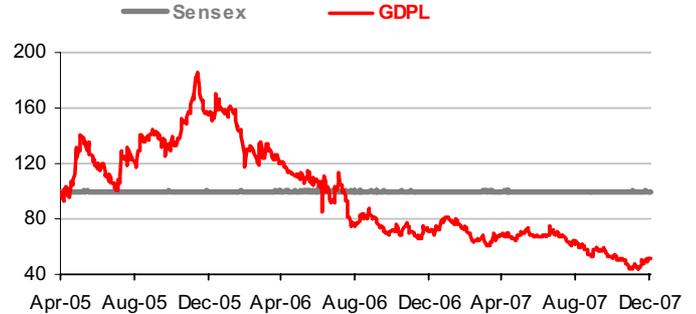
Stock performance

GDL

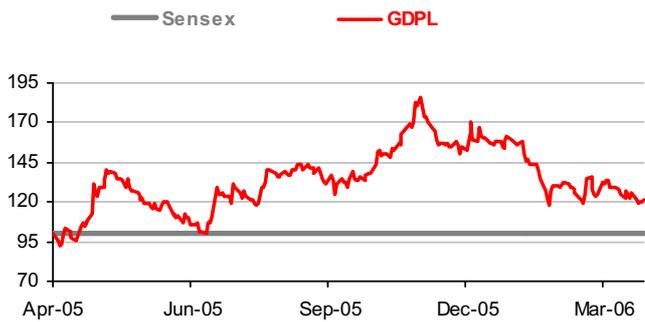
Absolute Perf. From Apr 05



Relative Perf. From Apr 05



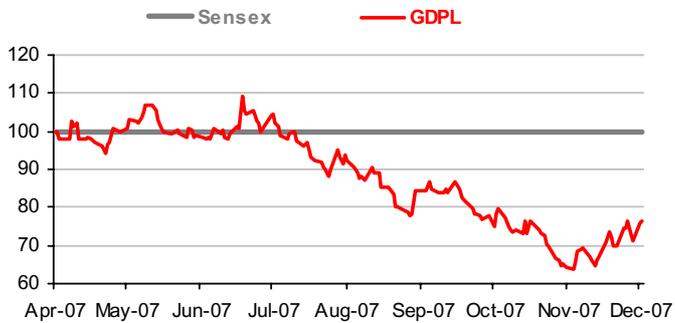
Relative Perf. From Apr 05 to Mar 06



Relative Perf. From Apr 06 to Mar 07



Relative Perf. From Apr 07 to Dec 07

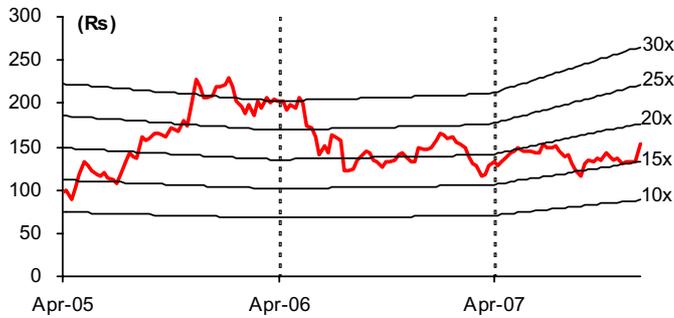


Source: Bloomberg, Religare Institutional Equity Research

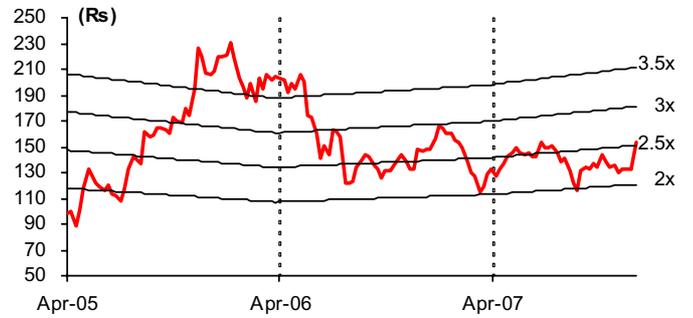
12 month forward rolling band charts

GDL

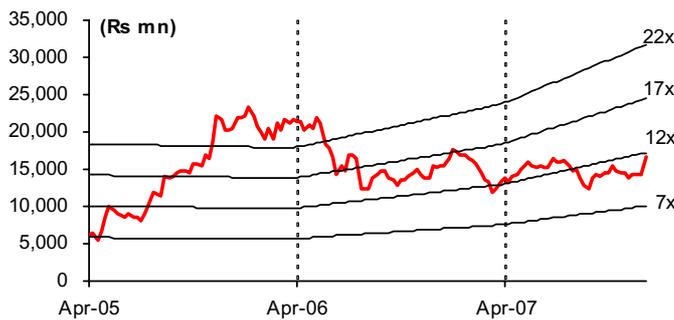
P/E Band



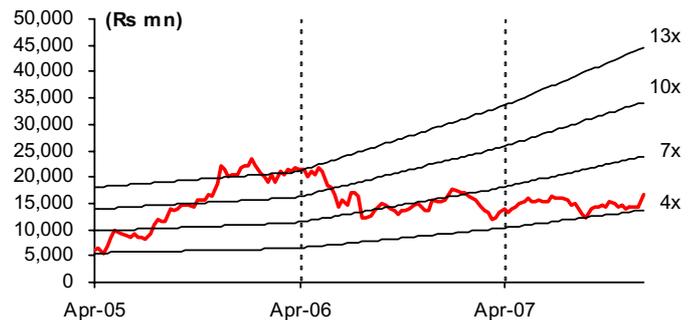
P/BV Band



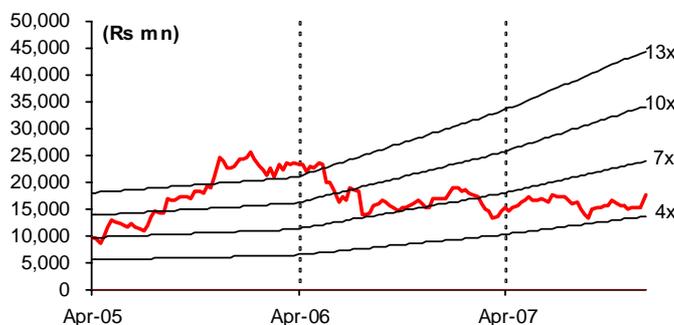
EV/EBITDA Band



EV/Sales Band



Mkt cap/Sales Band



GDL - Financials

Income statement					
	(Rs mn)				
Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
Net sales	1,386	1,610	2,556	3,797	5,139
EBITDA	836	812	1,078	1,597	2,156
EBITDA margin (%)	60.4	50.5	42.2	42.1	42.0
Depreciation	106	139	250	361	441
EBIT	730	674	828	1,236	1,715
Other income	110	250	145	138	118
Interest Exp/(Inc)	25	14	22	35	39
PBT (Operating)	815	910	950	1,339	1,794
PBT margin (%)	54.5	48.9	35.2	34.0	34.1
Extra ord (inc)/exp	2	1	0	0	0
Taxes	91	138	140	190	255
Minority interest	-1	-7	-1	36	63
PAT(Reported)	722	778	812	1,112	1,476
Less: Extra ordinary income / Others	(2)	(1)	0	0	0
Adj PAT	725	779	812	1,112	1,476
Adj PAT margin (%)	52.3	48.4	31.8	29.3	28.7

Quarterly – Financials					
	(Rs mn)				
(Rs mn)	Q2FY07	Q3FY07	Q4FY07	Q1FY08	Q2FY08
Net sales	382	414	469	483	640
Changes (%)	1.4	19.1	41.7	39.9	67.8
EBITDA	219	178	220	220	255
Changes (%)	(10.8)	(14.7)	18.9	13.0	16.6
Margin (%)	57.4	43.0	46.9	45.6	39.9
PAT	211	165	197	187	188
PAT adj	211	167	203	186	189
Changes (%)	10.1	(6.3)	10.0	(6.0)	(10.4)
Margin (%)	55.2	40.4	43.2	38.4	29.5
EPS adj (Rs)	1.8	1.4	1.8	1.6	1.6
EPS dil (Rs)	1.8	1.4	1.8	1.6	1.6

Ratios					
Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
Growth					
Net sales (%)	45.0	16.2	58.8	48.6	35.4
EBITDA (%)	59.4	(2.9)	32.7	48.2	35.0
PAT adjusted (%)	108.8	7.6	4.1	37.0	32.7
EPS adjusted (%)	71.5	(9.2)	4.1	37.0	32.7
EPS diluted (%)	71.5	(9.2)	4.1	37.0	32.7
EPS Consl and diluted (%)	71.5	(9.2)	4.1	37.0	32.7

Valuations					
P/E (x)	20.5	22.6	21.7	15.8	11.9
P/BV (x)	2.6	2.8	2.7	2.5	2.2
EV/EBITDA (x)	17.0	19.2	15.0	10.5	7.6
EV/Sales (x)	10.3	9.7	6.3	4.4	3.2

Profitability					
EBITDA margin (%)	60.4	50.5	42.2	42.1	42.0
Adj PAT margin (%)	52.3	48.4	31.8	29.3	28.7
RoE (%)	19.6	13.1	12.8	16.2	19.3
RoCE (%)	16.9	12.0	11.0	13.2	15.8
RoIC (%)	32.5	17.3	15.2	18.6	22.4

B/S ratios					
Inventory days	0.0	0.0	0.0	0.0	0.0
Creditor days	62.6	92.6	70.7	70.7	70.7
Debtor days	18.4	41.3	42.0	42.0	42.0
Working Capital days	9.9	(97.2)	(40.5)	(16.8)	(4.2)
Net debt/equity	0.1	0.0	0.2	0.3	0.2

Balance sheet					
	(Rs mn)				
Y/E, 31st March	FY06	FY07E	FY08E	FY09E	FY10E
Liabilities					
Equity share capital	922	924	1,156	1,156	1,156
Total Res. & Surplus	4,830	5,264	5,371	6,010	7,014
Total Shareholders' fund	5,752	6,188	6,527	7,166	8,169
Convertible Debt	0	0	0	0	0
Others Debt	319	75	1,045	1,795	1,295
Total Loans	319	75	1,045	1,795	1,295
Deferred tax liability (net)	130	633	651	708	797
Total liabilities	6,201	6,896	8,222	9,668	10,261

Assets					
Net fixed assets & others	2,022	3,660	5,765	7,004	7,563
Capital WIP & others	134	1,103	247	147	147
Total non-current assets	2,156	4,763	6,013	7,151	7,710
Total investments - non current	0	0	0	0	0
Current assets					
Inventories	0	0	0	0	0
Sundry debtors	70	182	294	437	591
Cash & cash equivalents	3,671	2,068	2,478	2,679	2,601
Cash	3,526	2,068	1,978	1,679	1,601
Liquid investments	145	0	500	1,000	1,000
Other current assets	575	109	240	357	483
Total current assets	4,316	2,360	3,012	3,473	3,675
Total current liabilities	108	220	318	468	634
Total provisions	163	7	485	488	491
Net current assets	4,045	2,133	2,209	2,517	2,551
Misc. expenditure	0	0	0	0	0
Total assets	6,201	6,896	8,222	9,668	10,261

Cash flow					
Y/E, 31st March	FY06	FY07E	FY08E	FY09E	FY10E
Cash from operations					
PBT	815	910	950	1,339	1,794
Tax paid	(64)	(75)	(115)	(168)	(225)
Dep & amortization	106	139	250	361	441
Working capital changes	(492)	446	(145)	(109)	(115)
Others	(61)	(204)	22	35	39
Net cash from operations	304	1,215	962	1,459	1,934
Cash from investments					
Capital expenditure	(395)	(2,255)	(1,500)	(1,500)	(1,000)
Sale/purchase of inv & others	(97)	343	(500)	(500)	0
Net cash from investments	(492)	(1,912)	(2,000)	(2,000)	(1,000)
Cash from financing					
Issue of shares & share premium	3,683	20	0	0	0
Dividend paid	(328)	(521)	0	(473)	(473)
Debt change	(539)	(244)	970	750	(500)
Others	(28)	(15)	(22)	(35)	(39)
Net cash from financing	2,787	(761)	948	242	(1,011)
Net change in cash	2,599	(1,458)	(90)	(299)	(78)

Per share data					
Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
EPS adjusted	7.4	6.8	7.0	9.6	12.8
EPS diluted - wtd	7.4	6.8	7.0	9.6	12.8
EPS Consl and diluted	7.4	6.8	7.0	9.6	12.8
CEPS	8.5	8.0	9.2	12.8	16.6
Book value	59.1	53.6	56.5	62.1	70.8
Dividend	3.0	3.5	3.5	3.5	3.5
O/s shs.-actual (mn)	115.3	115.5	115.5	115.5	115.5
O/s shs.-wtd avg (mn)	97.4	115.4	115.5	115.5	115.5
O/s shs wtd / diluted (mn)	97.4	115.4	115.5	115.5	115.5

Religare Institutional Equity Team

Name	Sector	E-Mail ID	Telephone
Sangeeta Purushottam (<i>Head Institutional Business</i>)		sangeeta.p@religare.in	+91 22 6655 0102
Research - Equity			
Arvind Jain	Auto, Steel Pipes	arvind.jain@religare.in	+91 22 6655 0140
Kunal Sheth	Capital Goods / Power Utilities	kunal.sheth@religare.in	+91 22 6655 0141
Manak Gaushal	Cement, Logistics	manak.gaushal@religare.in	+91 22 6655 0106
Nimit Shah	Construction, Real Estate	nimit.shah@religare.in	+91 22 6655 0128
Harshad Deshpande	Information Technology	harshad.deshpande@religare.in	+91 22 6655 0116
Abneesh Roy	Media, FMCG	abneesh.roy@religare.in	+91 22 6655 0176
Paresh Jain	Metals	paresh.jain@religare.in	+91 22 6655 0117
Dikshit Mittal	Oil & Gas	dikshit.mittal@religare.in	+91 22 6655 0115
Vikas Sonawale	Pharmaceuticals	vikas.sonawale@religare.in	+91 22 6655 0112
Naveen Kulkarni	Telecom	naveen.kulkarni@religare.in	+91 22 6655 0185
Archit Kumar	Auto, Steel Pipes, Textiles	archit.kumar@religare.in	+91 22 6655 0190
Sneha Rungta	Logistics, Construction, Cement	sneha.rungta@religare.in	+91 22 6655 0170
Technical research - Equity			
Vidur Pendharkar		vidur.p@religare.in	+91 22 6655 0109
Sales - Equity			
Paresh Mehta		paresh.mehta@religare.in	+91 22 6655 0108
Aisha Udeshie		aisha.udeshie@religare.in	+91 22 6655 0107
Ankur Varman		ankur.varman@religare.in	+91 22 6655 0103
Dealing - Equity			
Rajeev Gupta (<i>Head - Dealing and Sales trading</i>)		rajeev.g@religare.in	+91 22 6655 0104
Jayesh Balsara		jayesh.balsara@religare.in	+91 22 6655 0186
Govind Satam		govind.satam@religare.in	+91 22 6655 0181
Vinita Pandya		vinita.pandya@religare.in	+91 22 6655 0180
Production, Database and administration			
Vishal Randive		vishal.randive@religare.in	+91 22 6655 0160
Sachin Jadhav		sachin.jadhav@religare.in	+91 22 6655 0189

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Buy	: > 15% returns relative to Sensex	Accumulate	: +5 to +15% returns relative to Sensex
Sell	: > (-)15% returns relative to Sensex	Reduce	: (-) 5 to (-) 15% returns relative to Sensex
Hold	: Upto + / (-) 5% returns relative to Sensex		

Religare Securities Ltd. Taj Building, 210, D.N. Road, Mumbai - 400001

**For inquiries contact:
Email: institutionalsales@religare.in
Phone: 6655 0000**

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