

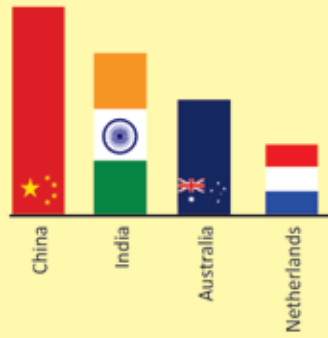
Index

Transformational times! | Growth enablers visible; opportunities galore

CTOs to get DFC boost; organized player market share to increase

	Page No.
Summary	3
Story in charts	6-7
Indian Logistics sector poised for accelerated growth	8-17
a. India's GDP growth is reviving; Logistics industry grows at 1.5-2x GDP growth	
b. Infrastructural bottlenecks being addressed (not just growth; efficiency too)	
i. Ports and evacuation infrastructure	
ii. Dedicated rail freight corridors	
iii. Toll / octroi / inter-state tax mechanisms through GST	
c. Rapid growth of e-commerce	
d. Other initiatives like 'Make in India'	
Opportunities across the spectrum	18-35
a. Logistics encompasses a wide array of services	
i. Transportation – Air, Surface (Rail, Road), Internal Waterways, Sea	
ii. Storage – Warehousing, Logistics Parks, ICDs, Cold Chains	
iii. Distribution – Courier Service, E-tail Deliveries	
iv. Integrated/Allied Services – Freight Forwarding, 3PL	
b. Opportunities galore; we attempt to identify some	
i. Increasing containerization, EXIM growth, DFCs - Container train operators, ports to benefit	
ii. GST, E-commerce, increasing onorganized sector share - Providers of supply chain management/3PL, cold chains to benenfit	
Companies covered and our key stock picks	36-38
Company section	39-105
Container Train Operators	
1. Container Corporation	40
2. Gateway Distriparks	54
Multimodal Logistics Service Providers	
3. Blue Dart	68
4. Gati	74
5. Allcargo Logistics	87
6. Transport Corporation of India	92
Unlisted Players	
7. Ocean Sparkle	97
8. JM Baxi & Co.	98
9. Continental Warehousing	99
10. Star Agri Logistics	100
11. Shree Shubham Logistics	101
12. TVS Logistics	102
13. Safex	103
14. Mahindra Logistics Ltd	104
15. SSN Logistics Pvt. Ltd.(Delhivery)	105
Annexure 1: Dedicited Freight Corridor	106
Annexure 2: Delhi – Mumbai Industrial Corridor (DMIC)	111
Annexure 3: Indian Railways Financial and Operational Summary	112
Annexure 4: Key global and domestic logistics trade statistics	114

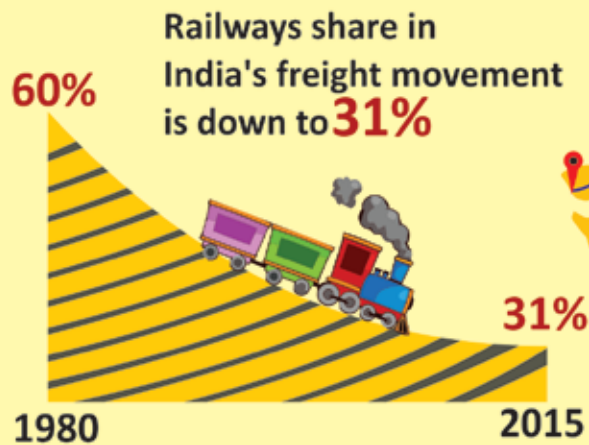
Indian logistics spend in GDP at **~13%**
 v/s **7-8%** in developed countries
 implies inefficiencies;
 Large opportunity for new age
 logistics players



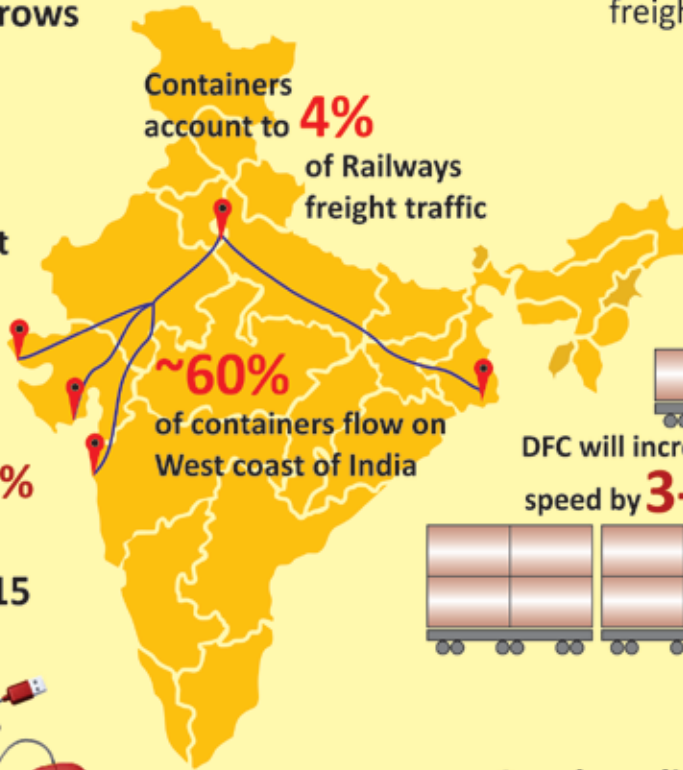
Exim constitutes **> 80%**
 major part of container
 freight in India



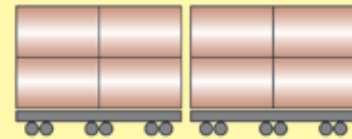
India logistics sector grows @1.5-2x GDP



Containers account to **4%**
 of Railways freight traffic



DFC will increase train length by **2x**
 speed by **3-4x** axle load capacity by **1.3x**



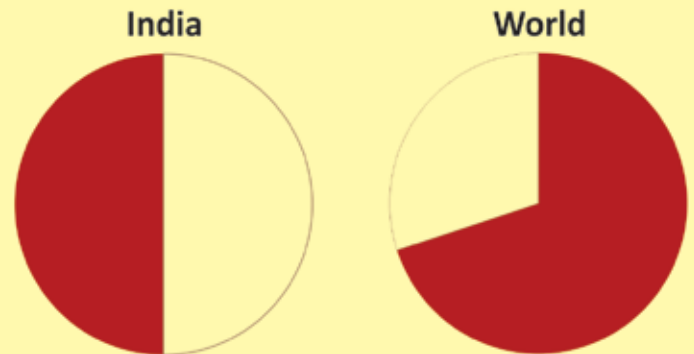
India E-tailing business to grow at more than **>60%** annually over next few years



Logistics expense share at **~10%** E-tailing value

Good quality national highways contribute to only **2%** of India's road network

Four ports contribute to **82%** of India's container traffic



Containers contribute **~50%** of break-bulk cargo at Indian ports v/s **70%** globally

Logistics



Growth enablers visible; opportunities galore

CTOs to get DFC boost; organized player market share to increase

- n India's Logistics sector is poised for accelerated growth, led by GDP revival, infrastructure ramp-up (railways/roads/ports), e-commerce penetration, impending GST implementation, and other initiatives like "Make in India".
- n We see opportunities across the spectrum – transportation, storage, distribution, and integrated/allied services. With dedicated rail freight corridors, container train operators (CTOs) should receive a boost. GST implementation and e-commerce promises to alter the landscape for warehousing and 3PL services.
- n We initiate coverage on Container Corporation (CCRI IN; target price INR1,777, 17% upside, Buy) and Gateway Distriparks (GDPL IN; target price INR535, 30% upside, Buy) – key beneficiaries of dedicated rail freight corridors and economic revival, with a Buy rating. We also cover Blue Dart, Gati, Allcargo Logistics and TCI (Not Rated), that further benefit from GST and e-commerce.

Poised for accelerated growth led by multiple drivers

- n Growth of the Logistics business is directly correlated with economic activity. Empirical evidence suggests that the Indian Logistics industry grows at 1.5-2x the GDP.
- n With the Indian economy on a revival path, we believe India's Logistics sector is poised for accelerated growth. Infrastructural bottlenecks that have stifled growth of the sector and have promoted inefficiency are being addressed.
- n Building of the dedicated rail freight corridors, for instance, will help promote more efficient haulage of containerized cargo by rail. Logistics requirement for e-commerce will grow as exponentially as e-commerce.

Opportunities across the spectrum

- n We see opportunities across the logistics spectrum – transportation, storage, distribution, and integrated/allied services.
- n While economic growth itself presents a case for improved business prospects, there are multiple developments and trends for logistics enterprises to ride on. For CTOs, (a) Increasing containerization, (b) EXIM growth, and (c) dedicated rail freight corridors are key volume growth triggers.
- n Implementation of GST will be a game-changing event for businesses in general and organized logistics players. It would provide a boost to warehousing, supply chain management and 3PL business.
- n Specialized needs of the burgeoning e-commerce and cold chain industry will spawn a range of opportunities for niche organized logistics players.

Companies covered and our key stock picks

- n In this report, we initiate coverage on two large CTOs – Container Corporation and Gateway Distriparks with a Buy rating. While sharp ad-hoc haulage charge increase is a concern, we expect 12-15% CTO volume ramp-up, with CCRI continuing with its leading market share and GDPL benefiting due to its low base.

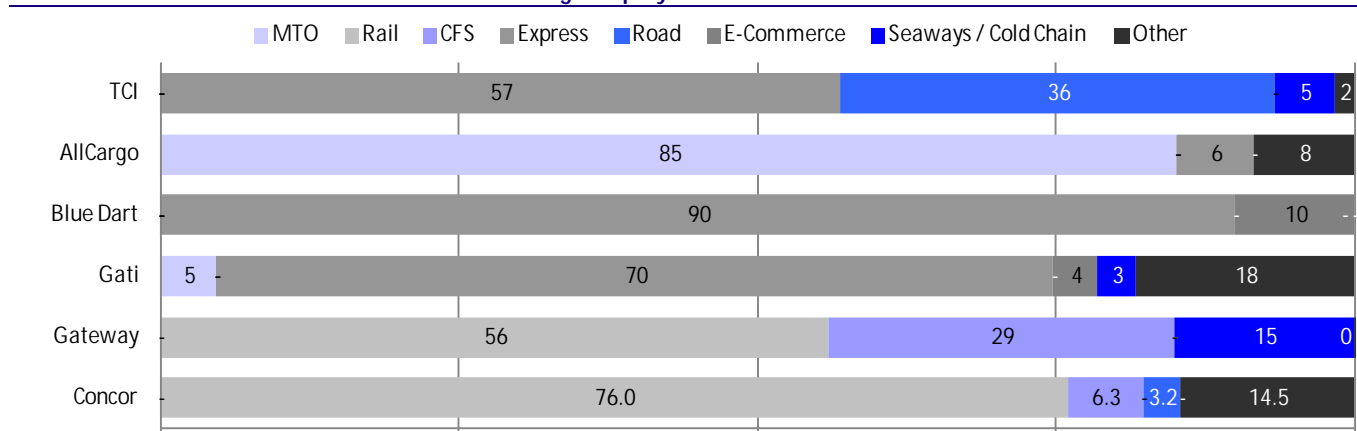
- n Among the other listed entities we have profiled are express cargo/3PL operators like Blue Dart, Gati, TCI and multi-modal operator Allcargo Logistics.
- n In the unlisted space, we include (1) port service providers JM Baxi & Co, and Ocean Sparkle, (2) CFS players Continental Warehousing, Star Agri Logistics and Shree Shubham Logistics; (3) auto logistics players TVS Logistics and Mahindra Logistics; (4) express/3PL player Safexpress and (5) e-tail logistics player Delhivery.

Exhibit 1: Summary of business presence of key logistics players

Company	Transportation				Storage				Valued Added Logistic Services			
	Road	Air	Rail	Water	Warehousing	CFS/ICD	Cold Chain	Bulk Liquid	Express Cargo	Supply Chain/3PL	Multi-modal	Port Handling
Concor			p			p	p					
Gateway Distriparks			p			p						
TCI	p	p	p	p			p		p	p		
Blue Dart	p	p							p	p		
Gati	p	p					p		p	p		
Allcargo											p	
Aegis Logistics								p				
Snowman Logistics							p					
TVS Logistics Services									p	p		
Safexpress Pvt. Ltd									p	p		
Mahindra Logistics									p	p		
Delhivery									p	p		
Continental Warehousing					p							
Star AgriWarehousing					p							
Shree Shubham Logistics					p							
Ocean Sparkle												p
J.M. Baxi												p

Source: Company, MOSL

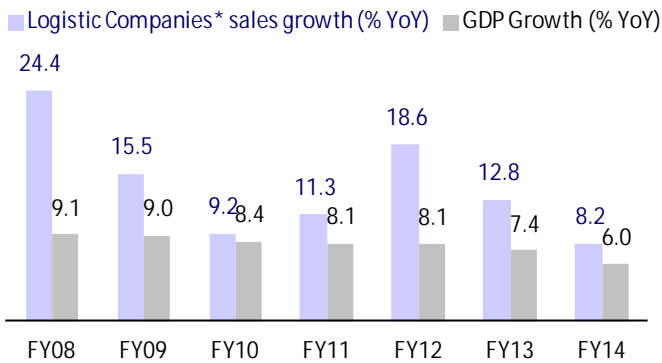
Exhibit 2: Business-wise revenue share of listed logistic players



Source: Company, MOSL

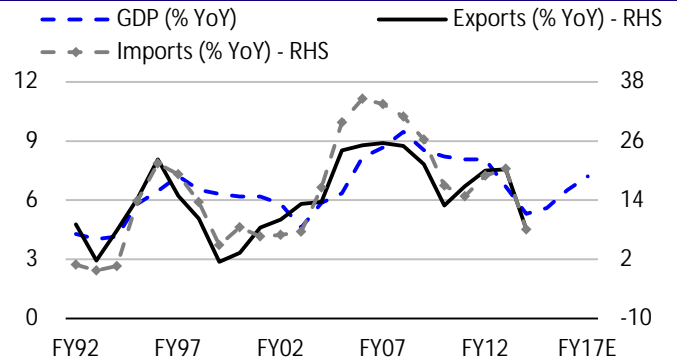
Story in charts

Exhibit 3: Logistics sector grows at 1.5-2x* of GDP growth rate



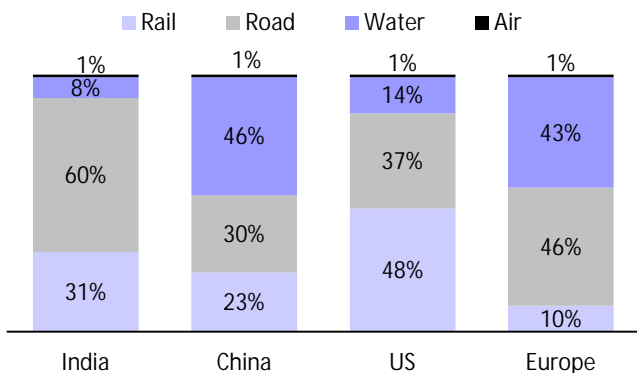
* 2 year average growth; Listed companies include Concor, Gateway, AllCargo, TCI, Blue Dart, Sical and Gati Source: CMIE, Industry, MOSL

Exhibit 4: Road transportation, despite being inefficient mode has highest goods traffic share in India



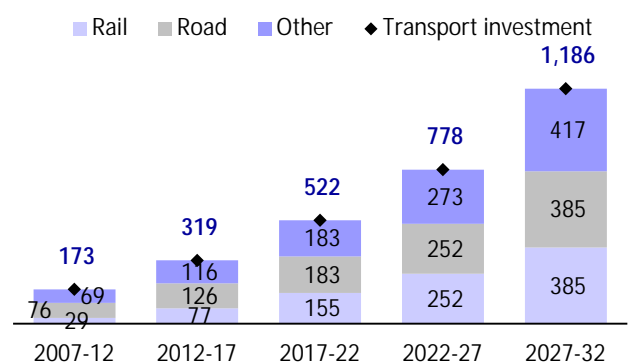
Source: KPMG

Exhibit 5: Underinvestment in railways increased road sector (relatively inefficient transport mode) share to 60% v/s 30-46% share in other regions in India's freight transport



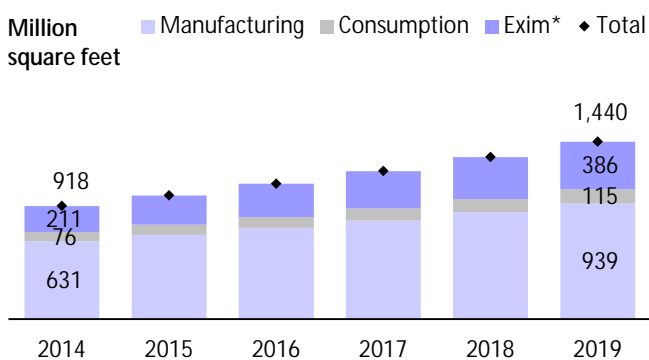
Source: KPMG, MOSL

Exhibit 6: Expect transport mode imbalance situation to improve with GST implementation and expected capex on transport infrastructure (USD b)



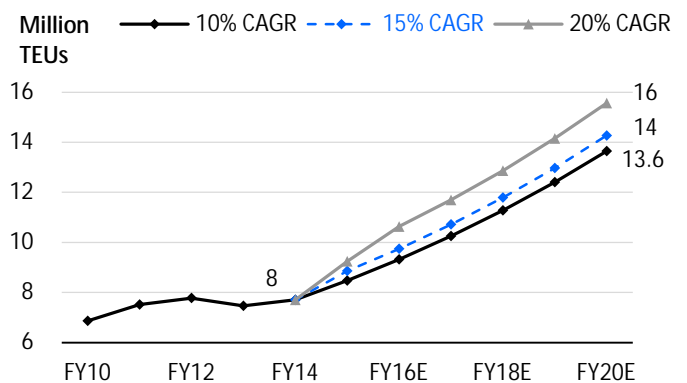
Source: NTDP, MOSL

Exhibit 7: GST reform to boost warehousing demand, expect 9% CAGR, implying addition of 520million square feet



*Covered and uncovered portion of ICD/CFS considered Source: Knight Frank, MOSL

Exhibit 8: Expect India's major port container volume to be 2x by FY20 led by EXIM growth and increased containerization



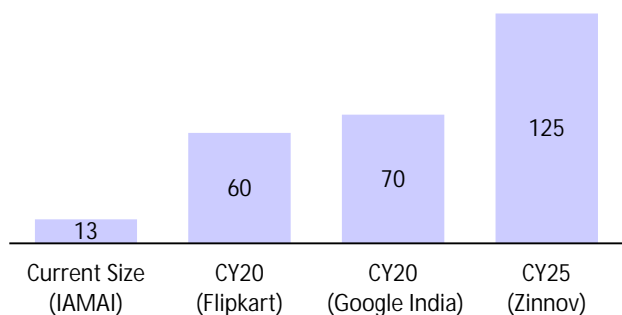
Source: IPA, Industry, MOSL

Story in charts

Exhibit 9: E-commerce market growth pegged at 25-30% CAGR over the next few years

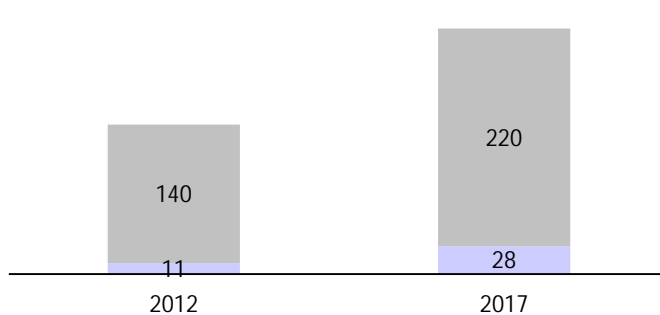
Exhibit 10: Organized player share in cold chain logistics estimated to grow at >20% CAGR through 2017 (INRb)

Projected E-Commerce market size (USDb)



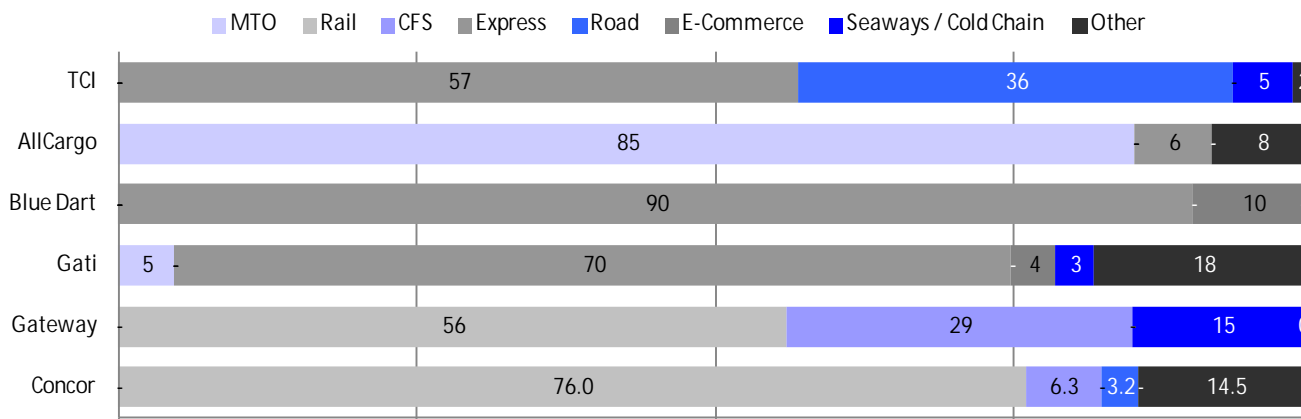
Source: Industry, MOSL

Organized Unorganized



Source: MOSL

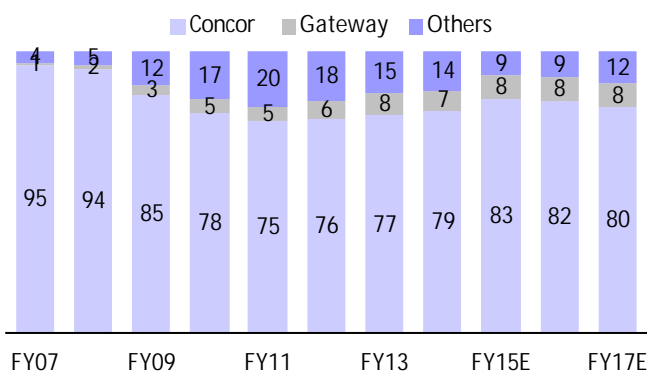
Exhibit 11: Business-wise revenue share of listed logistic players



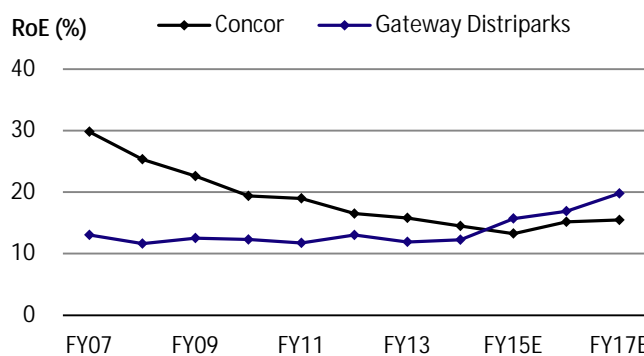
Source: Company, MOSL

Exhibit 12: Expect Concor to maintain largest market share in Rail Container movement in India (%)

Exhibit 13: Gateway's RoE's to improve, however long gestation investment to keep Concor's RoE subdued



Source: Company, MOSL



Source: Company, MOSL

Exhibit 14: Global peer comparison

Company	Country	M Cap USD M	EPS			P/E (x)			EV/EBITDA (x)			RoE (%)		
			FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
Concor	India	4,631	49.2	62.2	70.6	30.3	23.9	21.1	20.1	15.7	13.7	13.3	15.2	15.5
Gateway Distriparks	India	711	16.9	19.2	23.7	24.3	21.3	17.3	14.1	12.5	10.4	15.7	16.9	19.6
Gati	India	339	4.9	6.7	9.9	52.0	37.7	25.6	17.7	13.5	9.9	7.6	10.1	13.1
Blue Dart	India	2,679	67.9	85.5	103.9	103.8	82.5	67.9	74.4	57.0	47.6	22.2	26.8	26.8
Allcargo	India	672	16.8	23.6	28.2	19.8	14.1	11.8	9.4	8.2	7.6	10.7	13.3	14.3
Transport Corp	India	320	11.6	15.0	18.9	22.8	17.6	14.0	11.4	9.3	7.8	22.1	23.4	24.8
Median						27.3	22.6	19.2	15.9	13.0	10.1	14.5	16.0	17.5
Average						42.2	32.9	26.3	24.5	19.4	16.2	15.3	17.6	19.0
Rail Transportation Service Providers														
Union Pacific Corp	US	102,626	6.6	7.5	8.4	17.7	15.5	13.8	9.6	8.7	8.0	26.6	28.5	30.6
Central Japan Railway	Japan	37,678	1,369	1,491	1,554	16.2	14.8	14.2	8.9	8.7	8.7	14.4	13.8	12.7
East Japan Railway	Japan	32,597	513.5	578.2	601.9	19.5	17.3	16.7	9.0	8.8	8.6	9.1	9.4	9.1
Daqin Railway	China	23,914	1.2	1.2	n.a.	8.8	8.5	n.a.	5.8	5.7	n.a.	18.4	17.3	n.a.
Kansas City Southern	US	12,557	5.4	6.2	7.0	21.0	18.4	16.2	11.8	10.6	9.4	15.2	15.3	15.6
West Japan Railway	Japan	10,956	346.4	385.9	409.3	19.8	17.7	16.7	8.1	7.8	7.6	8.2	8.8	8.8
Guangshen Railway	China	4,492	0.2	0.2	n.a.	26.4	23.4	n.a.	8.3	7.7	n.a.	4.2	4.2	n.a.
All America Latina Logistica	Brazil	1,031	0.3	0.5	0.5	16.6	10.2	10.1	3.7	3.2	2.9	4.6	6.6	9.4
Globaltrans	Cyprus	906	0.5	0.6	0.8	10.4	7.9	6.4	5.3	4.7	4.1	7.4	8.9	11.8
Median						17.7	15.5	14.2	8.3	7.8	8.0	9.1	9.4	11.8
Average						17.4	14.9	13.5	7.8	7.3	7.1	12.0	12.5	14.0
Large Cap Integrated Logistics Players														
United Parcel Service	US	90,813	5.2	5.7	6.4	19.5	17.5	15.7	10.2	9.5	8.9	128.9	249.0	73.3
Canadian National Railway	Canada	54,942	4.2	4.8	5.2	20.2	17.9	16.3	12.4	11.5	10.7	24.3	25.7	25.6
Fedex Corp	US	49,067	9.0	11.0	12.7	19.3	15.8	13.6	7.5	6.5	5.9	15.9	18.1	18.2
CSX Corp	US	33,362	2.2	2.4	2.7	15.6	13.9	12.5	8.2	7.6	7.0	18.3	19.1	19.6
Norfolk Southern Corp	US	33,265	6.8	7.6	8.2	15.8	14.2	13.1	8.6	8.1	7.6	16.4	16.9	17.8
Canadian Pacific Railway	Canada	31,090	10.9	12.9	15.4	21.8	18.4	15.4	13.2	11.8	10.7	31.8	38.8	57.4
Kuehne & Nagel Intl	Switzerland	17,325	5.5	6.1	6.3	25.8	23.5	22.7	15.4	14.5	14.0	27.7	31.0	32.6
Brambles Ltd	Australia	13,602	0.4	0.5	0.5	20.9	19.0	17.3	10.4	9.6	8.9	23.0	22.7	22.6
C.H. Robinson Worldwide	US	10,767	3.4	3.8	4.0	21.5	19.5	18.2	13.2	12.2	11.7	46.7	49.5	53.3
Yamato Holdings Co	Japan	10,015	97.9	107.2	115.8	28.4	26.0	24.0	9.9	9.5	9.3	7.3	7.6	7.7
Expeditors Intl Wash	US	9,139	2.1	2.4	2.6	22.3	20.2	18.5	11.6	10.7	9.9	22.3	24.1	24.8
Hyundai Glovis	South Korea	7,682	14,935	17,618	19,167	15.2	12.9	11.9	11.0	9.4	8.6	18.5	18.3	16.8
Old Dominion Freight Line	US	6,660	3.6	4.2	4.9	21.2	18.4	15.7	9.9	8.7	7.5	19.2	19.4	19.8
Median						20.9	18.4	15.7	10.4	9.5	8.9	22.3	22.7	22.6
Average						20.6	18.3	16.5	10.9	10.0	9.3	22.6	24.3	26.4
Integrated Logistics Players														
TNT Express Nv	Netherlands	3,275	0.3	0.4	0.4	18.1	15.1	13.8	6.3	5.5	4.7	6.4	8.9	8.9
Oesterreichische Post Ag	Austria	3,296	2.4	2.5	2.4	18.8	18.3	19.1	9.3	9.1	9.0	21.8	21.6	20.0
Panalpina	Switzerland	3,258	5.0	6.8	8.1	26.9	19.9	16.6	12.9	10.3	8.6	16.7	20.5	24.1
Sinotrans Limited	China	3,164	0.3	0.4	n.a.	13.0	11.3	n.a.	8.6	7.8	n.a.	10.6	11.3	n.a.
Singapore Post	Singapore	3,045	0.1	0.1	0.1	27.2	24.2	21.1	19.6	17.6	16.3	23.7	20.9	20.7
Kamigumi Co	Japan	2,646	59.9	62.7	64.3	19.5	18.6	18.2	8.4	8.2	8.0	5.3	5.2	5.2
Sinotrans Air Transport	China	2,728	1.0	1.2	n.a.	18.9	16.4	n.a.	22.6	25.0	n.a.	14.6	14.8	n.a.
Seino Holdings Co	Japan	2,378	65.8	78.3	85.3	21.1	17.7	16.2	6.2	5.7	5.4	3.8	4.4	4.7
Forward Air Corp	US	1,613	2.4	2.8	3.3	22.2	18.8	16.2	10.0	8.7	7.7	15.3	14.8	17.7
Hitachi Transport System	Japan	1,655	99.6	118.6	130.1	18.0	15.1	13.8	6.8	6.3	6.1	6.5	7.4	7.6
Kintetsu World Express	Japan	1,594	250.1	319.8	364.0	21.4	16.8	14.7	9.4	8.1	7.1	8.0	9.8	10.5
Sankyu Inc	Japan	1,485	38.0	41.5	43.8	14.5	13.3	12.6	6.8	6.5	6.3	8.5	8.6	8.5
Uti Worldwide Inc	US	1,328	-0.3	0.2	0.5	n.a.	53.8	26.7	21.4	10.1	8.2	-8.8	4.3	7.9
Aramex Pjsc	UAE	1,327	0.2	0.3	n.a.	13.7	12.5	n.a.	8.5	7.4	n.a.	15.5	17.0	n.a.
Mainfreight Ltd	New Zealand	1,181	0.9	1.0	1.1	18.4	16.1	14.3	11.4	10.1	9.0	18.4	18.9	19.4
Roadrunner Transportation	US	966	1.6	1.9	2.0	15.7	13.7	12.8	9.5	8.5	8.2	10.6	10.9	11.3
Senko Co Ltd	Japan	814	57.5	72.2	77.6	12.9	10.3	9.5	9.2	8.3	7.8	10.1	11.5	11.4
Freightways Ltd	New Zealand	714	0.3	0.4	0.4	18.7	17.0	15.5	11.7	10.8	10.0	25.1	25.7	26.4
Yusen Logistics Co Ltd	Japan	535	50.6	90.5	105.9	30.3	16.9	14.5	6.5	6.1	5.6	3.1	5.8	6.5
Gd Express Carrier Bhd	Malaysia	507	0.0	0.0	0.0	77.5	51.7	38.8	41.8	33.4	26.6	26.0	27.5	29.3
Median						18.8	16.8	15.5	9.4	8.4	8.0	10.6	11.4	11.3
Average			31.8	40.1	52.3	22.5	19.9	17.3	12.3	10.7	9.1	12.1	13.5	14.1

* CMP in Local Currency; MOSL estimates for Concor and Gateway

Source: Bloomberg Consensus Estimates on Feb 26, 2015, MOSL

Poised for accelerated growth

Infra development, demand growth to drive volumes for logistics players

- n Growth of the Logistics business is directly correlated with economic activity. Empirical evidence suggests that the Indian Logistics industry grows at 1.5-2x the GDP.
- n With the Indian economy on a revival path, we believe India's Logistics sector is poised for accelerated growth. Infrastructural bottlenecks that have stifled growth of the sector and have promoted inefficiency are being addressed.
- n Building of the dedicated rail freight corridors, for instance, will help promote the more efficient haulage of containerized cargo by rail. Logistics requirement for e-commerce will grow as exponentially as e-commerce.

India logistics sector growth trending @1.5-2x GDP

India logistics sector growth trending towards 2x GDP as the economy picks up

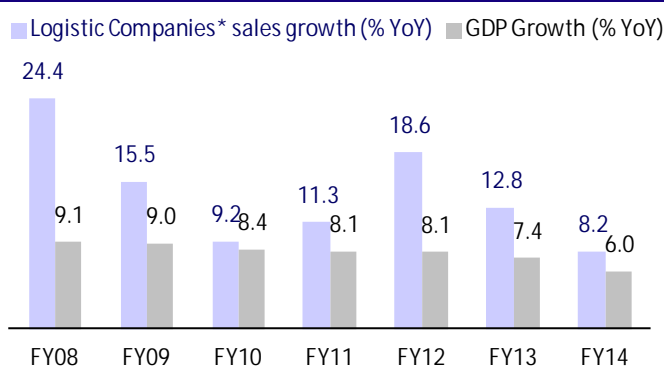
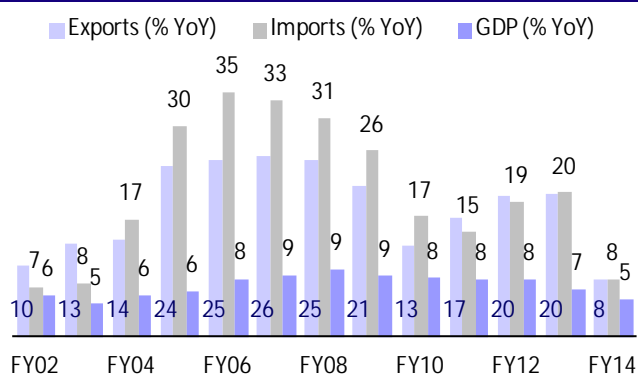
Growth of the Logistics business is directly correlated with economic activity and empirical evidence suggests that the Logistics industry grows at 1.5-2x the GDP growth of a nation.

Indian Logistics is estimated to have grow at a healthy ~15% in the last five years. However, growth in sub-sectors varies, with the lowest being in basic trucking operations and highest in supply chain and e-tailing logistics.

In overall goods movement, bulk commodities contribute majorly (60-80%) in volume terms. Logistics movement is guided by the location of manufacturers, consumers and EXIM flow. Growth drivers for Logistics players covered in this report include sectors like Auto Components, Textiles, Organized Retail, Pharmaceuticals, Electronics, Cement and E-commerce (emerging).

Exhibit 15: India's export-import volumes grew at 2x of the GDP growth rate in the last decade

Exhibit 16: Listed logistics companies sales growth ahead of India's GDP growth rate (%)



Source: CMIE, Industry, MOSL * 2-year average growth; Listed companies include Concor, Gateway, AllCargo, TCI, Blue Dart, Sical and Gati Source: CMIE, Industry, MOSL

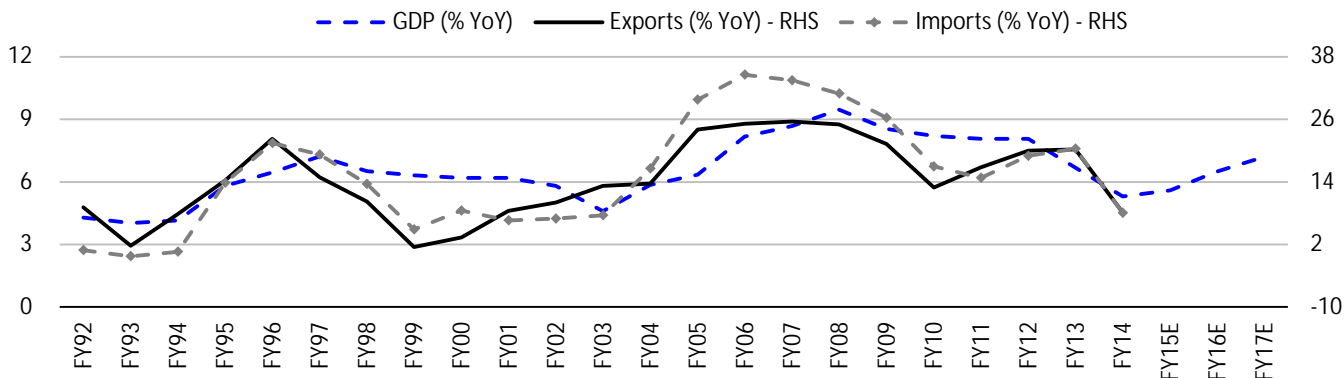
Domestic economy's revival to augur well for sector

Post the change of government at the Center, the investment cycle appears to be restarting, with increasing confidence at the consumer and investor level. Investments in Manufacturing and Infrastructure, coupled with growth in the sectors mentioned above will have a direct bearing on Logistics sector growth. Some

of the enabling initiatives could be to form a National Integrated Logistics policy that will focus and ensure cohesive growth of infrastructure.

Our interactions with the industry players indicate that with GDP inching towards 7-9% range, Logistic sector growth should move towards 20% and beyond.

Exhibit 17: India's EXIM trade shows high correlation to GDP growth; expected GDP revival to boost EXIM trade again



Source: CMIE, MOSL

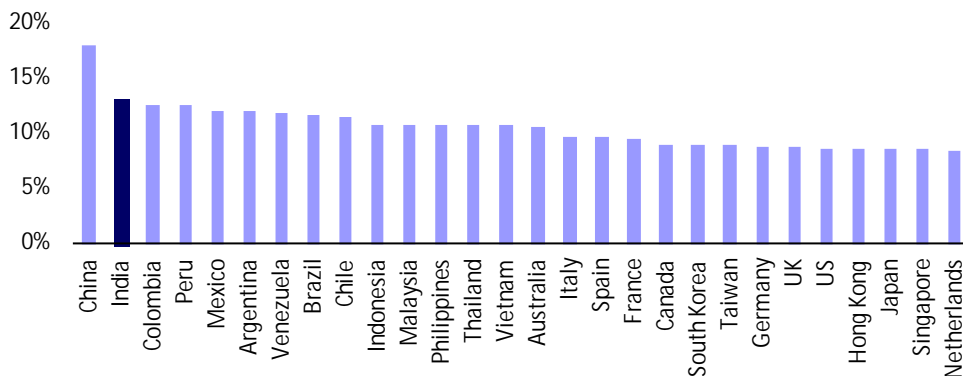
Infrastructural bottlenecks stifled growth

Logistics by definition is the management of goods flow between the points of origin and consumption to meet customers or corporations' requirements. Hence, it becomes critical that all components of the value chain should be available at the right time and place, in desired condition and pertinently at right cost to efficiently complete the goods flow chain.

India logistics cost higher at ~13% of GDP due to inefficiencies

Some studies estimate the share of India's logistics spend in GDP at ~13% (versus 7-8% in developed countries), implying overall size of USD180-220b (direct costs + wastages led by inefficiencies). While the actual number (% share) could vary to some extent, the comparison with other countries clearly shows the inefficiencies in Indian logistics sector.

Exhibit 18: Logistics spend in India at ~13% - one of the highest in the world



*Figure share in China as manufacturing contributes to >30% of its GDP v/s ~15% in India

Source: Armstrong & Associates, MOSL

Infrastructural bottlenecks across modes (rail, road, waterways) have stifled growth of the sector and have promoted inefficiency. Capacity constraints and inefficiencies

can be noted from the high transit time in rail as key train routes operate at >110% utilization, thus leading to an average speed of ~25km/hr. Road sector is fraught with inadequate and low quality highway availability, thereby limiting the trucks' size and impacting economics.

Exhibit 19: Comparing India's logistics efficiency with global averages

Logistics Efficiency Indicators	India	Global
Road Transportation		
Average truck speed (in kmph)	30 – 40	60 –80 (incl. China)
Four lane road length (in kms)	~8,000	34,000 (China)
National highway length (in kms)	~80,000	1,900,000
Average distance travelled by a truck /day (km)	250-300	600-800
Air Transportation		
Airport charges (in USD)	471	265
Airport waiting time –Exports (in hours)	50	12
Airport waiting time –Imports (in hours)	182	24
Ports & Sea Transportation		
Turnaround time at ports (in hours)	84	7 (Hong Kong & Singapore)
Annual container handling capacity (TEUs)	10.5m	150m (China)
Containers handled per ship, per hour (max)	15	25-30
Throughput density (maximum, TEUs/hectare)	45,000	170,000-220,000 TEUs / hectare
Warehousing		
Average inventory days	33	24 (China)
Others		
3PL share of logistics	16-18%	<ul style="list-style-type: none"> • US: 57% • Japan: 80% • Europe: 40%
Logistics cost as percent of country's GDP	13%	7-8% (developed countries)

Source: KPMG, MOSL

Exhibit 20: Comparing India's logistics dynamics with US and China

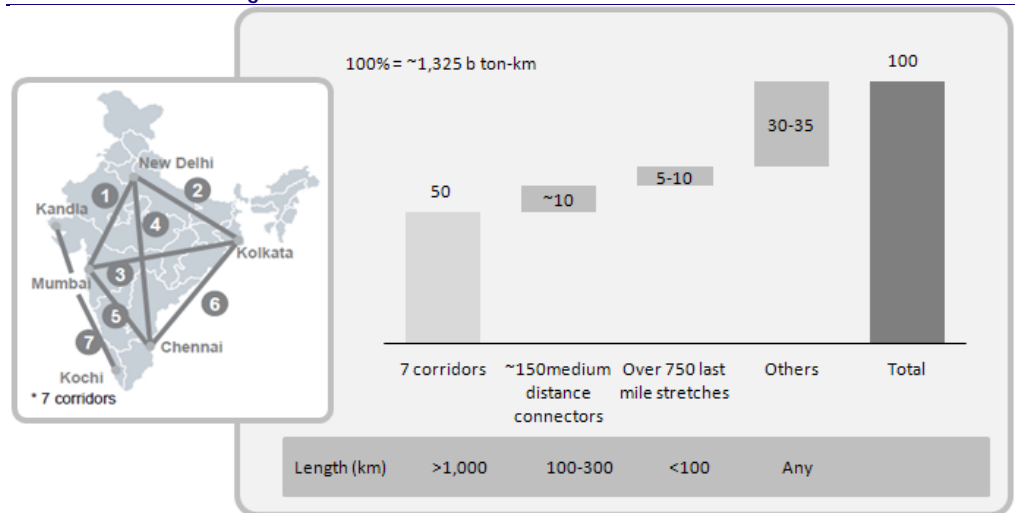
	India	China	USA
GDP composition			
Industry	18%	47%	20%
Agriculture and allied services	17%	10%	1%
Services	65%	43%	79%
Logistics cost as a % of GDP	13.0%	18% (v/s 21% in 1997)	8.5% (v/s 16% in 1980's)
Transportation cost as % of GDP	8%	9%	5%
Warehousing cost as % of GDP	4%	6%	3%
Other logistics costs as % of GDP	1%	2%	0%
Major industries driving the logistics sector	Auto components, Textiles, Pharma, Cement and E-commerce (emerging)	Metals, Cement, Textile, Electronics	Food and Beverages. E-commerce
Major challenges	Inadequate road networks Losses during transportation	High toll charges Shortage of trained manpower	High employee costs
Total containers handled at ports (TEUs)	9.9 m	139.7m	42.9m
Containers handled by busiest ports	4.3m TEU (43% share) - JNPT	31.7m. TEU (23% share) - Shanghai	7.9m. TEU (18% share) Los Angeles
Road network (m km)	4.8m.	4m.	6.5m.
Weight of goods moved annually per km of road	1,173	7,018	1,727
Rail network (km)	64,000	66,239	228,513
Weight of goods moved annually per km. of rail line	14,750	59,331	8,293

Source: Knight Frank, Industry, MOSL

India has to do a lot of catching up in logistics service levels

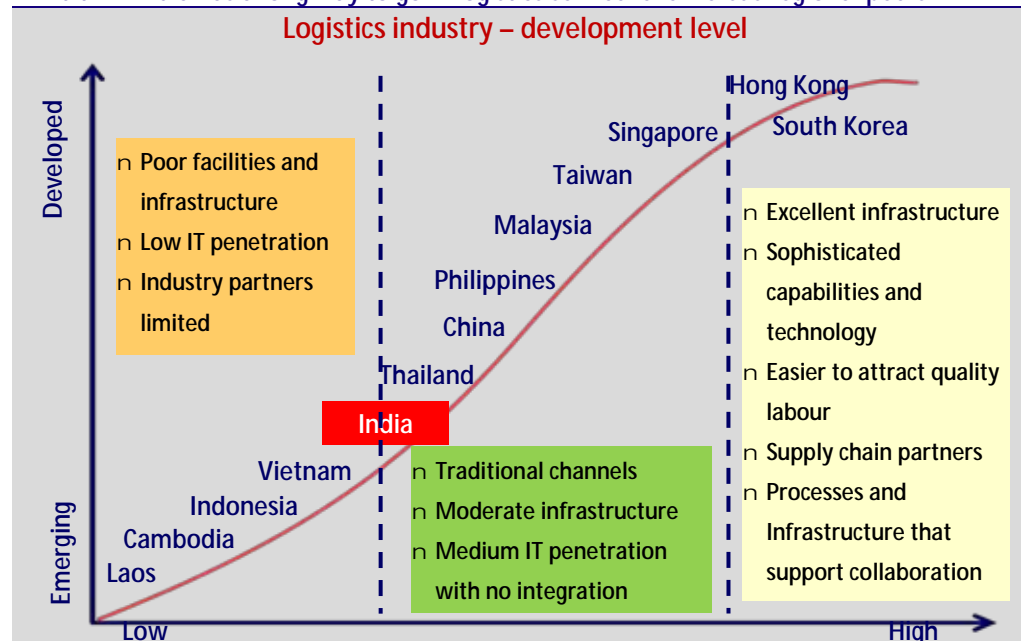
Additionally, Indian logistics flow is unbalanced, as major portions of the goods transported are only on select few routes. The freight share is skewed towards western India, which connects the sea ports in Mumbai and Gujarat to the Northern hinterland.

Exhibit 21: India's freight traffic is concentrated on limited routes



Source: McKinsey & Company, MOSL

Exhibit 22: India has a long way to go in logistics service level versus regional peers



Source: Industry, MOSL

Key issues constraining the sector

We analyze the key issues that have stifled the Indian Logistics sector growth and resulted in inefficiencies, leading to cost increases.

Exhibit 23: Key issues constraining the sector



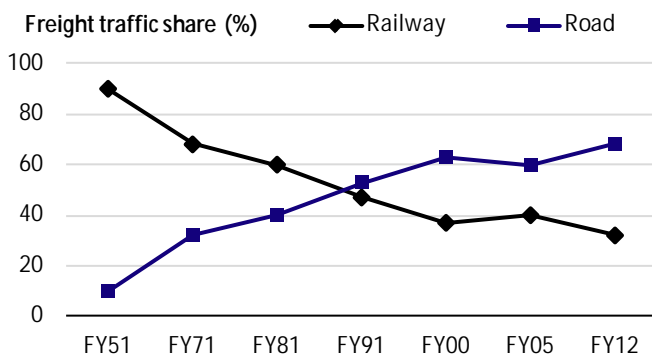
Source: KPMG, McKinsey, MOSL



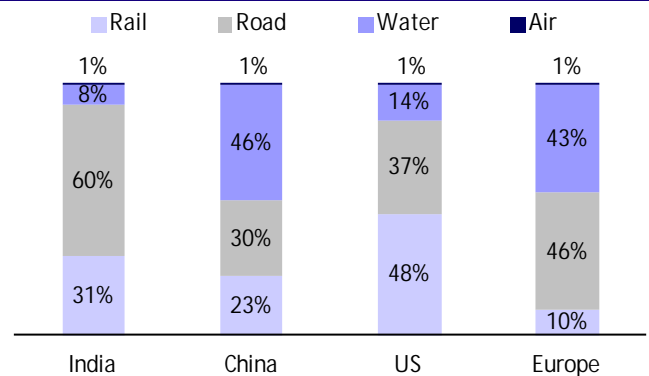
Inadequate infrastructure, sub-optimal port scale: Despite being a more economical mode of goods transport, railways in India has lost market share in freight movement to roads in the last few decades due to huge under-investments, leading to capacity constraints. Compared to other countries, India’s rail share in goods transport is 31% versus ~60% in 1980’s and 48% in 1990’s. Indian Railways, uses freight earnings to cross-subsidize the losses in its passenger service operations, thereby resulting in higher tariff for freight operations.

Exhibit 24: Rail share (efficient mode) in freight traffic has been overtaken by road (inefficient mode for long distance transit) due to capacity constraints

Exhibit 25: Share of railways in India’s logistics sector is low, roads, despite being inefficient, carry more freight traffic

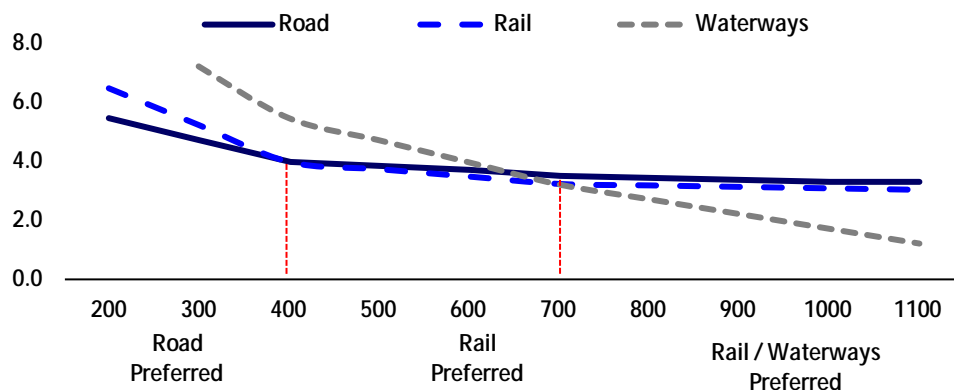


Source: NTDP, MOSL



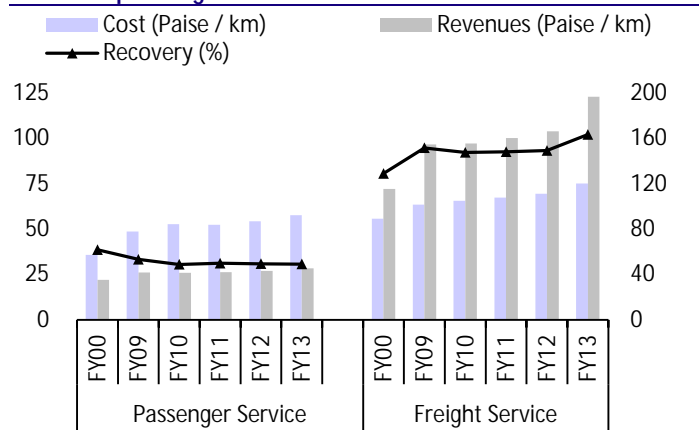
Source: KPMG, MOSL

Exhibit 26: Rail is the preferred mode of transport beyond 500km



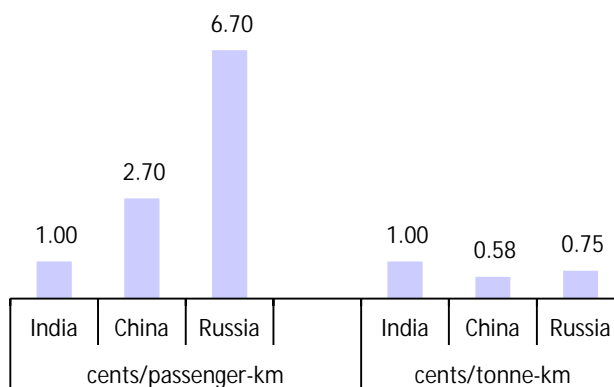
Source: KPMG, McKinsey, MOSL

Exhibit 27: Indian Railways: Freight revenues used to cross-subsidize passenger losses



Source: Indian Railways, MOSL

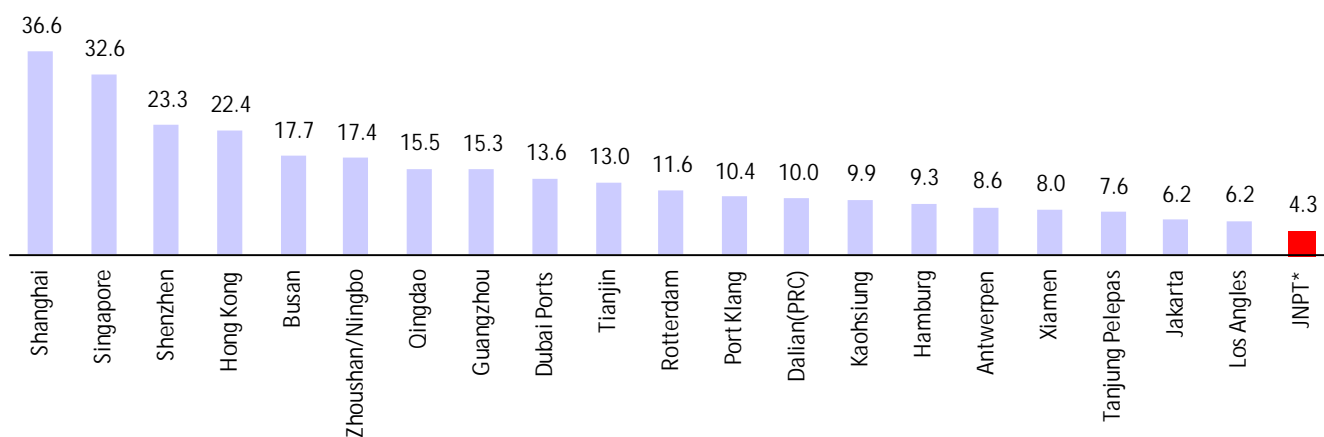
Exhibit 28: Indian Railways: Passenger fares significantly lower, freight rates significantly higher than China and Russia



Source: Indian Railways, MOSL

Sub-optimal port scale: All major ports in India are facing capacity constraints both on the front-end and back-end, and operations remain highly inefficient. This has led to the strong emergence of minor ports, mainly on the west coast to cater to the increasing traffic growth.

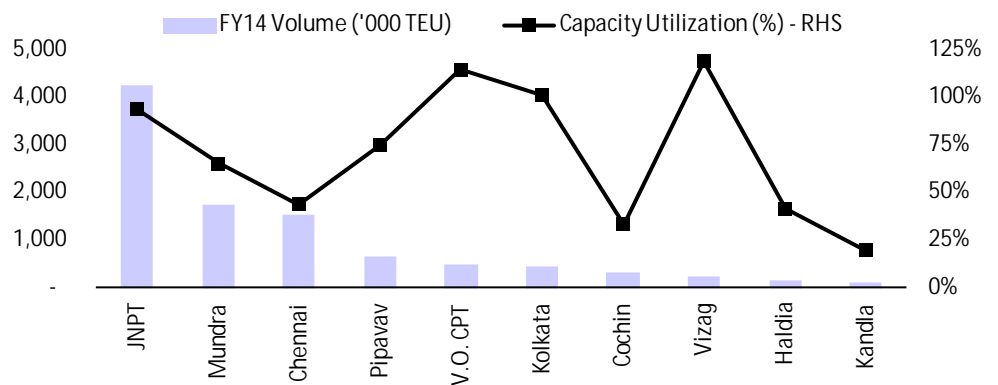
Exhibit 29: India's largest port (JNPT) is at meaningfully lower scale compared to global majors (m TEUs)



Several ports listed between Los Angeles and JNPT not shown in the exhibit

Source: Ministry of Shipping, MOSL

Exhibit 30: Four of the largest Indian container ports operating at ~100% utilization levels



Source: IPA, Company, Industry, MOSL



Lack of last mile connectivity: Lack of coordination in infrastructure development leads to interconnectivity issues among different modes of transport. This leads to delays and unreliability in services, which increases cost, reduces competitiveness, and discourages investments.

Exhibit 31: India has one of the largest road networks in the world, but quality of roads is very poor given the lower share of large national highways

Type	Length (km)	% share
National Highways	92,851	2
State Highways	142,687	3
Other Roads	4,649,462	95
Total	4,885,000	100

Source: Ministry of Roads FY14, MOSL



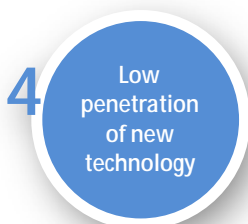
Administrative delays: A country's competitiveness is judged by the ease of doing business, and logistics play a vital role in the same. Despite being a relatively low cost country, logistics cost in India tends to be higher due to administrative delays led by paper work (resulting in huge inventory investments and wastages) and complex tax structure.

Exhibit 32: India ranks below the relatively developed countries in logistics performance index

Indicator	Bangladesh	India	Sri Lanka	Pakistan	China	Hong Kong	Cambodia	Indonesia	Malaysia	Singapore	Thailand	Vietnam
Docs for export	6.0	9.0	6.0	8.0	8.0	4.0	9.0	4.0	5.0	4.0	5.0	6.0
Docs for import	8.0	11.0	6.0	8.0	5.0	4.0	10.0	7.0	6.0	4.0	5.0	8.0
Ability to track	2.6	3.1	2.7	2.6	3.5	4.1	2.8	3.1	3.5	4.1	3.2	3.2
Quality of services	2.4	3.1	2.8	2.8	3.5	4.1	2.5	2.9	3.5	4.1	3.0	2.7
Customs efficiency	2.3	2.8	2.6	2.9	3.3	4.0	2.3	2.5	3.5	4.1	3.0	2.7
Infrastructure	2.5	2.9	2.5	2.7	3.6	4.1	2.2	2.5	3.4	4.2	3.1	2.7
Time to enforce a contract*	1,442	1,420	1,318	976	406	360	401	498	425	150	440	400
Time to get electricity *	142	67	132	206	145	41	183	108	46	36	35	115
Time to export*	25.0	16.0	20.0	21.0	21.0	5.0	22.0	17.0	11.0	5.0	14.0	21.0
Time to import*	34.0	20.0	19.0	18.0	24.0	5.0	26.0	23.0	8.0	4.0	13.0	21.0
Logistics performance index	2.7	3.1	2.8	2.8	3.5	4.1	2.6	2.9	3.5	4.1	3.2	3.0

*Days

Source: APL, MOSL



Low penetration of new technology in supply chain process is resulting in damage of goods. India has least warehouse capacity with modern facilities, and given the fragmented industry state (large share with unorganized players), investment in IT infrastructure is almost absent at required scale.

Infrastructural bottlenecks being addressed (not just growth; efficiency too)

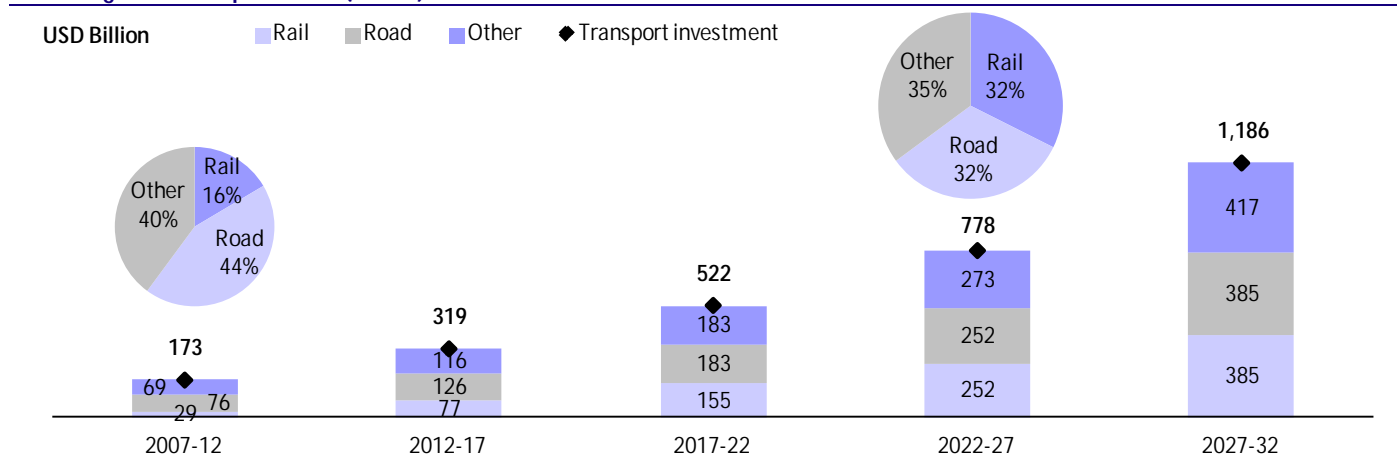
Significant investment required to iron out infrastructural bottlenecks

Indian government and private players, having identified the issues, are working on various initiatives on infrastructure as well as policy front. Investment in logistics helps not only support its growing demand but also boosts growth in other upstream and downstream economic activities.

Building of the dedicated rail freight corridors, for instance, will help promote the more efficient haulage of containerized cargo by rail. GST implementation will bring in ease of inter-state goods movement across India. There is no e-tail without delivery – delivery at the doorstep is a pre-requisite. Logistics requirement for e-commerce will grow as exponentially as e-commerce.

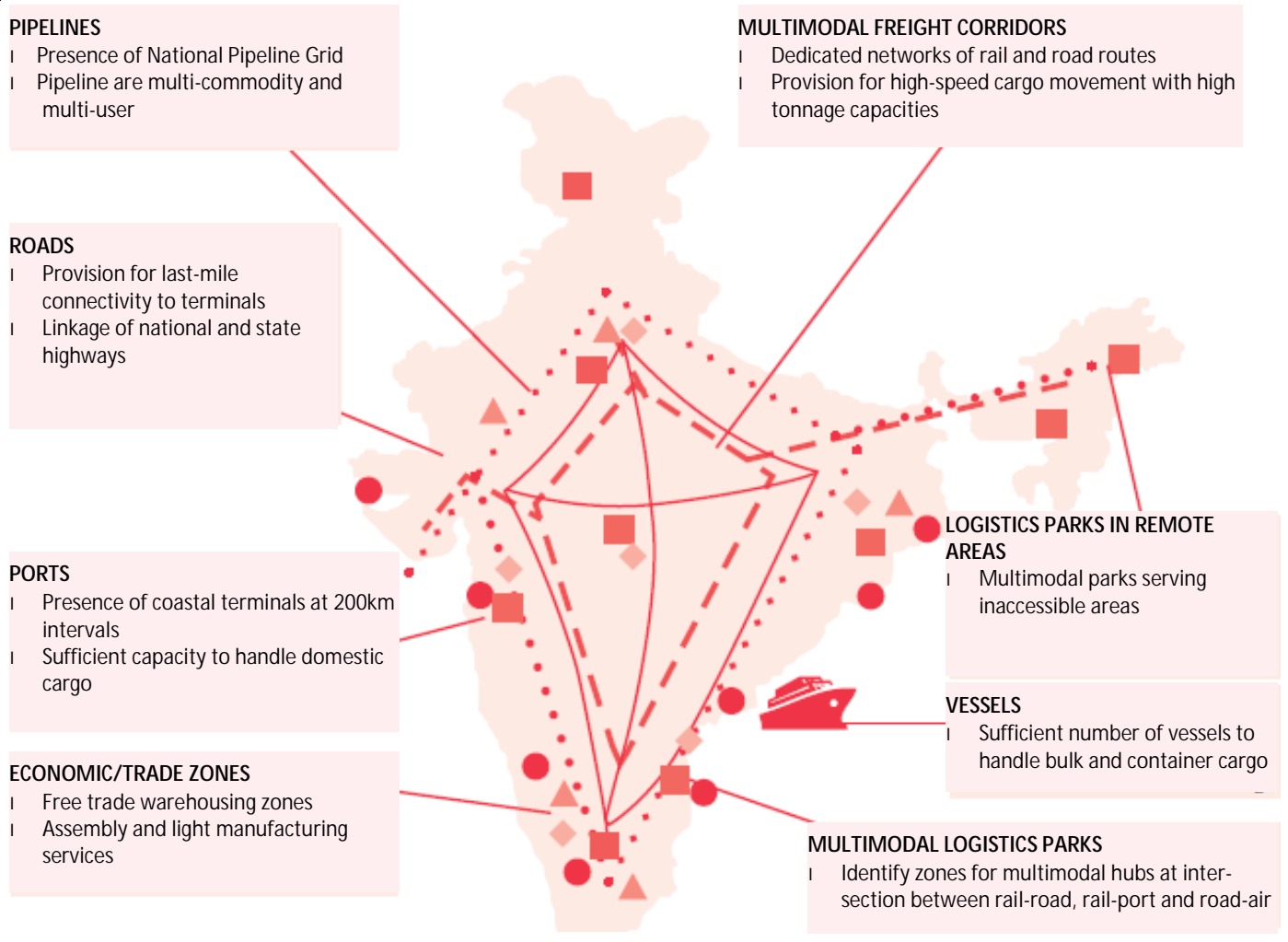
A recent study by the National Transport Development Policy Committee (NTDPC) indicates an annual investment requirement of USD570b by 2032 versus the current level of USD100b. It proposes to increase the investment commitment in railways as a percentage of GDP from the last two-decade average of 0.4% to 0.8% in 2012-17 and further increase it to 1.1/1.2% by 2030.

Exhibit 33: Proposed investment in transport infrastructure: Higher allocation for logistics will help railways to increase the share in goods transportation (USD b)



Source: NTDPC, Company, MOSL

Exhibit 34: Desired scenario of infrastructure in India



Source: KPMG, MOSL

Opportunities across the spectrum

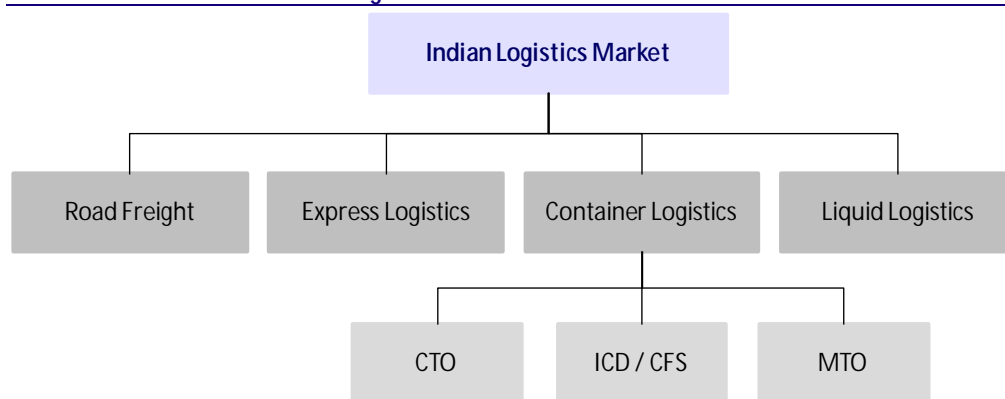
Drivers: GST, Containerization, E-Commerce, 'Make in India'

Multiple sub-sectors offer huge investment opportunities

- n We see opportunities across the logistics spectrum – transportation, storage, distribution, and integrated/allied services.
- n While economic growth itself presents a case for improved business prospects, there are multiple developments and trends for logistics enterprises to ride on. For CTOs, (a) increasing containerization, (b) EXIM growth, and (c) dedicated rail freight corridors are key volume growth triggers.
- n Implementation of GST will be a game-changing event for businesses in general and organized logistics players. It will provide a boost to warehousing, supply chain management and 3PL business.
- n Specialized needs of the burgeoning e-commerce and cold chain industry will spawn a range of opportunities for niche organized logistics players.

While the logistics activity can be broadly classified into inbound and outbound category, its value chain involves transportation (rail, road, air, waterways), warehousing (CFS, ICD) and value added services.

Exhibit 35: Structure of Indian Logistics market

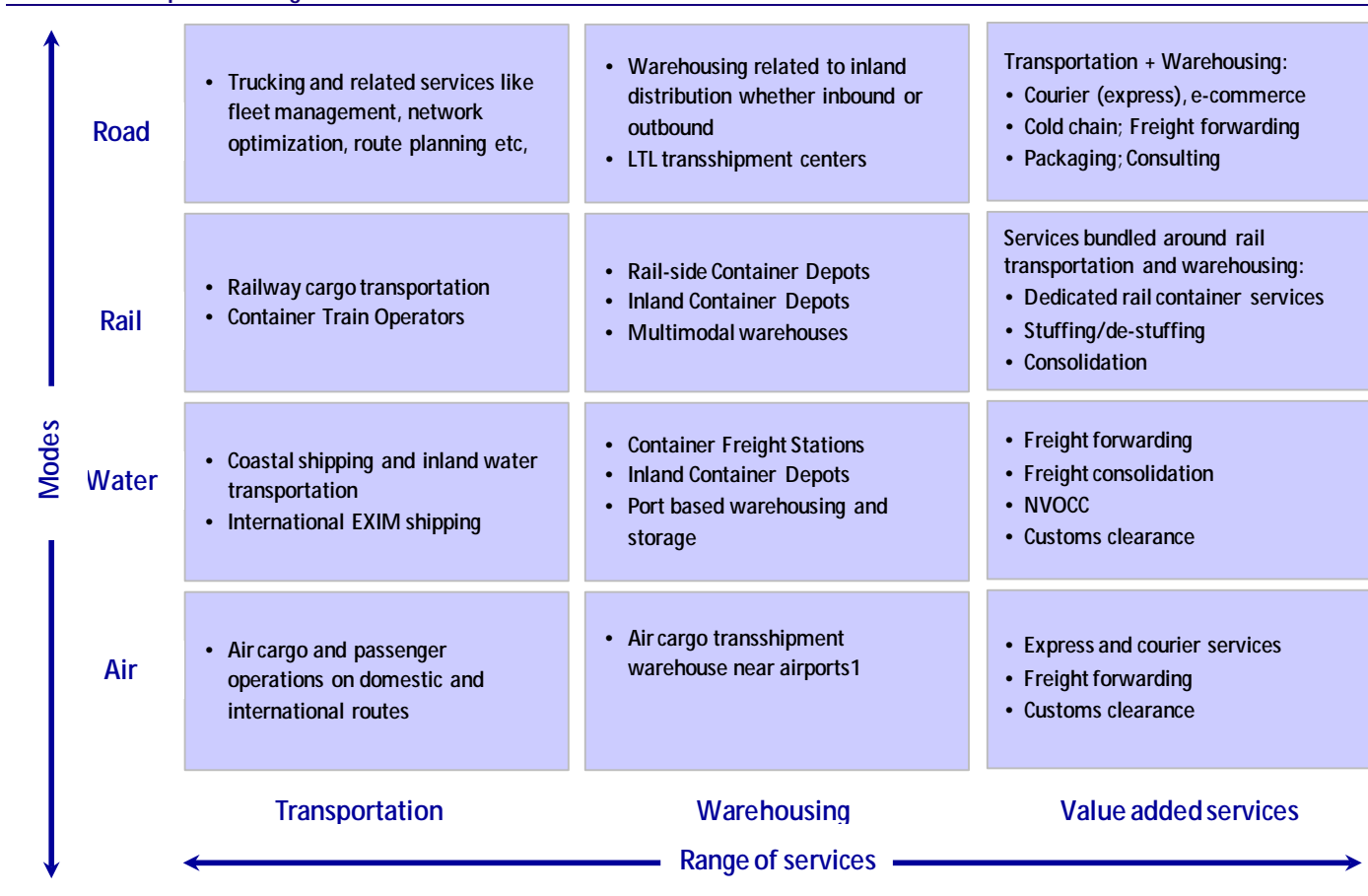


Source: Industry

A logistics company's service offerings range from a simple point-to-point transit to complex multimodal logistics that include supply chain and third party logistics management.

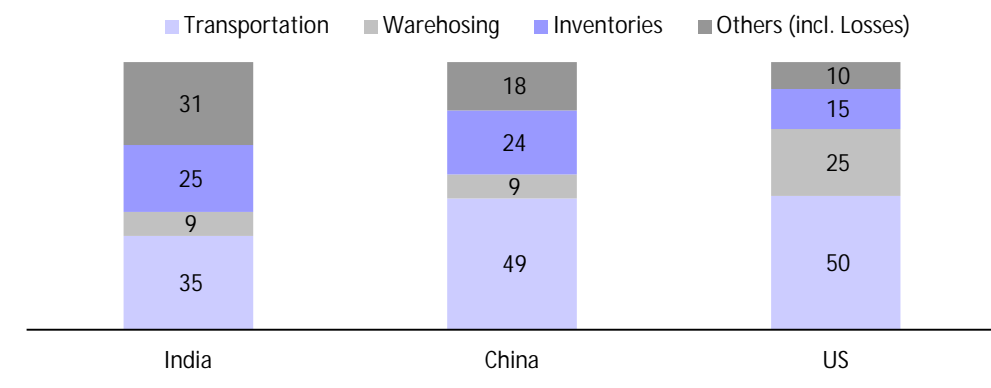
- n **Evolution of Logistics in India:** Logistics is no more viewed as the cost center but forms a vital part of the product delivery value chain for a company. Changed perception about the industry and value delivered is driving the outsourcing business towards logistics players.
- n **Organized player share still very small:** Despite being the oldest industry, it continues to remain largely unorganized primarily due to complex tax structure and lack of world-scale infrastructure. Organized players' share in certain categories (road transport) is <1%, while higher share is in the complex 2PL categories, where scale and back-end IT infrastructure investments are required.
- n **Margins vary widely in sub-categories:** Business dynamics of each sub-category varies widely and so does the margin profile. The margin profile would range from 3-5% in point-to-point transit to 20-30% in supply chain management.

Exhibit 36: Snapshot of Logistics Sector services



Source: Industry, MOSL

Exhibit 37: Country-wise logistics cost composition – India spends higher amount on inventory and losses (%)



Source: KPMG, MOSL

Exhibit 38: Summary of business presence of key logistics players

Company	Transportation				Storage				Valued Added Logistic Services			
	Road	Air	Rail	Water	Ware-housing	CFS/ICD	Cold Chain	Bulk Liquid	Express Cargo	Supply Chain/3PL	Multi-modal	Port Handling
Concor			p			p	p					
Gateway Distriparks			p			p						
TCI	p	p	p	p			p		p	p		
Blue Dart	p	p							p	p		
Gati	p	p					p		p	p		
Allcargo											p	
Aegis Logistics								p				
Snowman Logistics							p					
TVS Logistics Services									p	p		
Safexpress Pvt. Ltd									p	p		
Mahindra Logistics									p	p		
Delhivery									p	p		
Continental Warehousing					p							
Star AgriWarehousing					p							
Shree Shubham Logistics					p							
Ocean Sparkle												p
J.M. Baxi												p

Source: Company, MOSL

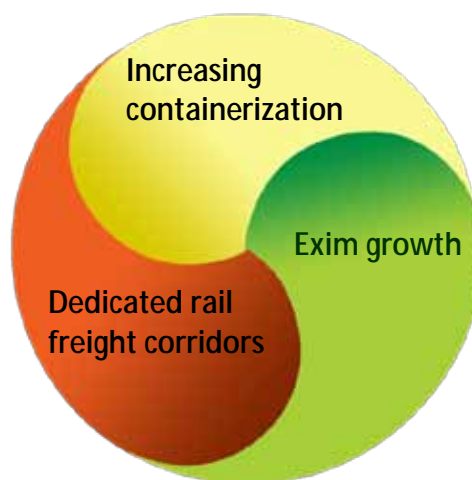
While economic growth itself presents a case for improved business prospects, there are multiple developments and trends for logistics enterprises to ride on, namely, increasing containerization, implementation of GST, 'Make in India' campaign and burgeoning e-commerce sector.

CTOs to benefit from several triggers

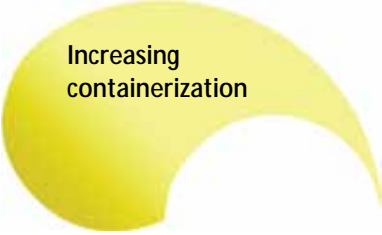
The key triggers for container train operators' volume growth would increasing containerization, EXIM growth and dedicated rail freight corridors.

CTO's will be direct beneficiaries of multiple growth drivers and enabling infrastructure projects

Exhibit 39: Key triggers for CTO growth



Source: KPMG, McKinsey, MOSL



Increasing
containerization

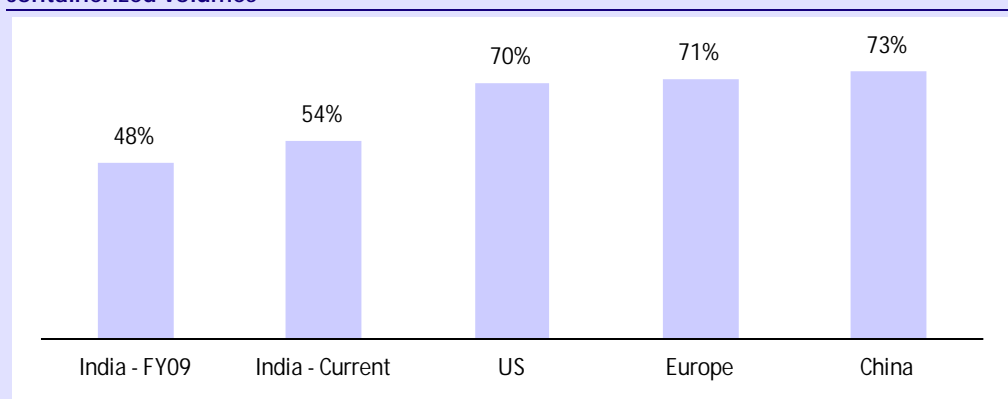
1. Increasing containerization

Containerization is a system of inter-modal freight transport using inter-modal containers (also called shipping containers and ISO containers) made of weathering steel. The containers have standardized dimensions measured in terms of twenty-foot equivalent units (TEUs).

Containerization – a background

Of the total global trade, 90% is through sea, of which ~50% volume is break-bulk (cargo which can be containerized). In India, ~50% of the break-bulk cargo is containerized, as against the global average of 75-80%.

Exhibit 40: India containerization level v/s other regions - significant scope to grow India's containerized volumes



*Containerization is calculated as containerized volumes as a % of break-bulk volumes

Source: Industry, MOSL

Containerization in India began in 1966 and Indian Railways commenced rail operation between Mumbai and Ahmedabad in 1968. However, big jump in container operations was after formation of Container Corporation in 1988. Introduction of containers reduced the goods transfer handling steps from seven to two, thereby significantly reducing chances of damage.

Some of the key benefits of containerization are:

- n Safety of goods with lower risk of transit damage and pilferage
- n Smoother integration between various modes of transportation (ship, rail and road)
- n Savings in costs through lower packaging, distribution costs
- n Ability to track movement

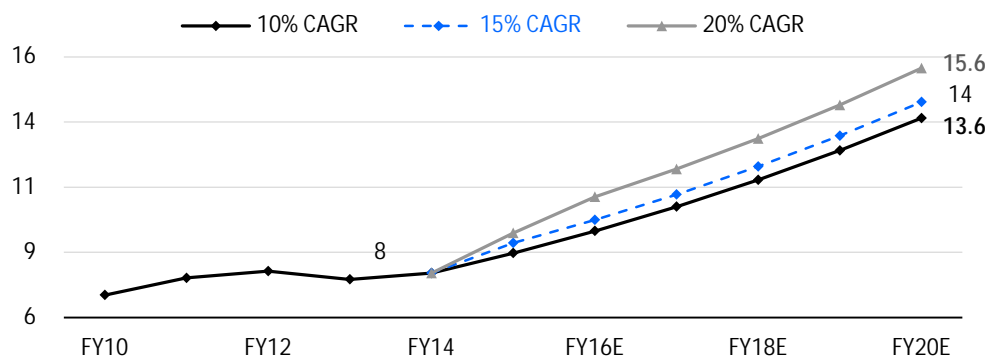
Containerization in India

Container volume in India is expected to be 2x by 2020, driven by EXIM trade and an increase in containerization from the current 55% to >65% (versus developed countries' average of 70%). The containerization growth will be driven by:

1. Growth in the typical containerized cargo like electronics, textiles, food products, pharmaceuticals, machinery and paper, and other break-bulk commodities like steel, cement, sugar and rice.
2. Availability of rail transit capacity post DFCs commissioning, expansion in the container handling capacity at ports, CFCs, ICDs and inland waterways.
3. Multi-modal logistics park development.

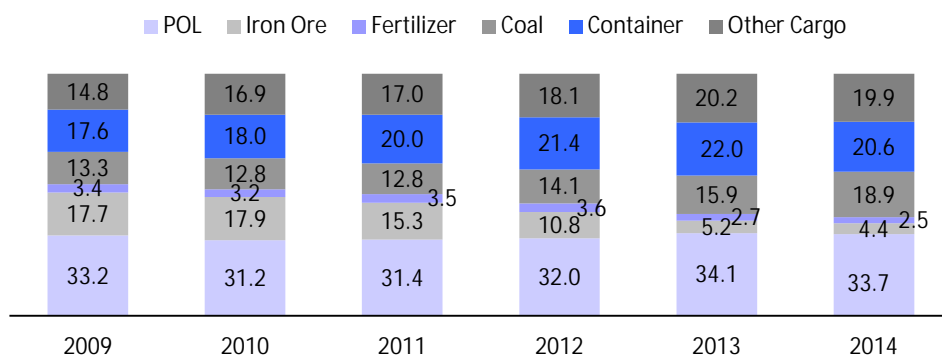
4. Rail freight regulator to ensure no ad-hocism in the haulage charge changes.

Exhibit 41: Container volumes at major ports could double by FY20 (m TEUs)



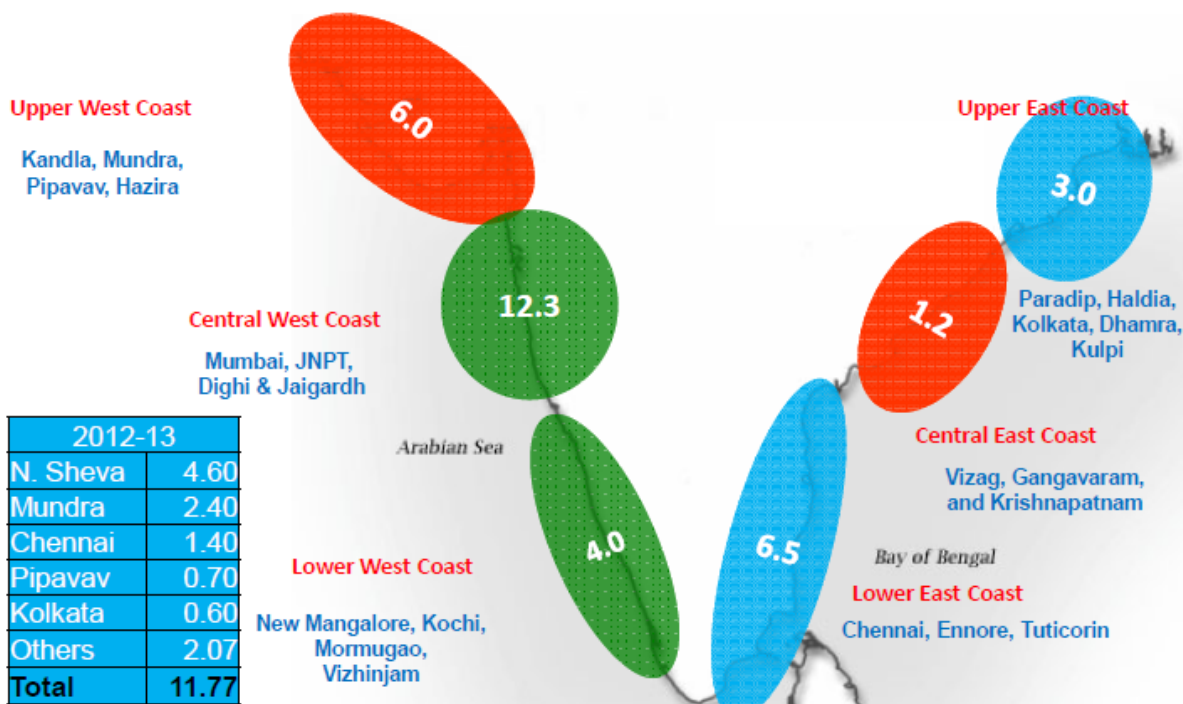
Source: IPA, Industry, MOSL

Exhibit 42: Increasing share of container traffic in India at major ports (%)



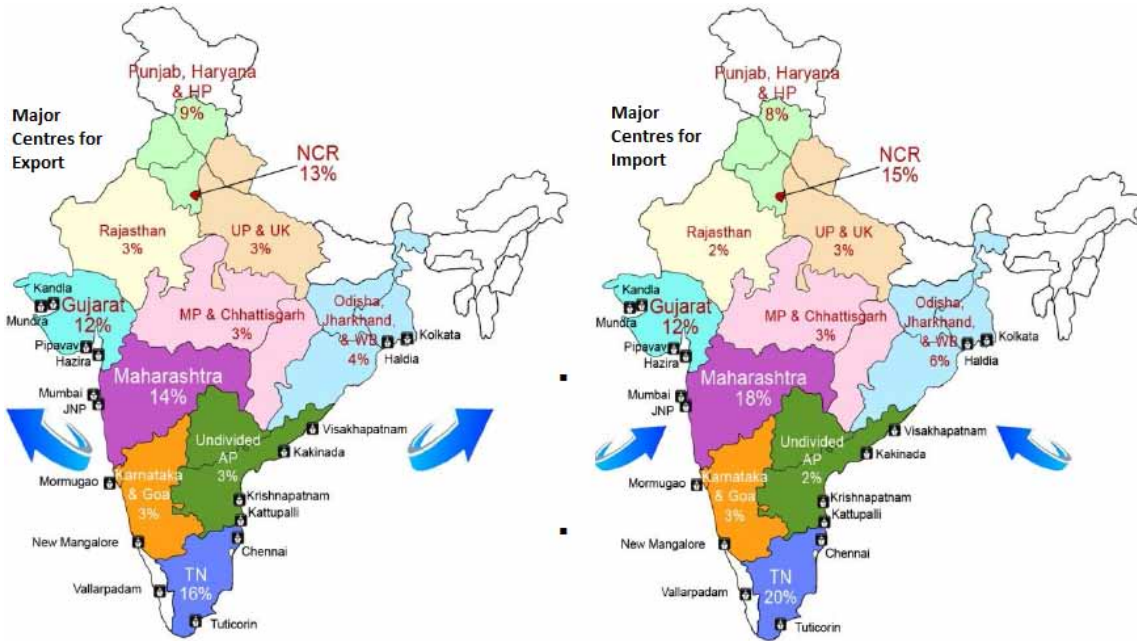
Source: IPA, Industry, MOSL

Exhibit 43: India's container handling capacity is expected to reach 33mmt by 2020



Source: Marine Container Services, MOSL

Exhibit 44: Estimated destination-wise break-up of container cargo in EXIM trade



Source: Drewry, MOSL

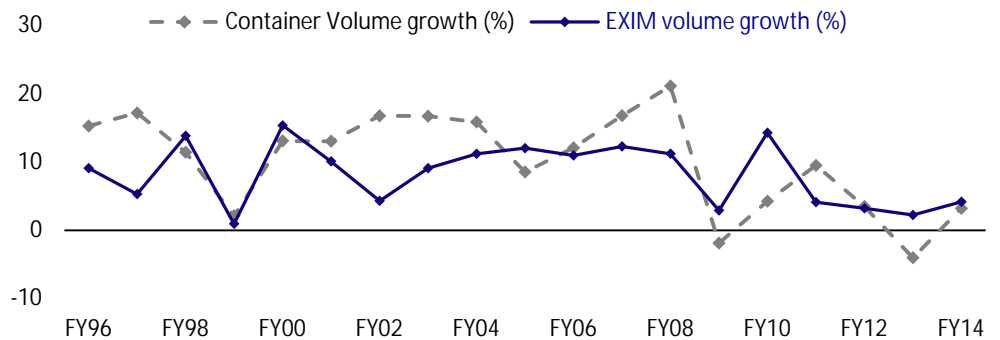


2. Exim growth to drive CTO volumes

EXIM business accounts for >75% of CTO operators and is also a higher profitability business (higher volume, higher asset turn leading to higher RoCE) compared to domestic cargo movement.

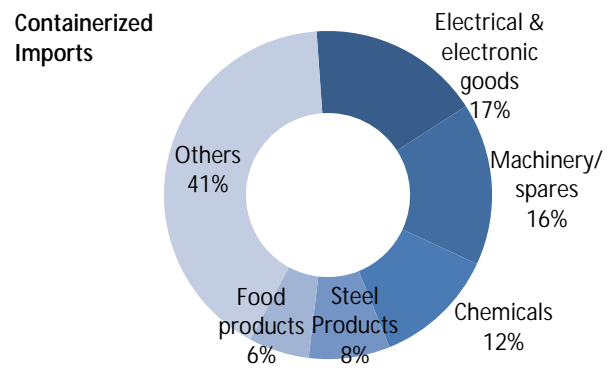
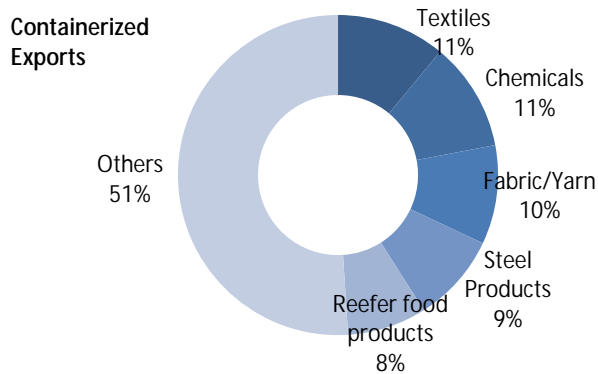
- n EBIT margins in the EXIM segment are high at 21-25%, compared with 9-12% in the domestic segment.
- n The key reasons for this divergence are: (1) EXIM segment enjoys higher terminal handling revenue due to customs and clearance, (2) EXIM trade has more balanced up and down loads, leading to lower empties cost, and (3) turnaround time for the domestic segment is high.
- n The north-western part of India accounts for >60% of EXIM trade, with JNPT alone handling ~42% of the container port traffic.
- n Traffic handling capacity of major ports has posted a CAGR of 13.4% from 504.7m tons in FY07 to 947m tons in FY12. During this period, most major ports operated at a capacity of over 90%.

Exhibit 45: Domestic container volume growth has high correlation to EXIM growth



Source: IPA, MOSL

Exhibit 46: Major products exported through containers in India (2013, in % share) **Exhibit 47: Major products imported through containers in India (2013, in % share)**



Source: UNCOMTRADE database, Drewry Maritime Research, MOSL

Source: UNCOMTRADE database, Drewry Maritime Research, MOSL

Exhibit 48: CTOs operating in India

Name	Group	Rakes	Rail Terminals	Exim (%)	Domestic (%)	Locations	Other Activities
Adani Logistics	Adani	6	2			Gurgaon /Kishangarh	Ports, Container terminals, CTO, CFS
Concor	IR#	269	63	82	18	Pan India	Multi modal operator
CRRS*	DPW	7		100	-		Ports, Container terminal
CWC	PSU		1	100	-		Warehousing, CFS
ETA Star Group	Dubai	11					Shipping and port services
Gateway Rail Freight	GDL	21	4	95	5	Ludhiana / Mumbai / Faridabad	CFS, CTO
Hind Terminals	MSC	14	6	100	-		Shipping/ Freight Forwarding
India Infra.	APL	9					Container shipping, infra
SICAL Logistics	-	7		-	100		CFS, container terminal
Boxtrans (India)**	JM Baxi & Co.	12					Container terminal, CFS,
TransRail Logistics	-	2		-	100		Trucking
Arshiya Rail Infra.	-	20	1	0	0	Khurja	
KRIL	-	8	2				Fertilizers
Inlogistics	NOL, Singapore	15	1				
Total		401	80				

Source: Industry, MOSL

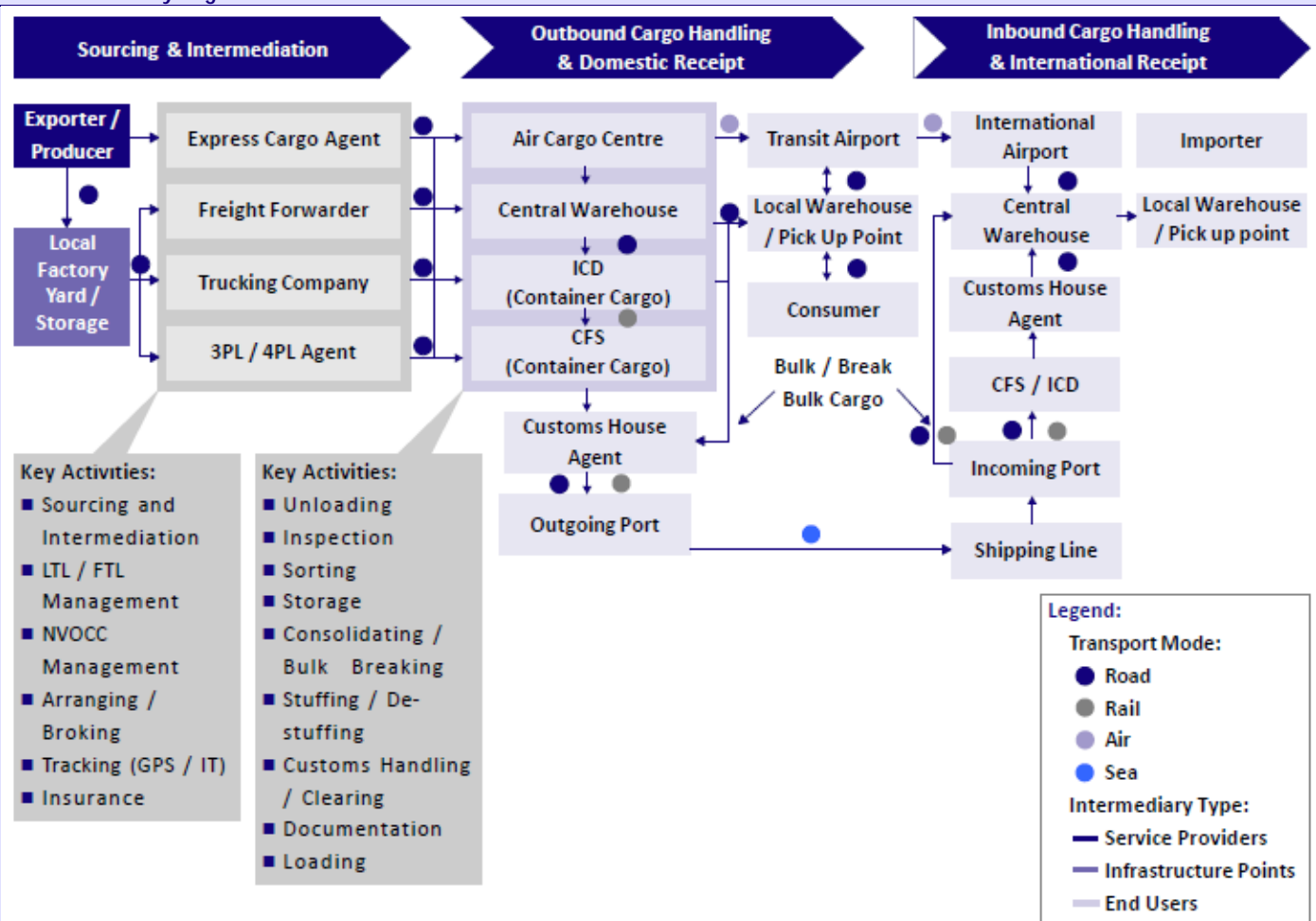
Dynamics of CTO business

The key success factors for CTOs include (a) port side infrastructure and reach to key trade locations, (b) satisfactory service levels to shipping companies, and (c) multi-modal delivery service capabilities.

Liberalization of CTO industry in India

- n The domestic CTO industry was first liberalized in 1988, when Indian Railways carved out its CTO operations, leading to the creation of Container Corporation of India (CCRI).
- n CCRI was established with the objective of facilitating primarily EXIM container movement and providing other logistics services like one-window customs clearing and ICD/CFS facilities. To execute these services effectively, Indian Railways provided land at strategic locations where trade originates.
- n In January 2006, private sector companies were permitted to enter the industry to attract a greater share of container traffic for Indian Railways and to introduce competition in rail freight services. Indian Railways remains the sole owner of the rail network and the sole haulage service provider in India.
- n Since 2006, ~15 new players (13 private and two state-owned) have entered the industry, though only 1-2 players were able to achieve meaningful scale.

Exhibit 49: Analyzing the CTO value chain



Source: KPMG, MOSL



CTO's to witness quantum jump in operations post DFC

3. Dedicated rail freight corridors

We expect CTOs to benefit significantly from the completion of planned dedicated freight corridors connecting Delhi to Mumbai in West India and Kolkata in East India. Also, DMIC (Delhi-Mumbai Industrial Corridor) will boost integration and development of India's manufacturing sector and logistics efficiency.

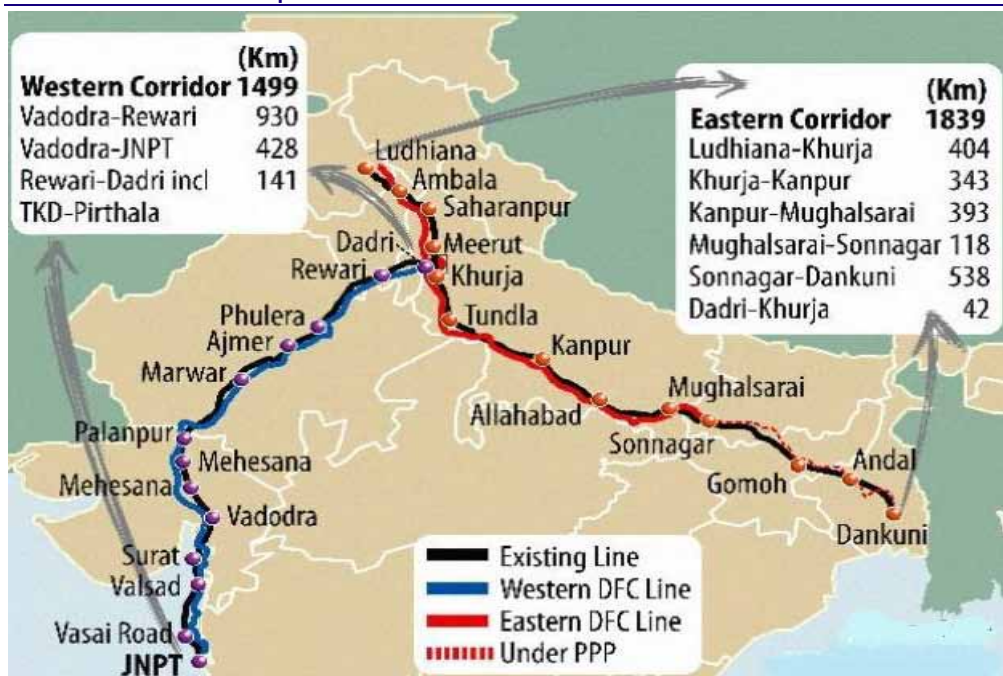
Dedicated freight corridor (expected to complete in 2018/2019, given the scale of the project should expect some delays) will improve the four key factors in train operations

- (a) **Double stacking:** Containers can be double-stacked on full route, currently available from Gujarat ports
- (b) **Speed:** Would increase from current average 25km/hr to >60km/hr
- (c) **Load carrying capacity:** Axle load to increase from 25MT to 32.5MT, enhancing track loading capacity from 8.67MT/mtr to 12MT/mtr
- (d) **Length of trains:** To increase from current 700 to 1,500m (but unlikely on the full stretch of the corridor)

Train frequency between key ports and ICD destination is expected to increase significantly. JNPT to Vadodara train's frequency could increase from 9 to 49, and Ahmedabad to Marwar train's frequency could increase from 15 to 72.

CTOs would benefit from higher asset utilization, cost savings, and time savings, leading to higher volumes and profitability.

Exhibit 50: Indicative map of DFC's route*



* -80% route is parallel to the existing rail track

Source: PTI, PMO, MOSL



Expert Speak: Adesh Sharma, Managing Director; DFCCIL

DFC will be game changer for Indian Logistics

- n Dedicated Freight Corridor (DFC) is being developed under Dedicated Freight Corridor Corporation of India Limited (DFCCIL).
- n It promises to be a 'game changer' for improving the competitiveness of Indian manufacturing. DFC plans to run freight trains in India on time tables.
- n Travel time for goods transportation between Mumbai – Delhi would decline from 60 hours currently to just 18 hours.
- n In addition, there will be multiplier effects by setting up various Industrial Corridors through the route length.

Key highlights of the DFC program

- n DFC promises to be a 'game changer' for improving the competitiveness of Indian manufacturing. The share of Indian Railways in freight traffic has declined to just 36% (v/s ~70% in several other countries) and the Dedicated Freight Corridor Corporation of India (DFCC) intends to improve the ratio to 50% over the next few years.
- n One of the key advantages of DFC is that freight trains in India could be run on time tables similar to passenger trains currently; the frequency can be theoretically increased to one train in 10 minutes. As a result, travel time for goods transportation between Mumbai and Delhi would decline from 60 hours currently to just 18 hours. Setting up of various industrial corridors along the route length would result in a multiplier effect.
- n Despite being a greenfield network, freight charges in the system will not increase. DFCC's operating ratio would be just 45% against the Indian Railways' 98%. Also, DFCC's maintenance and operational costs would be just 33% of Indian Railways' current costs primarily driven by 'Faster-Longer-Heavier' trains, which would significantly increase operational efficiency.
- n Post the western and eastern DFCs, four new freight corridors are being planned: Delhi-Chennai (2,173km; USD22b), Mumbai-Kolkata (2,000km; USD21b), Kharagpur-Vijayawada (1,100km; USD12b), Chennai-Goa (890km; USD10b). The surveys have been recently completed and suggest an IRR of 18%+ for several of these networks.

Project cost and timelines

- n The intent is to complete the project by December 2018, and there is strong confidence that deadlines would be met. The western and eastern (till Khurja) DFCs would be completed by December 2018. The Khurja-Ludhiana section would be completed by December 2019.
- n Total project cost for the western and eastern DFCs is estimated at ~INR820b, of which construction cost (including civil, tracks, electrical, signaling) would be INR560b. Contracts worth INR260b have been awarded (including ~INR90b to L&T consortium, INR50b to GMR consortium, and INR33b to Tata Projects-led consortium). The balance contracts of INR300b are targeted to be awarded by March 2016, which entails a strong pipeline of project awards for equipment suppliers.

GST to usher consolidation and growth for organized players

GST - The ultimate legislature for domestic logistic service business

Goods and Services Tax (GST) would (i) amalgamate a large number of Central and State taxes into a single tax, (ii) mitigate cascading or double taxation in a major way, and (iii) pave the way for a common national market. From the consumer point of view, the biggest advantage would be in terms of reduction in the overall tax burden on goods, which is currently estimated at 25%-30%. Introduction of GST would also make our products competitive in the domestic and international markets. Studies show that this would instantly spur economic growth. Last but not the least, this tax, because of its transparent character, would be easier to administer. Source: CBEC

Implementation of a common nation-wide GST will be a game-changing event for businesses in general. The current indirect tax structure in India (mix of state and central government taxes) is akin to countries within the same country — inter-state goods movement is governed by state level tax structures, whereby operational and logistics efficiency takes a backseat.

Manufacturers have to maintain warehouses (cost share in logistics vary between 15-35%) in each state for economical (taxation structure) reasons, leading to wastage of infrastructure, manpower and increasing costs. The proposed GST will result in a unified market across India and manufacturers shifting to the hub and spoke model for goods delivery — goods delivery decision will be driven by logistics and operational efficiencies.

Share of organized players, particularly in the road transport segment is very minimal. GST coupled with gradual shift towards higher share of supply chain management business will benefit organized players to increase their market share.

Implications of GST

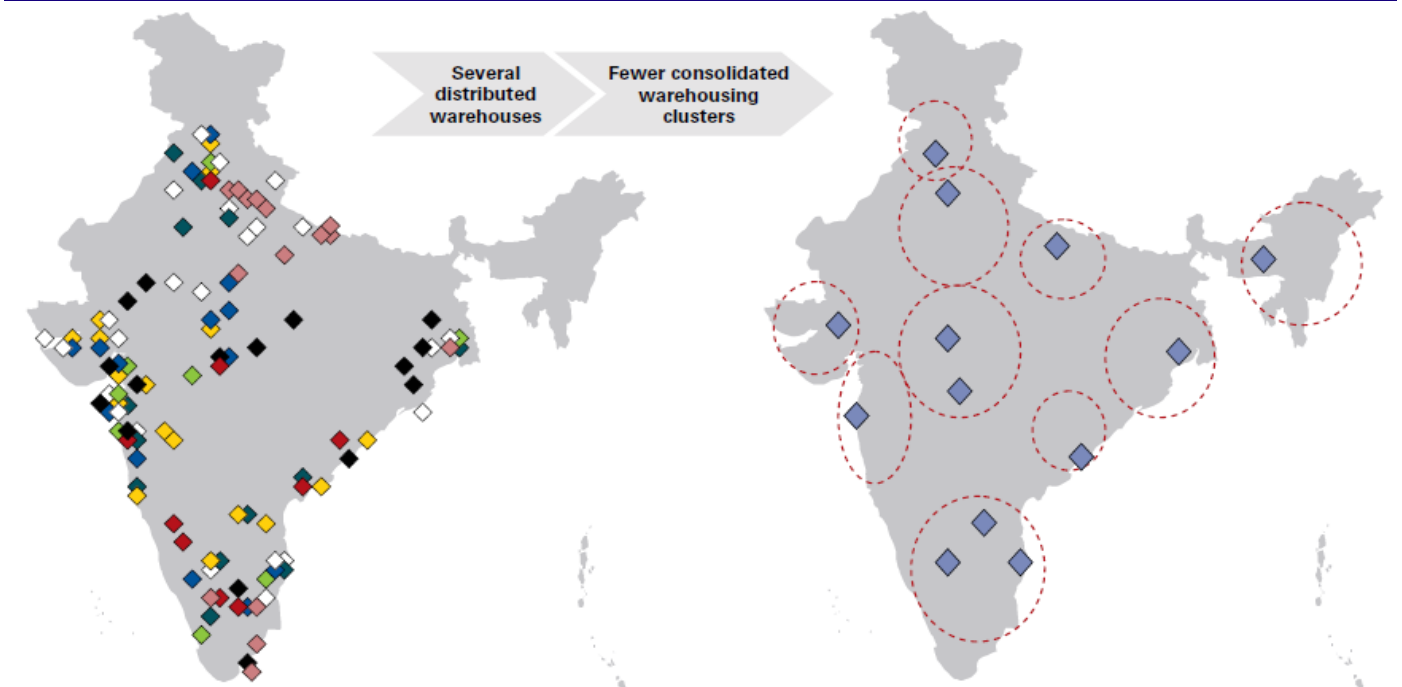
- n **Government and corporate sector to benefit alike:** Corporate sector would benefit from simplification of the tax structure, uniformity of treatment across states, much wider applicability of input tax credit, lower compliance cost of litigation due to elimination of multiple categories and resultant disputes over definition (most notably the distinction between goods and services). For the government, both Centre and States, they will benefit from higher tax collection.
- n **Supply chain management to get a boost:** Currently, significant amount of time is lost at the numerous check points at the state borders resulting in increase of cost as well as travel time. Apart from taxation, these long lead times to supply goods have also forced manufacturers to keep large number of warehouses. Elimination of checkpoint time will result in manufacturers realigning their distribution strategy to make it more logistically efficient and many will outsource the activity to logistics companies (similar to developed countries) to focus on the core business.
- n **Organized sector to get a boost, partly at the cost of unorganized:** In the current tax structure, tax credit is not available for all taxes post manufacturing.

Availability of tax credit under GST will increase engagement of organized players as the manufacturer and purchaser will get the tax credit benefit. Incentives to stay outside the tax system will reduce, thereby minimizing the economic advantage of unorganized players.

GST to promote hub-and-spoke model

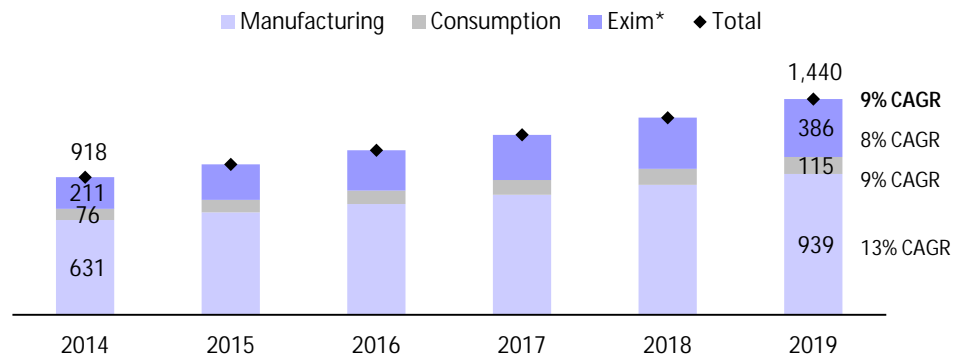
The warehousing business, in particular will witness significant metamorphosis – from small warehouses spread across the country to large, global-size warehouses concentrated in a few hubs. Industry reports estimate 9% CAGR in warehousing area in India in the next five years to 1,440msf (addition of 520msf).

Exhibit 51: GST is expected to reorganize warehousing clusters, giving rise to the hub and spoke model, and lead to higher outsourcing and thereby benefit logistics companies



Source: KPMG, MOSL

Exhibit 52: Warehousing demand in India expected to grow at 9% CAGR, implying addition of 520msf of addition (msf)



*Covered and uncovered portion of ICD/CFS considered

Source: Knight Frank, MOSL

(Please refer to our update on E-Commerce dated November 5, 2014)



[Click here](#)

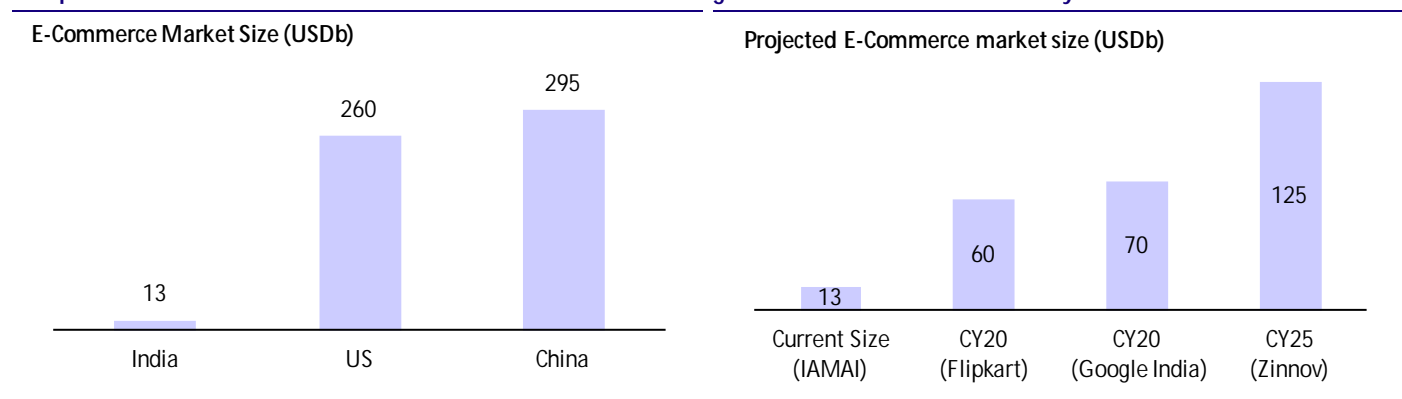
E-Commerce has emerged as fastest growing vertical for logistics players

E-commerce has emerged as a fast growing segment for logistics players with last mile delivery capability. Given the nascence of e-commerce in India and dominance of cash-on-delivery (COD), many online players set up their own logistics infrastructure. Third-party logistics providers (3PLs) have matured to the delivery mechanisms for e-commerce, and as e-commerce players attune to focusing on their core business, growth in delivering products bought online should be disproportionate for 3PLs.

Existing 3PL logistics players like Blue Dart, Gati, DTDC (DotZot), TCI have ramped up their capabilities to serve this segment while several new specialized players like Delhivery, E-Com Express have also come up.

Logistics cost in the total e-commerce merchandise value is estimated at ~10%.

Exhibit 53: Indian e-commerce market is extremely small as compared with other countries **Exhibit 54: Various industry sources peg extremely high growth rates over the next few years**



*E-tailing market size is estimated at USD4b Source: Industry, MOSL *Google India predicts e-tailing market size at USD45b by CY20 Source: Industry, MOSL

Logistics critical for e-commerce success

While e-tailing does not require the opening of physical stores to capture consumer demand, it needs an effective website through which customers can access product information and place orders. Once the order is placed, it passes through another set of stakeholders who bring the ordered product to the customer's doorstep. Most e-tailers view themselves as supply chain and technology integrators who manage a complex web of stakeholders.

Given the geographical complexity, suboptimal infrastructure and regulatory variations across the country, logistics in India has always been challenging. It has also been more of a B2B service; the B2C logistics ecosystem (requires customer interaction, cash handling – COD ~60% of all deliveries, and returns handling) is still a new and underdeveloped capability for 3PLs.

Up to 90% of goods ordered online in India are moved by air, which pushes up delivery costs by around half, according to several online retailers and logistics

companies. Road and rail transport networks remain woefully underdeveloped and entangled in graft and bureaucracy.

Doing it on their own

E-tailing growth in Tier2/3 cities open up vast growth opportunity for third party logistics players

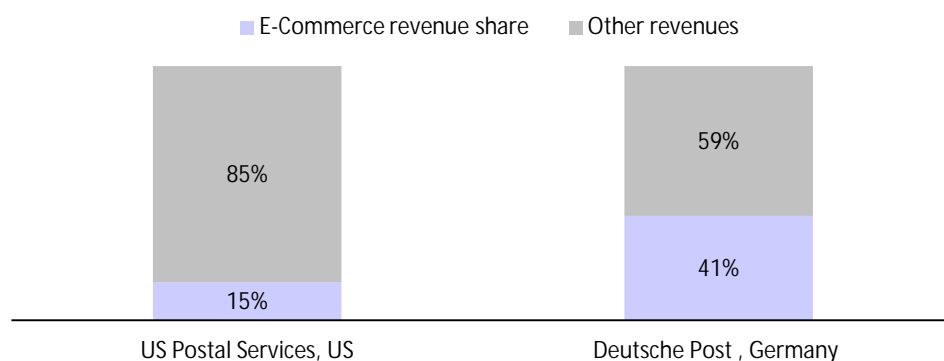
Some of the more established e-tailers have invested in setting up their own delivery networks, as: [1] this enables them to have a ‘tangible’ customer interaction through which they can get feedback and tailor services accordingly, and [2] most 3PLs are still in the process of developing efficient and comprehensive logistics networks.

- n Flipkart created a separate brand for its logistics arm in April 2013 and has so far used eKart only for in-house deliveries. In February 2014, it opened eKart Logistics Services for other e-tail ventures too.
- n Amazon too is pumping up capacities at Amazon Logistics. This is in addition to existing partnerships with 3PLs like GATI, Blue Dart and FedEx Corp. Amazon also started a pilot project with India Post to test the system and use the channel to collect COD payments as well. This could help it reach deep into India's hinterland. India Post has over 150,000 post offices in India, of which 89% are in rural areas.
- n In 2012, Jabong helped design the process for JaVAS, a logistics solution similar to Amazon fulfillment services so that other e-commerce players can outsource their logistics to Jabong on a contract basis.

India has ~21,000 pin codes and most 3PL players are able to reach 8,000-10,000 pin codes at best. India Post, with its formidable network across urban and rural India and its already established mechanism to handle money orders, can harness this opportunity in a big way.

As per research by TechnoPak, case studies of the US Postal Service (US) and Deutsche Post (Germany) demonstrate that these organizations have attempted to remain relevant in the changing times by tapping into and benefiting from the growth of e-tailing in their respective countries. Both the organizations are significant in delivering parcels to e-tailing customers.

Exhibit 55: Share of revenues from e-commerce is significant for US and German postal services



Source: Industry, MOSL



EXPERT SPEAK: Mr Sanjiv Kathuria, Director & CEO, DotZot

Simply put, growth in logistics will be as exponential as e-commerce

- n Launched in mid-2013, DotZot is the first pan India delivery network, focused exclusively on the e-commerce/e-retail space. It is backed by DTDC's size, scale and reach, and covers 8,000 plus pin codes and 2,300 cities across India.
- n DotZot aims to bridge the gap faced in logistics infrastructure by providing superior logistics solutions to e-tailers, who are increasingly looking to enhance customer shopping experience. DotZot ensures constant visibility of shipments and real-time flow of information. It offers superior value and reliability to e-retailers.

Massive opportunity

There is no e-tail without delivery. Delivery at the doorstep is a pre-requisite. Logistics requirement for e-commerce will grow as exponentially as e-commerce.

Sizing the market today: The current market size of e-tail in India is estimated at USD3b. If the average shipment value is of INR2,000, that puts the number of shipments per year at 90m. E-tailers cater to ~50% of the shipment deliveries on their own. 90m annual e-commerce-driven shipments as explained above imply 0.3m deliveries per day only for e-commerce parcels even today. That implies ~0.15m daily shipments of 4.5m annual shipments through 3PLs (assuming 50% is catered to by the platform owners themselves). This pegs the overall cost of delivering the e-commerce parcels at INR8b-9b, out of which the revenue opportunity for 3PLs in e-commerce delivery alone is INR4b-5b.

Why growth should surpass growth in e-commerce: Traditionally, documents have comprised 75-80% of the volumes for the courier market in India. E-commerce deliveries are changing this scenario, as every shipment to be delivered in e-commerce is a parcel. 1m+ per day of ~1kg per parcel implies huge tonnage for the market from e-commerce alone. Platform owners like Flipkart and Amazon are likely focusing on the bigger cities, where density is high. However, increasingly the growth opportunity in e-tailing is tilting towards smaller cities and tier-III/IV towns. This implies that the play for even 3PLs is massive. The USD3b market is likely to grow multi-fold, and daily shipments from e-commerce alone should easily reach 1m in a few years.

Greater share for 3PLs over time

Cost of delivery for e-commerce companies is huge at 8-10%. This is centered on brand-building and giving customers an excellent delivery experience. However, as profitability assumes greater importance, there will be greater propensity to outsource functions like logistics to specialist players. They may not phase it out entirely, given the investments in the platform, but may start pruning their networks. They may restrict themselves to select cities with the highest density.

Also, managing day-to-day aspects of the logistics business at higher scale may be a problem – take for example, managing attrition across thousands of delivery boys needed to deliver 1m+ parcels every day.

Why separate focus on e-commerce

An increasing number of e-tailers are shifting to the marketplace model. Parcels are being picked up from sellers located all over. This requires a different piece of technology and control on the pick-up process.

Once the parcel reaches the destination, there is a requirement for a parcel network for residences – earlier only documents got majorly delivered at residences. COD adds to the complexity, making logistics a quasi cash management service. For DotZot, the COD remittance cycle post delivery is down from 15-20 days a year ago to less than 7.

Secondly, the return-to-origin percentage is also in double-digits; parcels have to be delivered back to the originating merchants. E-commerce also demands reverse pick-up of exchange and returned shipments in large numbers, and that is also a change that logistics companies have adapted to.

DotZot's advantage lies in pre-established DTDC network that it can use. The pre-requisite for rolling out any delivery service is setting up a network. It is also the biggest cost and takes several years to have a pan-country network. DotZot comes with an established network and the largest pan-India network outside of India Post, through DTDC. DotZot will ride on that network rather than duplicating the network. This not only makes the business viable right from the beginning it also allows DotZot to offer a country-wide delivery service from day-1.

The costs incurred in setting up of shipment network are significant. Also, many of such networks that exist in the smaller cities may end up becoming cost centers, where deliveries of products happen from higher tier cities, and the reverse traffic is virtually non-existent. However, that is not a significant concern for DotZot, given DTDC's already established network that it can ride on.

Cold chain has emerged a niche logistics growth area for organized players

Cold chain logistics and warehousing is a nascent sector in India and offers huge opportunity for organized players

India is amongst the least cold chain adoption countries, implying huge potential. Organized players have a huge growth opportunity in this space given the 6-7% share in the cold chain warehousing segment and 15-20% share in temperature controlled transportation.

Cold chain logistics also known as temperature controlled logistics (TCL) business includes (a) warehousing services to store at temperatures ranging from -25°C to +20°C and distribution through temperature controlled containerized trucks and cargo trains.

Existing cold chain warehousing capacity in India is estimated at 30m tonnes and 7-8,000 reefer vehicles, with majority of the facilities in UP (41%) and West Bengal (33%) followed by Punjab (6%), Gujarat and Bihar. 75% of the warehousing capacity is used by potatoes, ~2% for meat/seafood and the rest is for multipurpose products.

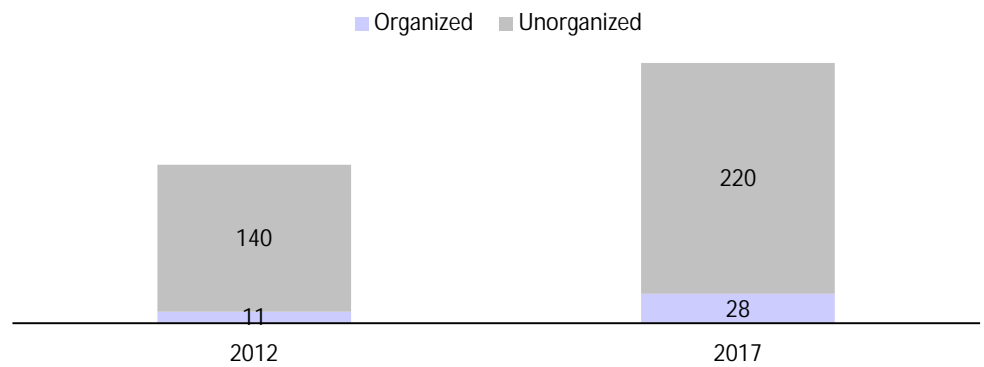
Expect high growth: Indian cold chain logistics industry size is estimated at ~INR150b with an expected growth rate of 15-20% in the medium term to reach ~INR250b by FY18. Key growth enablers include demand growth and aptly aided by government incentives for investments.

Some of the key product categories transported through this route include dairy, poultry/meat/seafood, ready-to-eat, chocolates, pharmaceuticals, industrial products, and fruits and vegetables.

Key players in the cold chain warehousing business include Snowman Logistics, Dev Bhumi Cold Chain, Fresh & Healthy Enterprise (CONCOR), RK Foodland, Brattle Foods, Brahmanand Himghar, and Gubba Cold Storage, among others.

Key players in cold chain transportation include Coldex, Gati Kausar, Kelvin Logistics, Crystal Logistics, Coldstar Logistics, Schedulers Logistics and XPS Cold Chain among others.

Exhibit 56: Organized player share in cold chain logistics estimated to grow at >20% CAGR through 2017 (INR b)



Source: Industry, MOSL

(Please refer to our update on Make in India dated September 27, 2014)

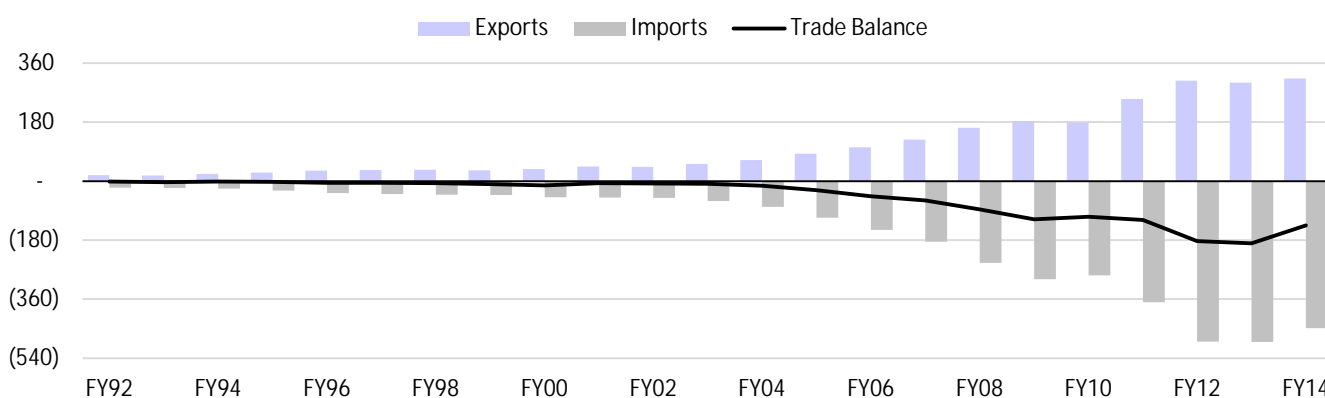
'Make in India' initiative to boost manufacturing sector and augurs well for Logistics



The Indian government recently launched the "Make in India" campaign to facilitate investment, foster innovation, protect intellectual property and build best-in-class manufacturing infrastructure in India. This campaign aims to make a sea change in the government's attitude to reposition itself as a true business partner and not as a permit issuing authority. It pervades different sectors and will lead to significant investments and growth in the domestic manufacturing sector. Though it is too early to quantify any benefit, it is imperative that it will give a meaningful boost to the Logistics sector, given the scale of the initiative.

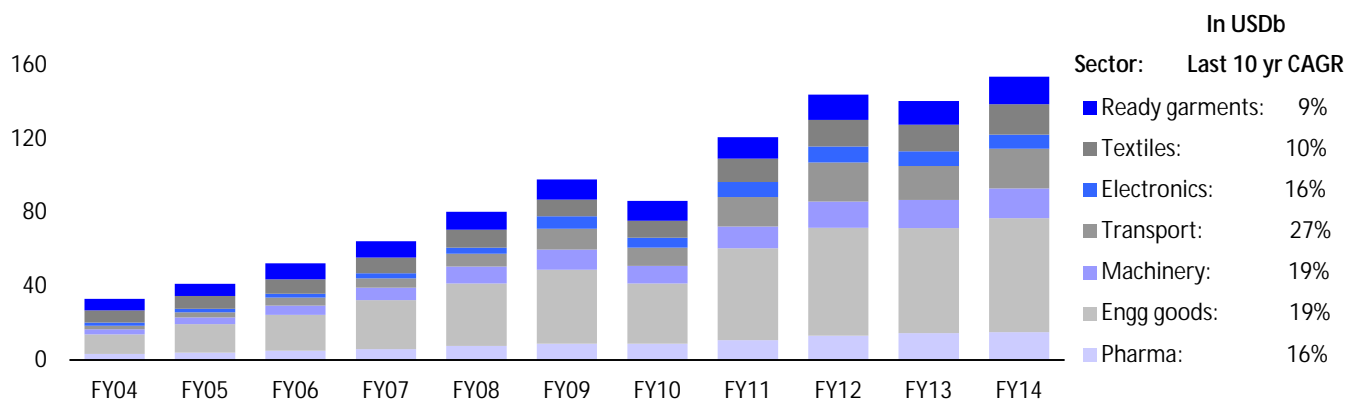
[Click here](#)

Exhibit 57: Rising trade imbalance necessitates the boost for domestic manufacturing (USD b)



Source: CMIE, MOSL

Exhibit 58: Some of the key exporting sectors from India are growing at a healthy rate



*Sectors depicted above contributes ~60% on non-POL commodity exports from India

Source: GoI, CMIE, MOSL

Companies covered and our key stock picks

Buy Container Corporation, Gateway Distriparks

- n In this report, we initiate coverage on two large CTOs – Container Corporation and Gateway Distriparks with a Buy rating. While sharp ad-hoc haulage charge increase is a concern, we expect 12-15% CTO volume ramp-up, with CCRI continuing with its leading market share and GDPL benefiting due to its low base.
- n Among the other listed entities we have profiled are express cargo/3PL operators like Blue Dart, Gati, TCI and multi-modal operator Allcargo Logistics.
- n In the unlisted space, we include (1) port service providers JM Baxi & Co, and Ocean Sparkle, (2) CFS players Continental Warehousing, Star Agri Logistics and Shree Shubham Logistics; (3) auto logistics players TVS Logistics and Mahindra Logistics; (4) express/3PL player Safexpress and (5) e-tail logistics player Delhivery.

CTO's well placed to benefit from economic revival, initiate coverage on Gateway Distriparks and Concor

Of the total container volume carried by the Indian Railways ~60% flows through western corridor (JNPT/Gujarat to North India). Various industry estimates and implied growth led by likely GDP trajectory indicates doubling of the container volumes by 2019/20.

Exhibit 59: Modeling 15% railway container traffic growth through FY20

Million Tonnes	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14E	FY15E	FY16E	FY17E
India EXIM Volume											
Major Ports	464	519	531	561	570	560	546	556			
Non-Major Ports	185	206	213	289	315	354	388	417			
Total	649	726	744	850	885	914	934	973			
YoY Chg (%)	14.0	11.9	2.5	14.2	4.2	3.2	2.2	4.2			
Bulk-Break cargo	208	252	250	269	284	302	321	331	351	376	406
YoY Chg (%) - A	15.6	21.4	(1.0)	7.6	5.8	6.4	6.1	3.1	6.2	7.2	7.9
Break-Bulk as % of total EXIM	32.0	34.8	33.6	31.6	32.1	33.1	34.4	34.0			
GDP Growth (YoY %) - B	9.6	9.3	6.7	8.6	8.9	6.7	4.5	4.7	5.6	6.5	7.2
Multiplier (A / B)	1.6	2.3	(0.2)	0.9	0.7	1.0	1.3	1.1	1.1	1.1	1.1
Containerized Cargo at Port	81	103	105	116	134	145	145	152	165	181	199
Containerized as a % of Break-bulk	39.1	40.9	42.1	43.2	47.2	48.1	45.1	46.0	47.0	48.0	49.0
Container Volume by Railway (mmt)	17.4	17.4	23.3	25.3	26.6	29.1	31.9	32.6	34.7	39.7	45.8
As a % of Containerized Cargo at Port	21.4	16.8	22.2	21.8	19.8	20.0	22.0	21.4	21.0	22.0	23.0
Railway EXIM Container volume (mTEU)	1.81	2.11	2.19	2.41	2.68	2.81	2.79	2.99	3.18	3.64	4.20
YoY Chg (%)		17.1	3.6	10.2	11.1	5.0	(0.7)	7.0	6.3	14.6	15.2
Concor	1.72	1.98	1.85	1.88	2.02	2.14	2.15	2.36	2.64	2.94	3.29
YoY Chg (%)		15.3	(6.2)	1.5	7.2	5.8	0.8	9.7	12.0	11.0	12.0
As a % of total	95.0	93.5	84.7	78.0	75.3	75.9	77.0	79.0	83.2	80.6	78.4
Gateway Rail	0.02	0.04	0.07	0.11	0.13	0.18	0.23	0.21	0.25	0.29	0.35
YoY Chg (%)		115.9	81.3	69.0	16.8	37.4	29.4	(9.1)	19.1	16.5	19.1
As a % of total	0.9	1.7	3.0	4.7	4.9	6.4	8.4	7.1	8.0	8.1	8.4

Source: Company, MOSL

Gateway Distriparks (MCap: USD735m, TP: INR535, 30% Upside, Buy)

- n Gateway Distriparks is the largest private container train operator with end-to-end service offerings and also offers exposure to steady profit CFS and high growth cold chain businesses.
- n Key triggers include economic revival, DFC completion and increasing containerization, while private ownership gives it the nimble footedness to gain market share in rail business.
- n The stock trades at 17x FY17E EPS of INR24/sh, with an implied dividend yield of ~3%. We initiate coverage with a Buy, based on DCF-based (WACC: 11%, TGR: 4%) fair value of INR526/sh (includes INR45/sh for Snowman, post 20% discount). Initiate coverage with a **Buy** rating.

Container Corporation (MCap: USD5b, TP: INR1,777, 19% upside, Buy)

- n Container Corporation of India Ltd (CCRI) is a leading (76% market share) rail freight transporter and is investing to transform into a multimodal logistic player.
- n Key triggers include economic revival, DFC completion and early monetization of the MMLP investment.
- n The stock trades at 22.5x FY17E EPS of INR71 and has a dividend yield of ~1%.
- n We value CCRI on DCF basis (WACC: 12%, TGR: 4%) at INR1,693. Initiate coverage with a **Buy** rating.

Exhibit 60: Summary of Business presence of key logistics players

Company	Transportation				Storage				Valued Added Logistic Services			
	Road	Air	Rail	Water	Warehousing	CFS/ICD	Cold Chain	Bulk Liquid	Express Cargo	Supply Chain/3PL	Multi-modal	Port Handling
Concor			p			p	p					
Gateway Distriparks			p			p						
TCI	p	p	p	p			p		p	p		
Blue Dart	p	p							p	p		
Gati	p	p					p		p	p		
Allcargo											p	
Aegis Logistics								p				
Snowman Logistics							p					
TVS Logistics Services									p	p		
Safexpress Pvt. Ltd									p	p		
Mahindra Logistics									p	p		
Delhivery									p	p		
Continental Warehousing					p							
Star AgriWarehousing					p							
Shree Shubham Logistics					p							
Ocean Sparkle												p
J.M. Baxi												p

Source: Company, MOSL

Key risks

Delay in economic uptick: Our logistics sector growth expectations are driven by the likely revival in the GDP led by initiatives post the government change at the Center.

Any delays in the DFC completion, GST Bill approval could elongate the period for our target growth.

Specific risks to logistics sub-sectors: Lower than expected GDP growth will impact all the logistics players, while some of the specific risks in the niche segments include (i) CTOs profitability can be impacted by continued imbalance in EXIM volumes leading to higher empties, (ii) slowdown in e-commerce could impact players like Blue Dart and Gati, and (iii) sharp increase in energy costs (electricity, diesel) could impact cold chain players' profitability.

Sharp revision of haulage rates by railways: Historically, railway haulage rates (charge paid by CTOs to Indian railway) change had been ad-hoc. While CTOs have been able to pass it on to consumers, any such sharp increase in future could limit the ability of CTOs to pass on the increase to consumers and impact their profitability.

Exhibit 61: Railways has historically increased the haulage share on ad-hoc basis (INR/TEU)

INR/TEU	Train Haulage Charges (500-550km)							Train Haulage Charges (1000 - 1050km)							
	Distance (Kms)	Upto 10T	>10T and upto 20T	> 20T upto 26T	> 26T upto 30T	>30T	Empty (single deck)	Empty Flat Wagons	Upto 10T	>10T and upto 20T	> 20T upto 26T	> 26T upto 30T	>30T	Empty (single deck)	Empty Flat Wagons
1-Jul-09			5,874	8,060	8,872		3,819	3,525	10,049	13,965	15,515			6,532	6,030
1-Jan-10			5,968	8,060	8,872		3,880	3,581	10,826	13,965	15,515			7,037	6,496
1-Jan-11			5,984	8,060	8,872		3,890	3,591	11,099	14,280	15,981			7,215	6,660
1-Dec-12	5,569	7,347	8,375	9,325		4,776	4,409	10,158	13,554	15,515	17,329			8,810	8,133
1-Feb-13	5,970	7,877	8,978	9,997		5,120	4,727	10,890	14,530	16,633	18,577			9,445	8,718
1-Apr-13	5,970	7,470	8,978	9,997		4,471	4,127	10,890	13,753	16,633	18,577			8,205	7,574
5-Dec-14	7,500	9,428	11,369	12,678	14,048	5,625	5,250	13,726	17,408	21,112	23,612	26,226	10,295	9,609	
15-Dec-14	6,690	8,776	10,572	11,785	12,784	5,241	4,876	12,781	16,190	19,619	21,934	23,866	9,599	8,931	
1-Mar-15	7,500	9,428	11,369	12,678	14,048	5,625	5,250	13,726	17,408	21,112	23,612	26,226	10,295	9,609	

Growth %	Train Haulage Charges (500-550km)							Train Haulage Charges (1000 - 1050km)						
	Upto 10T	>10T and upto 20T	> 20T upto 26T	> 26T upto 30T	>30T	Empty (single deck)	Empty Flat Wagons	Upto 10T	>10T and upto 20T	> 20T upto 26T	> 26T upto 30T	>30T	Empty (single deck)	Empty Flat Wagons
1-Jul-09														
1-Jan-10		2%	0%	0%		2%	2%		8%	0%	0%		8%	8%
1-Jan-11		0%	0%	0%		0%	0%		3%	2%	3%		3%	3%
1-Dec-12		23%	4%	5%		23%	23%		22%	9%	8%		22%	22%
1-Feb-13	7%	7%	7%	7%		7%	7%		7%	7%	7%		7%	7%
1-Apr-13	0%	-5%	0%	0%		-13%	-13%		0%	-5%	0%		-13%	-13%
5-Dec-14	26%	26%	27%	27%		26%	27%		26%	27%	27%		25%	27%
15-Dec-14	-11%	-7%	-7%	-7%	-9%	-7%	-7%		-7%	-7%	-7%	-9%	-7%	-7%
1-Mar-15	12%	7%	8%	8%	10%	7%	8%		7%	8%	8%	10%	7%	8%

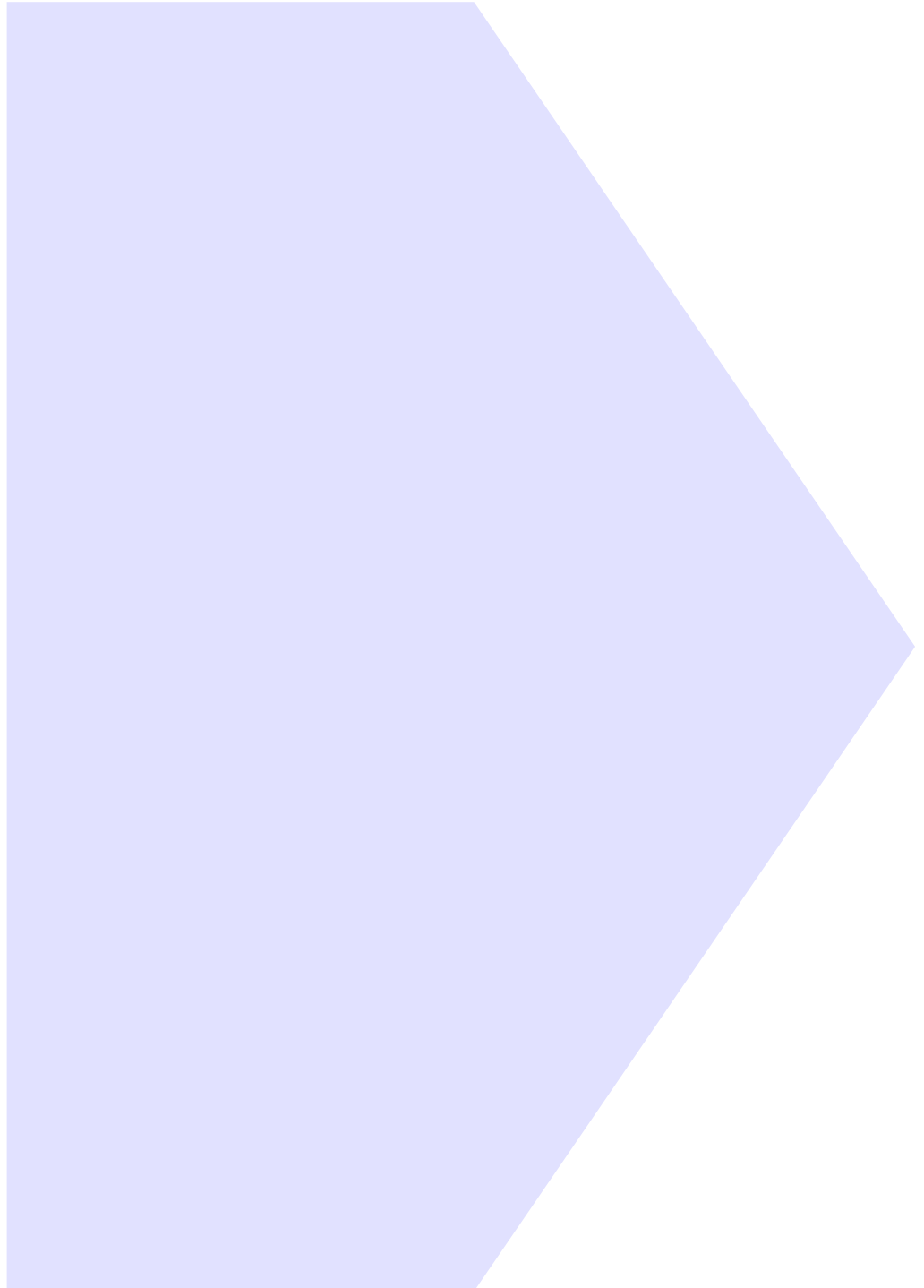
Source: Indian Railways, MOSL

Companies

BSE Sensex: 29,449
S&P CNX: 8,938
March 2015

Companies

Container Corporation	40
Gateway Distriparks	54
Blue Dart	68
Gati	74
Allcargo Logistics	87
Transport Corp. of India	92
Unlisted players	
Ocean Sparkle	97
JM Baxi & Co.	98
Continental Warehousing	99
Star Agri Logistics	100
Shree Shubham Logistics	101
TVS Logistics	102
Safex	103
Mahindra Logistics Ltd	104
SSN Logistics (Delhivery)	105



Container Corporation

BSE Sensex
29,449

S&P CNX
8,938

CMP: INR1,488

TP: INR1,777 (+19%)

Buy



Stock Info

Bloomberg	CCRI IN
Equity Shares (m)	195.0
52-Week Range (INR)	1,650/750
1, 6, 12 Rel. Per (%)	5/3/48
M.Cap. (INR b)	290.2
M.Cap. (USD b)	4.7
Avg Val. INRm/Vol'000	156/127
Free float (%)	38.2

Financial Snapshot (INR Billion)

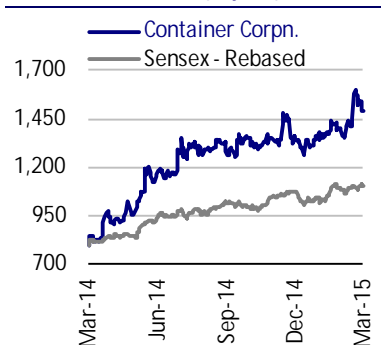
Y/E Mar	2015E	2016E	2017E
Sales	58.9	73.6	82.9
EBITDA	13.0	16.3	18.2
NP	9.6	12.1	13.8
EPS (INR)	49.2	62.2	70.6
EPS Gr. (%)	1.0	26.4	13.6
BV/Sh (INR)	388.0	431.8	481.6
RoE (%)	13.3	15.2	15.5
RoCE (%)	17.5	20.0	20.4
P/E (x)	30.3	23.9	21.1
P/BV (x)	3.8	3.4	3.1

Shareholding pattern (%)

As on	Dec-14	Sep-14	Dec-13
Promoter	61.8	61.8	63.1
DII	7.8	6.7	4.9
FII	25.0	25.9	29.0
Others	5.4	5.6	3.1

FII Includes depository receipts

Stock Performance (1-year)



Market leader, pre-emptive capex to benefit in long term

Large option value with likely freight shift from road to rail

- Container Corporation of India Ltd (CCRI) is a leading rail freight transporter that is graduating to be a multimodal logistic player. It is set to benefit from GDP/EXIM revival and DFCs completion that will accelerate containerization.
- Despite private players entry in 2006, it has a leading market share (76%) that can be attributed to its scale and vantage locations. Long term growth acceleration could come from its pre-emptive capex on multimodal parks.
- We initiate coverage with a Buy, with a DCF based fair value of INR1,777/sh, implying 19% upside.

Key beneficiary of DFCs and economic revival

- CCRI's businesses will benefit from (a) DFCs completion and increasing containerization (last 12-year CAGR at 9% v/s 6% in overall EXIM at major ports), (b) India's expected GDP revival, (c) improving logistics infrastructure and (d) GST implementation.
- DFCs (full commissioning likely by 2019) will increase the rail freight capacity and profitability of CTOs through double stacking and lower transit time.
- India's expected GDP revival will translate into higher EXIM trade, while infrastructure improvement and GST implementation will improve the share of organized logistics service providers over the medium term.

Dominant player, pre-emptive investments for long term growth

- CCRI is an undisputed leader in rail transport (76% market share) led by favorable depot locations (legacy benefit), scale (10x in size of next biggest competitor) led by continuous core business capex focus.
- CCRI is spending INR60b to develop 15 MMLPs (Multi Modal Logistics Parks) along with upcoming DFCs, potentially upgrading the company to a full scale multimodal logistics service provider.

Expect FY14-17E volume CAGR at 12% and EBITDA CAGR at 18%

- While the expected economic recovery will benefit logistics sector, we believe CCRI's growth will be higher given its scale and likely disproportionate benefit from investments in MMLPs.
- We expect CCRI's volume to post 12% CAGR and EBITDA 18% CAGR aided by margin improvement as the double stacking share increases.

Valuation and view

- We value CCRI on DFC-based (WACC 11.7%, TGR 5%) to arrive at a fair value of INR1,777/sh implying 19% upside.
- The stock trades at 21x FY17E EPS of INR71 and has a dividend yield of ~1%. Initiate coverage with a Buy rating.

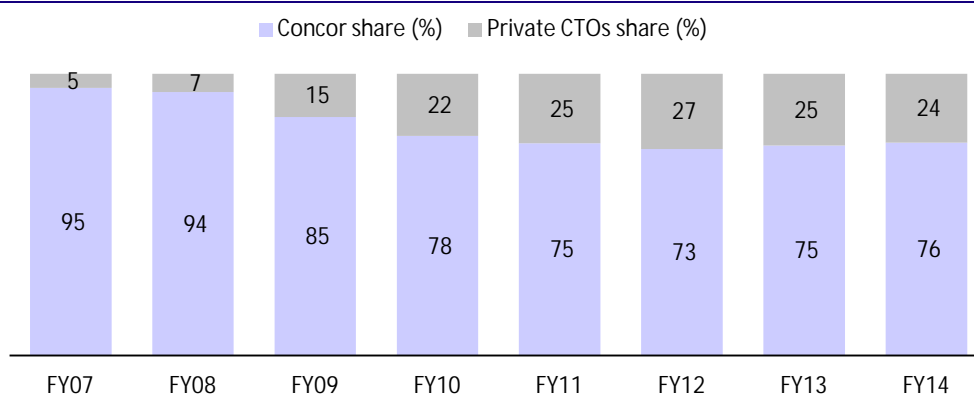
Dominant player, pre-emptive investments for long term growth

- n **CCRI is an undisputed leader in rail transport (76% market share) led by favorable depot locations (legacy benefit), scale (10x in size of the next biggest competitor) led by continuous core business capex focus.**
- n **Company is spending INR60b to develop 15 MMLPs (Multimodal Logistics Parks) along with upcoming DFCs, thus potentially upgrading it to a full scale multimodal logistics service provider.**

Early mover advantage and focused capex ensured high market share

- n CCRI, being the first container train operation (incorporated in 1988), received railway's surplus lands at strategic locations on a long term lease. Despite private players entry, CCRI's continual core capex focus ensured its leadership position in the sector.
- n The key bargaining chip with container train operators apart from service quality, in our view, is the wide network availability (rakes, number of locations etc). CCRI, with 63 locations and 275 rakes, is well positioned to maintain its volume share.
- n Post private CTOs entry, CCRI lost the market share for few years as private CTOs entered new territories or the ones neglected by it. However, having lost some market share, CCRI swiftly stepped up efforts through (a) tariff rationalization (bulk discounts, rebates etc) and (b) strategic JVs to provide seamless logistics solutions.
- n Private CTOs were not able to maintain the momentum given the slowdown in EXIM business, lower RoCE, delays in ICD development (land acquisition issues) coupled with steep hike in haulage rates (~29% in December 2012 and February 2013) by Railways.

Exhibit 1: CCRI regained market share in recent years and maintains it at >75%



Source: Company, MOSL

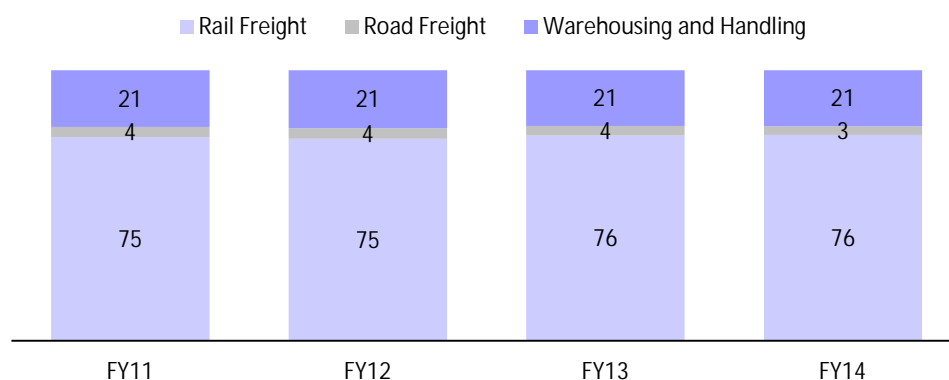
Pre-emptive capex to develop MMLPs

CCRI's ~80% revenue accrues from rail container operations, and in its efforts to provide value-added services, is focusing on developing MMLPs. CCRI is building 15 new multimodal logistics parks (MMLP) along the upcoming DFCs to augment its already large network of 63 CFS and ICDs.

It plans to spend ~INR60b (~50% on MMLPs and private container terminals) over the FY13-17 period that includes land acquisition, terminal development and purchase of equipments. The MMLPs will be set up over the next two to three years and will be fully operational along with the completion of dedicated freight corridors.

MMLPs can be defined as transport hubs that provide integrated logistics facilities like warehousing, cold storage, handling, customs examination etc by mechanized handling and intelligent inventory management to handle bulk, break bulk and containerized traffic in a cost effective manner.

Exhibit 2: CCRI revenue breakup (%): MMLPs expected to reduce dependence on freight operations



Source: Company, MOSL

While the acquired land (acreage) for MMLPs will be large, development will be in phases and will also house dedicated warehouses for some individual companies/industries. CCRI has started operations at Khatuwas and plans to start operations in the next one to two years at around six locations.

Exhibit 3: Planned MMLPs across India

No.	Location	State	Area (Acres)	Status
1	Nagaulapalli	Telangana	80	Working as DCT & PFT in 17 acres
2	Khatuwas	Rajasthan	280	Working as Double Stacking Hub, 20 acres developed
3	Sriperumbudur (Road Based)	Tamil Nadu	50	Commissioning by Dec, 2014
4	Pantnagar (JVC with SIIDCUL)	Uttarakhand	40	Commissioning by Mar, 2015
5	Vallarpadam (Road based)	Kerala	20	Commissioning by Jun, 2015
6	Vishakapatnam	Andhra Pradesh	100	Working as road based CFS – Ph I; developing 10 acres
7	Naya Raipur	Chattisgarh	100	Commissioning by Dec, 2015
8	Nagpur	Maharashtra	107	Commissioning by Dec, 2015
9	Jharsuguda	Odisha	30	Commissioning by Dec, 2015
10	Haridwar	Uttarakhand	35	Approached BHEL for land transfer
11	Swarupganj	Rajasthan	400	Land Acquisition – Sec 6 notification
12	Vadodara	Gujarat	130	Majority land acquired, construction started
13	Kila Raipur	Punjab	150	JVC with CONWARE acquiring land
14	Parjang	Odisha	50	Land being identified by ASRL & IDCO
15	Duburi	Odisha	50	Land being identified by ASRL & IDCO

Source: Company, MOSL

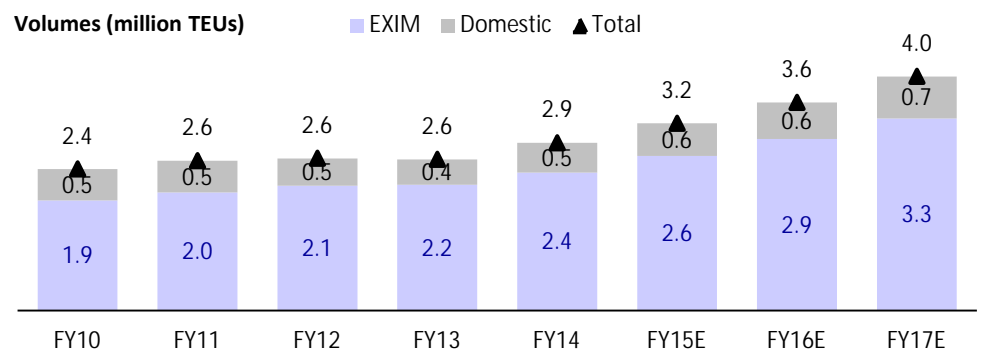
Expect volume growth and margin recovery

- While the expected economic recovery will benefit logistics sector, we expect CCRI's growth to be higher, given its scale and likely disproportionate benefit from investments in MMLPs.
- We estimate CCRI to post 14% volume CAGR and 16% EBITDA CAGR aided by margin improvement as double stacking share increases.

EXIM growth and containerization to boost volume growth

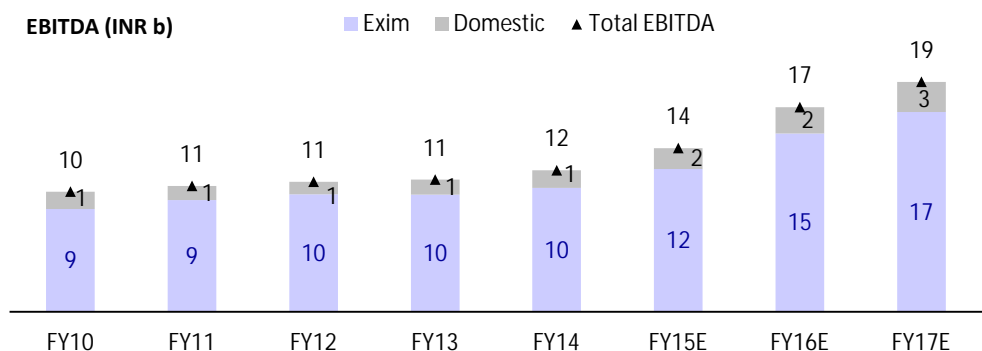
Driven by EXIM and containerization growth, we model EXIM volume at 14% CAGR over FY14-17E and domestic volume CAGR at 12%, leading to overall volume CAGR of 14% as EXIM is expected to continue to contribute ~83% of total volumes.

Exhibit 4: Model 14% volume CAGR over FY14-17E



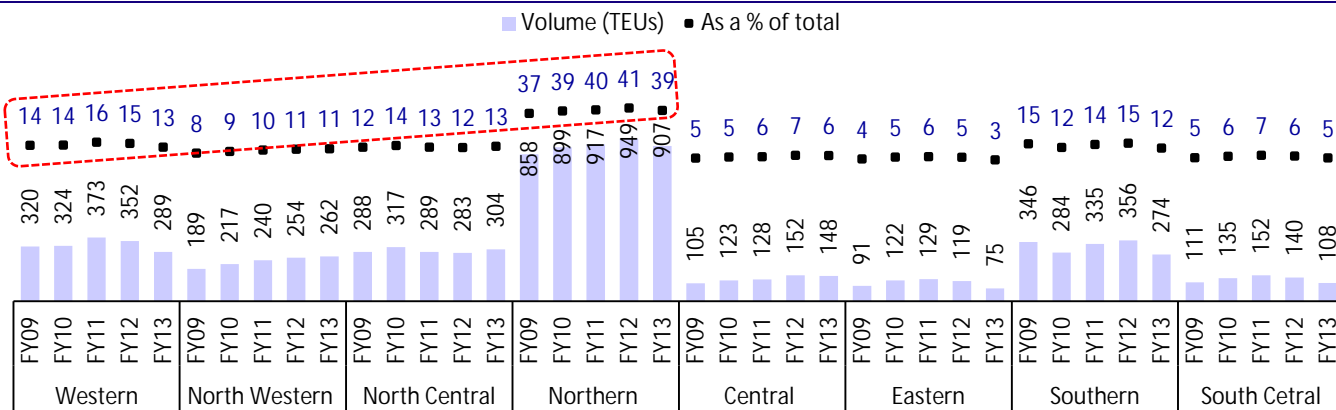
Source: Company, MOSL

Exhibit 5: Expect EBITDA to post 18% CAGR led by volume growth and improvement in profitability



Source: Company, MOSL

Exhibit 6: Western Corridor of India contributed to 76% of CCRI's FY13 volumes



Source: Company, MOSL

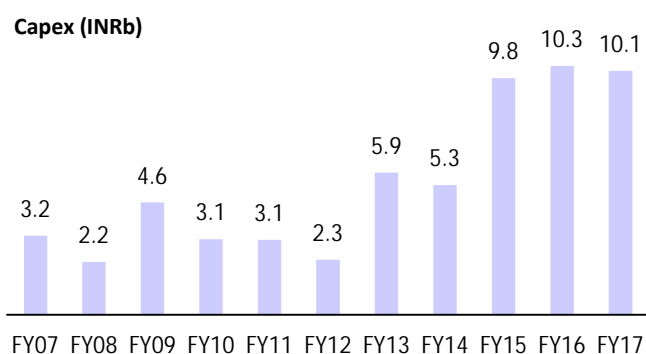
Exhibit 7: While EBITDA CAGR is healthy at 16%, PAT CAGR will be depressed due to higher depreciation rate under new Companies Act 2013

	FY12	FY13	FY14	FY15E	FY16E	FY17E	FY14-17 CAGR (%)
EBITDA	10.2	10.5	10.8	13.0	16.3	18.3	19%
Depreciation	1.6	1.8	1.9	4.0	4.5	4.9	37%
Other Income	3.1	3.3	3.7	3.7	4.2	4.9	10%
Interest	0.1	0.0	0.0	0.0	0.0	0.0	
PBT	11.7	12.0	12.5	12.7	16.0	18.2	13%
Tax	3.0	2.7	3.0	3.1	3.8	4.4	13%
PAT	14.7	14.7	15.6	15.7	19.8	22.6	13%

Source: Company, MOSL

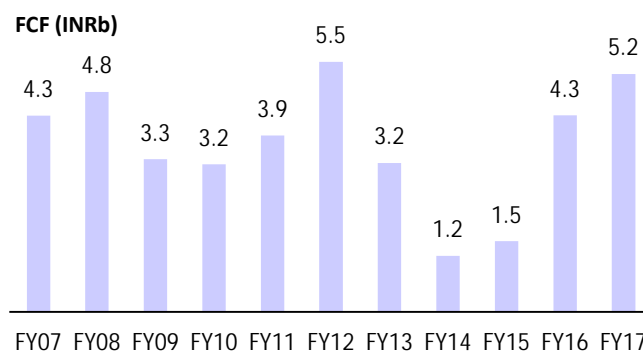
CCRI is a debt free company (net cash at INR29b as of September 2014) with healthy cash flows. Currently, it has embarked on an INR60b capex to be spent over the next few years, primarily on MMLPs. Though the logistics parks take time to develop fully, investment needs to be done upfront. Hence, the capex intensity will remain high and revenue will be back-ended, resulting in lower return ratios in the interim period.

Exhibit 8: Capex intensity to remain high...



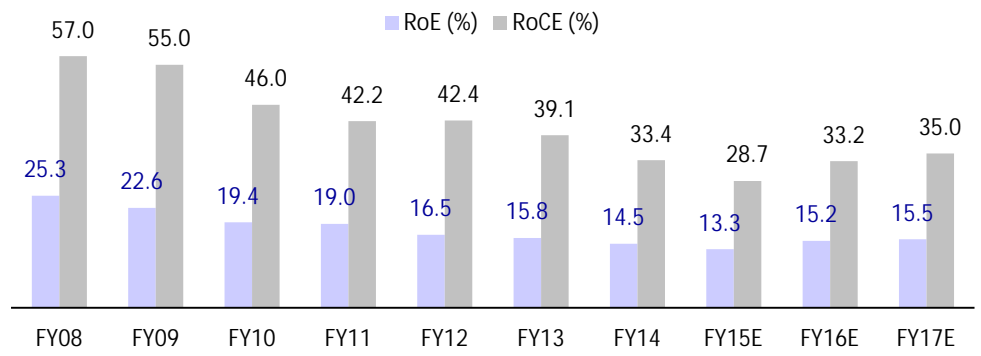
Source: Company, MOSL

Exhibit 9: ...resulting in lower FCF versus historical trend



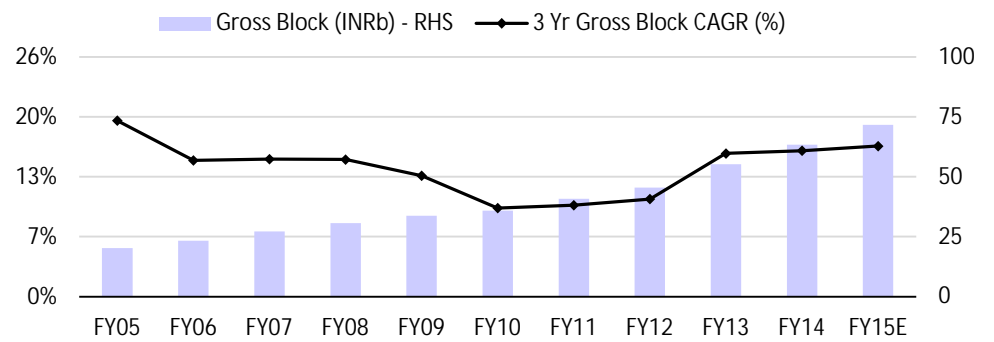
Source: Company, MOSL

Exhibit 10: Also, return ratios to remain under pressure led by capex towards long gestation MMLPs



Source: Company, MOSL

Exhibit 11: CCRI's gross block will increase rapidly in next few years led by INR60b capex plan primarily on MMLPs



Source: Company, MOSL

Valuation and view

Initiate coverage with Buy, target price of INR1,777

- n CCRI is a direct play on the upcoming large rail infrastructure (DFCs), revival in economic growth and higher containerization.
- n Key factors to watch out are (a) EXIM growth trend, (b) expansion of port capacities (JNPT in the near term) and (b) completion of DFCs.
- n Key risks include (a) lower-than-expected GDP growth, (b) sharp increase in haulage rates, (c) delay in DFCs completion and (d) any increase in export-import imbalance.
- n Given the debt free balance sheet, we expect the dividend payout (currently at 25%) to increase in the next few years as it nears the end of its ongoing large capex cycle, which is funded fully through equity.
- n We value CCRI on DFC-based (WACC 11.7%, TGR 5%) to arrive at a fair value of INR1,777/sh implying 19% upside.
- n The stock trades at 21x FY 17E EPS of INR71 and has a dividend yield of ~1%. Initiate coverage with a Buy rating.

Exhibit 12: Concor DCF Valuation Summary - We value Concor at INR1,777

INR Billion	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
EBITDA	13.0	16.3	18.2	21.1	25.2	30.1	34.9	40.1	44.9	49.4	54.3
YoY Chg (%)		25%	12%	16%	20%	19%	16%	15%	12%	10%	10%
EBIT	9.0	11.8	13.3	15.4	18.8	22.9	27.0	31.9	36.5	40.8	45.6
Less: Tax	(3.1)	(3.8)	(4.4)	(5.1)	(6.1)	(7.6)	(9.5)	(11.2)	(12.8)	(14.3)	(15.9)
Less: WC Changes	1.3	2.1	1.3	1.7	2.4	3.0	0.5	0.5	0.5	0.4	0.5
Less: Capex	(9.8)	(10.3)	(10.1)	(12.0)	(12.0)	(10.0)	(3.6)	(3.4)	(2.6)	(2.0)	(1.7)
FCFF	1.5	4.3	5.1	5.7	9.4	15.5	22.3	26.1	30.0	33.6	37.2
Discount factor			0.9	0.8	0.7	0.6	0.6	0.5	0.5	0.4	0.4
Discounted FCFF			4.5	4.6	6.8	9.9	12.8	13.4	13.8	13.8	13.7

DCF Summary (INRb)

NPV	93
TGR	5%
NPV of TV	213
Enterprise Value	306
Net Debt / (Cash)	(40)
Implied Mcap	346
Per share Value (INR)	1,777
CMP	1,488
Upside (%)	19%

Fair Value Sensitivity to TGR and WACC

	TGR (%)	WACC (%)			
		13%	12%	11%	10%
	4%	1,386	1,571	1,810	2,131
	5%	1,486	1,708	2,007	2,427
	6%	1,614	1,891	2,282	2,872
	7%	1,785	2,148	2,696	3,613

WACC Calculation

Target D/E	25%
Risk Free Rate	7.5%
Beta	0.87
Market Risk Premium	6.0%
Cost of Equity	12.7%
Cost of Debt	8.8%
WACC	11.7%

Source: MOSL

Exhibit 13: Concor – Key Assumptions

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Volumes - TEU								
EXIM	1,882	2,019	2,136	2,152	2,361	2,645	2,936	3,288
Domestic	539	544	468	434	507	558	625	719
Total	2,421	2,562	2,604	2,586	2,869	3,203	3,561	4,007
Volumes YoY Chg (%)								
EXIM	1.5%	7.2%	5.8%	0.8%	9.7%	12.0%	11.0%	12.0%
Domestic	18.9%	0.9%	-13.9%	-7.4%	17.0%	10.0%	12.0%	15.0%
Total	4.9%	5.8%	1.6%	-0.7%	10.9%	11.6%	11.2%	12.5%
Realization (INR/TEU)								
EXIM	15,399	14,820	15,293	16,449	16,473	17,050	19,181	19,181
Domestic	14,977	15,387	16,983	19,975	22,344	23,126	26,016	26,016
Total	15,408	15,218	15,746	17,191	17,808	18,401	20,670	20,690
EBITDA (INR/TEU)								
EXIM	4,565	4,633	4,605	4,552	4,394	4,518	5,083	5,083
Domestic	2,692	2,154	2,203	2,898	2,863	3,122	3,512	3,512
Total	4,148	4,107	4,173	4,274	4,123	4,275	4,807	4,801

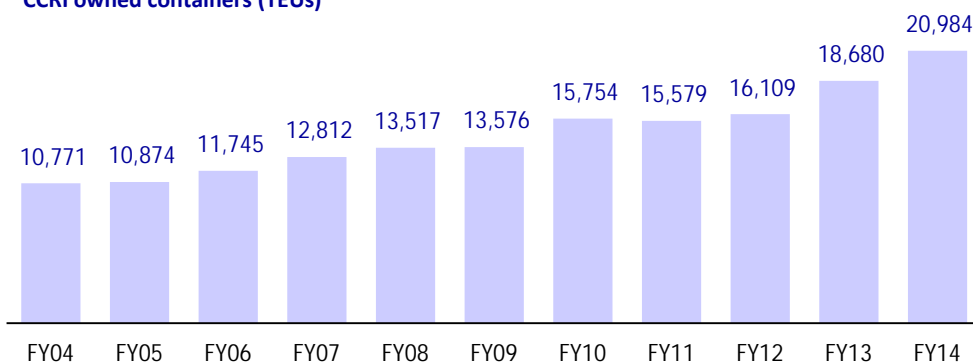
Source: Company, MOSL

Company description

- n Container Corporation (CCRI), a Navratna company from July 2014, was incorporated in 1988 and started operation in November 1989 by taking over seven ICDs from Indian Railways. CCRI is a public sector company with the government's holding of 61.8%.
- n Over the years, it has grown the operations to 63 ICDs which include 13 export-import depots, 15 exclusive domestic depots and 35 terminals (operates as domestic and international terminals). To support its operation, CCRI owns 275 rakes, 12,251 wagons and ~21,000 containers.
- n Given the high inter-dependence of shipping lines and freight aggregators, CCRI has formed several JVs with its customers (GDL/Allcargo), port operators (APM/DPI), road haulers (TCI), air cargo (HALCON/GVK) and shipping lines (Maersk) to aid its business. CCRI is investing to set up multi-modal logistics parks along the upcoming DFCs.
- n Company earns its revenue from container rail transport (EXIM and domestic), port terminal operations and warehousing.

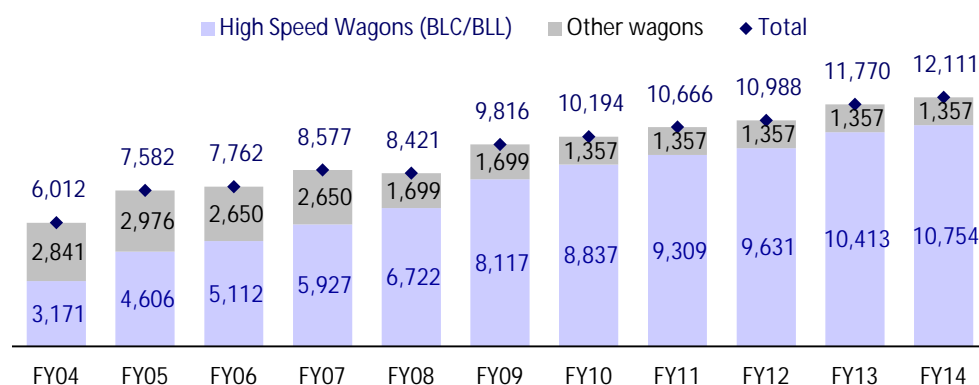
Exhibit 14: CCRI increased its owned containers by 7% CAGR in the last 10 years

CCRI owned containers (TEUs)



Source: Company, MOSL

Exhibit 15: CCRI's high speed wagons increased at 13% CAGR since FY04



Source: Company, MOSL

Exhibit 16: CCRI has several JVs and certain subsidiaries to exploit synergies

JV/Subsidiary Name	Concor Stake (%)	Operating Area	Details
JV's at Dadri CFS/ICD			
1 Star Track Terminals	49%	CFS at Dadri, U.P.	JV with APM Terminals India Pvt. Ltd. (formerly known as Maersk India Pvt. Ltd.)
2 Albatross Inland Ports	49%	CFS at Dadri, U.P.	JV with Transworld group of Companies
3 CMA-CGM Logistics Park (Dadri)	49%	CFS at Dadri, U.P.	JV with Ameya Logistics Pvt. Ltd.
4 Hind CONCOR Terminals (Dadri) *	49%	CFS at Dadri, U.P.	JV with Hind Terminals Pvt. Ltd.
5 Allcargo Logistics Park	49%	CFS at Dadri, U.P.	JV with Allcargo Global Logistics Ltd.
JV's at Port Terminals			
6 Gateway Terminals India	26%	3rd berth at JN Port, Mumbai	JV with APM Terminals Mauritius Ltd.
7 India Gateway Terminal	15%	Container Terminals at Cochin	JV with Dubai Port International
Other Diversified JV's			
8 TCI-CONCOR Multimodal Solutions	49%	To establish logistics freight terminals and provide integrated logistics services across the country.	JV with TCI
9 Container Gateway	49%	For operations of existing rail/road container terminal at Garhi Harsaru, Gurgaon (Haryana)	JV with Gateway Rail Freight Ltd.
10 Himalayan Terminals	40%	Management and operation of rail container terminal at Birgunj	JV with Nepalese Enterprises & Transworld group of companies
11 HALCON	50%	An air cargo complex & ICD at Ozar airport, Nasik.	A business arrangement with Hindustan Aeronautics Ltd.
Subsidiaries			
12 Fresh & Healthy Enterprises	100%	Cold chain logistics	
13 CONCOR Air	100%	Run cargo terminal at Mumbai Airport	
14 SIDCUL CONCOR Infra Company	74%	To develop logistics parks at Pantnagar and Haridwar.	JV with SIIDCUL (State Infrastructure & Industrial Development Corporation of Uttarakhand).
15 Punjab Logistics Infrastructure	51%	Develop MMLP at Kila Raipur	JV with Punjab State Container & Warehousing Corporation Limited (CONWARE).

*Voluntary winding up under process

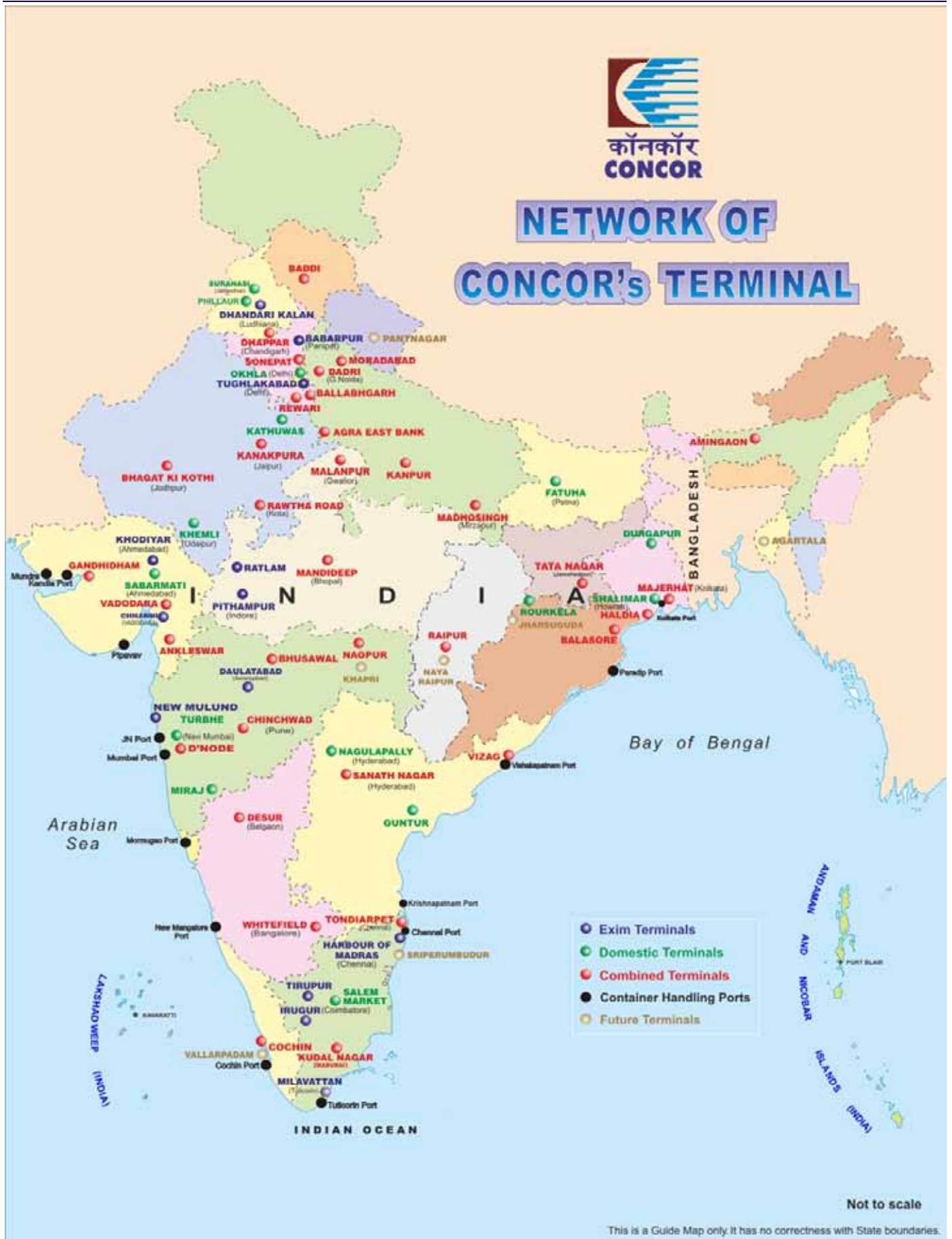
Source: Company, MOSL

Exhibit 17: CCRI's current terminal network

	Total	Only EXIM	EXIM + Domestic	Only Domestic
CENTRAL	5			
Maharashtra	3	1- Daulatabad (Aurangabad)	1- Nagpur, 2- Bhusawal	
Chhattishgarh	1		3- Raipur	
MP	1		4- Mandideep (Bhopal)	
EASTERN	9			
West Bengal	4		5- Majerhat (Kolkata), 6 - Haldia	1- Shalimar (Kolkata), 2 - Durgapur
Bihar	1			3- Fatuha (Patna)
Odisha	2		7- Balasore	4- Rourkela
Jharkhand	1		8- Tatanagar (Jamshedpur)	
Chhattishgarh				
Assam	1		9- Amingaon	
NORTHERN	16			
Delhi	3	2- Tughlakabad (Delhi)		5- Okhla (Delhi)
UP	1		10- Moradabad	
Haryana	4	3- Babarpur (Panipat)	11- Sonapat, 12- Rewari, 13- Ballabgarh	
Punjab	4	4- Dhandharikalan (Ludhiana)	14- Dhappar	6- Phillaur (Ludhiana), 7- Suranassi
Rajasthan	4		15- Kanakpura (Jaipur), 16- Bhagat ki Kothi (Jodhpur)	8- Khemli (Udaipur), 9- Kathuwas
Himachal Pradesh	1		17- Baddi#	
NORTH CENTRAL	6			
UP	4		18- Dadri (Greater Noida) , 19- Agra, 20- Kanpur, 21- Madho Singh (Mirazpur)	
Uttarakhand				
M.P.	1		22- Malanpur (Gwalior)	
Rajasthan	1		23- Ravtha Road (Kota)	
NORTH WESTERN	6			
Gujarat, Diu	6	5- Khodiyar (Ahemdabad), 6- Chhanni(Vadodara)	24- Vadodara, 25- Gandhidham, 26- Ankleshwar	10- Sabarmati (Ahemdabad)
SOUTHERN	9			
Tamilnadu	7	7- Milavattan (Tuticorin), 8- Irugur (Coimbatore), 9- Tiruppur, 10- Harbour of Madras (Chennai)	27- Tondiarpet (Chennai), 28- Kudal Nagar (Madurai)	11- Salem Market
Karnataka	1		29- Whitefield (Bangalore)	
Kerala	1		30- Cochin	
SOUTH CENTRAL	5			
Andhra Pradesh / Telangana	4		31- Sanathnagar (Hyderabad), 32- Vishakhapatnam,	12- Nagulapally (Hyderabad), 13- Guntur
Karnataka	1		33- Desur (Belgam)	
WESTERN	7			
MP	2	11- Pithampur (Indore), 12- Ratlam		
Maharashtra	5	13- New Mulund (Mumbai)	34- Chinchwad (Pune), 35- Dronagiri Node (Mumbai)	14- Turbhe (Mumbai), 15- Miraj
Goa				
Total Terminals	63	13	35	15

Source: Company, MOSL

Exhibit 18: CCRI's terminal network



Source: Company, MOSL

Financials & valuations (Consolidated)

Consolidated - Income Statement

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Total Income from Operations	37,306	38,992	41,009	44,450	51,085	58,933	73,598	82,409
Change (%)	8.1	4.5	5.2	8.4	14.9	15.4	24.9	12.0
Total Expenditure	27,711	28,836	30,776	33,953	40,303	45,926	57,337	64,197
% of Sales	74.3	74.0	75.0	76.4	78.9	77.9	77.9	77.9
EBITDA	9,595	10,156	10,232	10,497	10,782	13,007	16,261	18,212
Margin (%)	25.7	26.0	25.0	23.6	21.1	22.1	22.1	22.1
Depreciation	1,388	1,489	1,621	1,763	1,934	4,034	4,451	4,932
EBIT	8,208	8,667	8,611	8,734	8,849	8,973	11,810	13,280
Int. and Finance Charges	39	49	54	32	12	10	10	10
Other Income	1,812	1,971	3,135	3,326	3,699	3,693	4,167	4,868
PBT bef. EO Exp.	9,980	10,589	11,692	12,027	12,536	12,656	15,967	18,139
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	9,980	10,589	11,692	12,027	12,536	12,656	15,967	18,139
Current Tax	2,033	1,647	2,884	2,406	2,732	3,052	3,832	4,353
Deferred Tax	171	179	152	315	290	0	0	0
Tax Rate (%)	22.1	17.2	26.0	22.6	24.1	24.1	24.0	24.0
Less: Mionrity Interest	0	0	0	0	15	15	15	15
Reported PAT	7,776	8,764	8,657	9,306	9,499	9,589	12,120	13,771
Adjusted PAT	7,776	8,764	8,657	9,306	9,499	9,589	12,120	13,771
Change (%)	-0.2	12.7	-1.2	7.5	2.1	1.0	26.4	13.6
Margin (%)	20.8	22.5	21.1	20.9	18.6	16.3	16.5	16.7

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Equity Share Capital	1,300	1,300	1,300	1,300	1,950	1,950	1,950	1,950
Total Reserves	41,670	48,088	54,252	60,905	66,948	73,705	82,245	91,948
Net Worth	42,970	49,388	55,552	62,205	68,898	75,654	84,194	93,897
Minority Interest	0	0	0	0	275	275	275	275
Deferred Liabilities	2,242	2,428	2,616	2,964	3,244	3,244	3,244	3,244
Total Loans	424	471	581	385	0	0	0	0
Capital Employed	45,636	52,286	58,749	65,553	72,416	79,173	87,713	97,416
Gross Block	30,703	33,683	35,856	40,780	45,565	55,292	63,389	71,731
Less: Accum. Deprn.	8,344	9,722	11,268	12,946	14,844	18,878	23,329	28,261
Net Fixed Assets	22,359	23,961	24,588	27,834	30,721	36,414	40,061	43,470
Capital WIP	2,064	1,069	1,041	1,884	2,415	2,438	4,590	6,299
Total Investments	1,922	1,956	2,447	3,690	6,767	6,767	6,767	6,767
Curr. Assets, Loans&Adv.	25,534	30,705	37,009	38,930	40,352	43,071	48,263	54,377
Inventory	158	125	367	554	171	377	471	528
Account Receivables	197	296	303	285	478	484	605	677
Cash and Bank Balance	19,925	22,961	27,576	29,460	26,984	29,363	34,212	40,068
Loans and Advances	5,254	7,323	8,764	8,632	12,719	12,846	12,974	13,104
Curr. Liability & Prov.	6,377	5,545	6,515	7,006	8,032	9,710	12,161	13,690
Account Payables	3,001	1,173	1,222	1,683	1,793	2,013	2,513	2,814
Other Current Liabilities	1,913	2,828	3,513	3,325	4,622	4,715	5,888	6,593
Provisions	1,463	1,544	1,780	1,997	1,617	2,982	3,760	4,283
Net Current Assets	19,157	25,161	30,494	31,925	32,320	33,361	36,102	40,687
Deferred Tax assets	133	140	178	221	194	194	194	194
Misc Expenditure	1	0	0	0	0	0	0	0
Appl. of Funds	45,636	52,286	58,749	65,553	72,416	79,173	87,713	97,416

E: MOSL Estimates

Financials & valuations (Consolidated)

Ratios								
Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Basic (INR)								
EPS	59.8	67.4	66.6	71.6	48.7	49.2	62.2	70.6
Cash EPS	70.5	78.9	79.1	85.2	58.6	69.9	85.0	95.9
BV/Share	330.6	380.0	427.4	478.6	353.4	388.0	431.8	481.6
DPS	14.0	15.5	16.5	17.5	12.3	12.4	15.7	17.8
Payout (%)	27.3	26.8	28.8	28.5	29.5	29.5	29.5	29.5
Valuation (x)								
P/E					30.5	30.3	23.9	21.1
Cash P/E					25.4	21.3	17.5	15.5
P/BV					4.2	3.8	3.4	3.1
EV/Sales					5.2	4.4	3.5	3.0
EV/EBITDA					24.4	20.1	15.7	13.7
Dividend Yield (%)	0.9	1.0	1.1	1.2	0.8	0.8	1.1	1.2
FCF per share	24.8	29.6	42.0	25.0	6.3	7.9	22.0	26.1
Return Ratios (%)								
RoE	19.4	19.0	16.5	15.8	14.5	13.3	15.2	15.5
RoCE	24.7	22.8	22.2	20.3	19.1	17.5	20.0	20.4
Working Capital Ratios								
Fixed Asset Turnover (x)	1	1	1	1	1	1	1	1
Asset Turnover (x)	0.8	0.7	0.7	0.7	0.7	0.7	0.8	0.8
Growth (%)								
Sales	8.1	4.5	5.2	8.4	14.9	15.4	24.9	12.0
EBITDA	3.5	5.8	0.8	2.6	2.7	20.6	25.0	12.0
PAT	-0.2	12.7	-1.2	7.5	2.1	1.0	26.4	13.6
Leverage Ratio (x)								
Current Ratio	4.0	5.5	5.7	5.6	5.0	4.4	4.0	4.0
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Consolidated - Cash Flow Statement

Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
OP/(Loss) before Tax	9,975	10,589	11,692	12,027	12,536	12,656	15,967	18,139
Depreciation	1,388	1,489	1,621	1,763	1,934	4,034	4,451	4,932
Interest & Finance Charges	-1,447	-1,477	-2,539	-2,977	-3,101	-3,683	-4,157	-4,858
Direct Taxes Paid	-3,680	-2,225	-2,000	-2,142	-2,478	-3,052	-3,832	-4,353
(Inc)/Dec in WC	92	-1,460	-1,066	425	-2,324	1,338	2,108	1,270
CF from Operations	6,328	6,916	7,708	9,095	6,567	11,294	14,537	15,130
Others	3	17	14	8	-1	0	0	0
CF from Operating incl EO	6,331	6,933	7,722	9,104	6,566	11,294	14,537	15,130
(inc)/dec in FA	-3,112	-3,081	-2,267	-5,858	-5,344	-9,750	-10,250	-10,050
(Pur)/Sale of Investments	-241	-34	-500	-1,245	-3,075	0	0	0
Others	1,489	1,565	1,939	2,681	2,816	3,693	4,167	4,868
CF from Investments	-1,864	-1,550	-828	-4,422	-5,603	-6,057	-6,083	-5,182
(Inc)/Dec in Debt	-63	49	110	-196	-385	0	0	0
Interest Paid	-38	-46	-48	-33	-13	-10	-10	-10
Dividend Paid	-2,129	-2,349	-2,342	-2,568	-3,042	-2,833	-3,580	-4,068
CF from Fin. Activity	-2,230	-2,346	-2,279	-2,798	-3,439	-2,857	-3,605	-4,093
Inc/Dec of Cash	2,236	3,036	4,615	1,884	-2,475	2,379	4,849	5,855
Opening Balance	17,689	19,925	22,961	27,576	29,460	26,984	29,363	34,212
Closing Balance	19,925	22,961	27,576	29,460	26,984	29,363	34,212	40,068

Gateway Distriparks

BSE Sensex
29,449

S&P CNX
8,938

CMP: INR410

TP: INR535 (+29%)

Buy



Stock Info

Bloomberg	GDPL IN
Equity Shares (m)	108.6
52-Week Range (INR)	459/133
1, 6, 12 Rel. Per (%)	6/5/147
M.Cap. (INR b)	44.5
M.Cap. (USD b)	0.7
Avg Val. INRm/Vol'000	103/391
Free float (%)	67.1

Financial Snapshot (INR Billion)

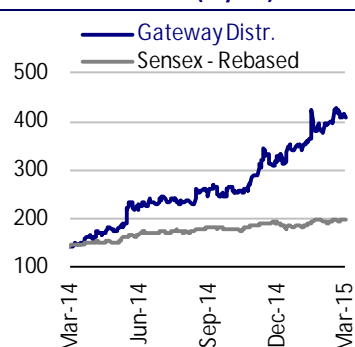
Y/E Mar	2015E	2016E	2017E
Net Sales	11.0	11.9	14.0
EBITDA	3.3	3.7	4.4
Adj PAT	1.8	2.1	2.6
EPS (INR)	16.9	19.2	23.7
Gr. (%)	34.8	14.0	23.5
BV/Sh. (INR)	110.4	117.2	125.6
RoE (%)	15.7	16.9	19.6
RoCE (%)	17.4	20.3	23.6
P/E (x)	24.3	21.3	17.3
P/BV (x)	3.7	3.5	3.3

Shareholding pattern (%)

As on	Dec-14	Sep-14	Dec-13
Promoter	32.9	36.7	42.0
DII	25.7	25.3	15.9
FII	29.5	25.3	28.7
Others	12.0	12.7	13.5

FII Includes depository receipts

Stock Performance (1-year)



Focused logistics play, multiple triggers ahead

Profitability boost led by GDP revival, DFC completion, containerization

- Gateway Distriparks (GDPL), an inter-modal logistics player (rail, road, CFS and cold chain through Snowman) with connectivity from key ports to demand centers, is well poised to benefit from India's GDP revival and western DFC (dedicated freight corridor) commissioning.
- We estimate overall EBITDA (adjusted for Snowman) CAGR through FY17E at 25%, driven by rail (26% CAGR) and CFS (20% CAGR).
- We initiate coverage with a Buy, based on SOTP-based fair value of INR535/sh (INR493/sh for core business and INR42/sh for Snowman, post 25% discount).

Key beneficiary of DFCs and economic revival

- GDPL's businesses will benefit from (a) DFCs completion and increasing containerization (last 12-year CAGR at 9% growth versus 6% in overall EXIM trade at major ports), (b) India's GDP revival, (c) improving logistics infrastructure and (d) GST implementation.
- DFCs (full commissioning likely by 2019) will increase the rail freight capacity and profitability of CTOs through double stacking and lower transit time.
- India's GDP revival will translate into higher EXIM trade, while infrastructure improvement and GST implementation will improve the share of organized logistics service providers over the medium term.

Rail business to see multifold growth, adequate land bank for 4x growth

- Gateway Rail is the second-largest port-linked rail freight service operator in India with 21 rakes and 235+ truck trailers for the last mile connectivity.
- We expect GDPL's CTO volume/margin to expand led by EXIM growth, increased containerization and DFCs start (double stacking, high speed and wagon capacity). Also expect market share gains led by service quality.
- While the current ICD capacity can handle 4x volume increase with minimal capex, we model 16% volume CAGR, leading to 26% EBITDA CAGR through FY17. We do not model the new planned ICD capacity at Ahmedabad, Jaipur and Nagpur in our estimates.

Steady growth in CFS business, capacity addition to boost earnings

- While CFS business is very competitive, we expect GDPL's utilization to remain high due to port proximity and higher share of local consumption at its locations — Mumbai, Chennai, Vizag and Kochi.
- For FY14-17E, we model 13% volume CAGR driven by 19% in subsidiary CFS and 10% in Mumbai CFS leading to 20% overall EBITDA CAGR through FY17.

Valuation and view

- We value GDPL on SOTP-based fair value of INR535/sh (INR493/sh for core business on DCF basis, WACC: 11.4%, TGR: 5% and INR42/sh for Snowman stake post 25% discount).
- The stock trades at 17.3x FY17E EPS of INR23.7 and has a dividend (payout 65%) yield of 2-3%. Initiate coverage with a Buy rating.

Rail business could see multifold growth

Minimal capex required for fourfold capacity increase

- n Gateway Rail is the second-largest port-linked rail freight service operator in India with 21 rakes and 235+ truck trailers for the last mile connectivity.
- n We expect GDPL's CTO volume/margin to expand led by EXIM growth, increased containerization and DFCs start (double stacking, high speed and wagon capacity). Also expect market share gains led by service quality.
- n While the current ICD capacity can handle 4x volume increase with minimal capex, we model 16% volume CAGR, leading to 26% EBITDA CAGR through FY17. We do not model the new planned ICD capacity at Ahmedabad, Jaipur and Nagpur in our estimates.

Strategic ICD location to ensure volume growth

- n GDPL's rail operations are carried out through three inland container depots (ICDs) located at Gurgaon, Ludhiana and Faridabad (key demand centers for imports in India and export hubs).
- n Western corridor (Mumbai/Gujarat to Delhi) accounts for the highest share of India's container traffic and Gateway Rail is well poised to benefit from growth in this region.
- n Company plans to add new ICD locations at Ahmedabad (acquired land), Jaipur and Nagpur (central locations in India).

Exhibit 1: Gateway Rail's strategically located ICDs to benefit from EXIM growth



Source: Company, MOSL

Adequate land bank to aid fourfold capacity increase

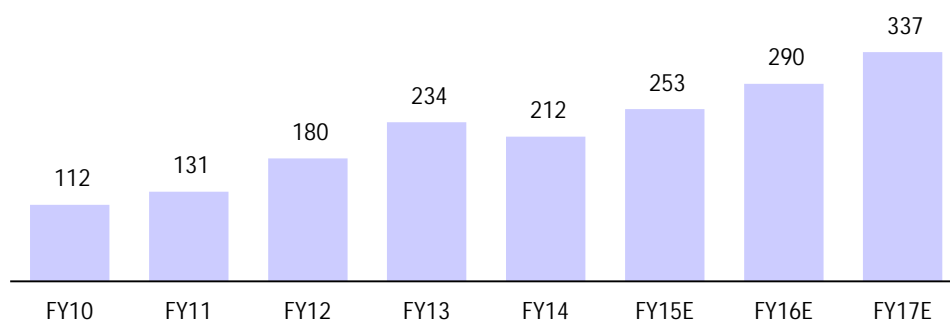
- n Gateway Rail has adequate ICD land bank which can take care of fourfold volume increase with minimal capex.
- n Recently it announced it will buy additional 11 acres in Garhi Harsaru to meet the growing demand for warehousing facilities as customers are looking for logistics solutions (supply chain management), than just plain vanilla services.
- n It handles ~0.2m teu volumes at its ICDs, against 0.5m teu of capacity. As a rule of thumb, capacity expansion is needed once utilization reaches 60-65%.
- n Based on the current land bank, it can expand the handling capacity to 1m TEU at a capex of INR3.5b.
- n On the rake front, it currently has 21 and plans to lease additional two rakes in the near term. Company will assess the buy versus lease decision, though is unlikely to buy any new wagons before the new 100 tonnes can be used.

Model FY14-17E CAGR at 16% in volume and 26% in EBITDA

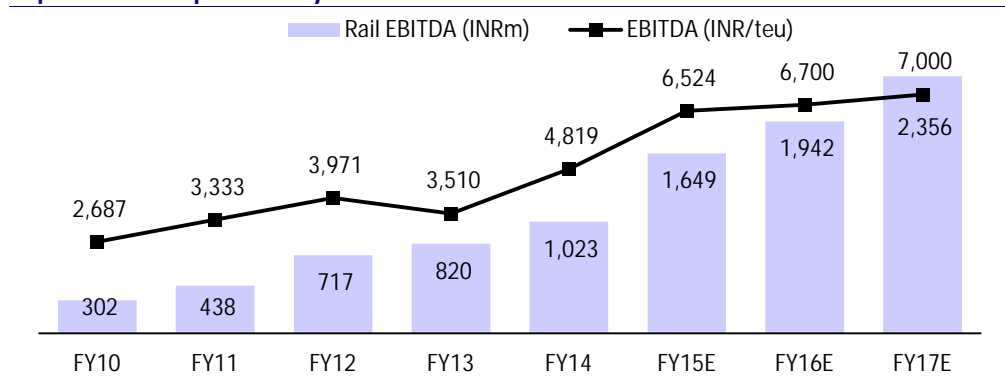
- n For FY14-17E, we model 16% volume CAGR driven by Faridabad ramp-up and capacity expansion at Garhi and Ludhiana.
- n Gateway Rail's profitability has seen remarkable improvements over the years led by higher utilization and increasing double stacking volumes (currently double stacking ratio at 63% as possible only on Gujarat to Delhi route and not yet available from JNPT).
- n Double stacking has helped to save INR120m in 1HFY15, implying annual potential savings of INR250m. As of now, the railway axle load capacity limits the extent of double stacking, though post DFCs, double stacking can be fully utilized through the route.
- n Private ownership gives Gateway the operational as well as financial flexibility to improve service quality in terms of hassle free experience for the customer. We expect Gateway to gain market share primarily due to its better service quality.
- n We estimate an EBITDA improvement from ~INR6,500/teu in 9MFY15 to ~INR7,000/teu by FY17E, resulting in 32% EBITDA CAGR over FY14-17E.

Exhibit 2: We model 17% volume CAGR over FY 14-17E led by Faridabad ramp-up and capacity expansion at Garhi and Ludhiana

Rail throughput ('000 TEUs)



Source: Company, MOSL

Exhibit 3: Expect 32% EBITDA C AGR over FY 14-17E led by volume growth and likely improvement in profitability

Source:

Exhibit 4: Gateway Rail – key assumptions

	FY12	FY13	FY14	FY15E	FY16E	FY17E
Throughput (TEU's)	180,473	233,566	212,317	252,778	289,800	336,600
Revenues (INRm)	4,496	5,376	5,671	6,442	7,825	9,425
Realizations (INR/TEU)	24,910	23,017	26,710	25,485	27,000	28,000
EBITDA (INRm)	717	820	1,023	1,649	1,942	2,356
EBITDA margin (%)	18%	15%	18%	26%	25%	25%
EBITDA (INR/TEU)	3,971	3,510	4,819	6,524	6,700	7,000
EBIT (INRm)	336	419	623	1,174	1,406	1,733
EBIT (INR/TEU)	1,860	1,792	2,935	4,645	4,850	5,150
PAT (INRm)	222	275	513	1,034	1,100	1,388
PAT (INR/TEU)	1,230	1,178	2,416	4,089	3,797	4,123

Source: Company, MOSL

Steady growth in CFS business

Strategic location to keep utilization high, capacity addition to boost earnings

- n While CFS business is very competitive, we expect GDPL's utilization to remain high due to port proximity and higher share of local consumption at its locations — Mumbai, Chennai, Vizag and Kochi.
- n We model 13% volume CAGR driven by 19% in subsidiary CFS and 10% in Mumbai CFS.
- n We expect 20% EBITDA CAGR in FY 14-17E driven by 13% volume CAGR and 2% realization CAGR.

Location advantage to compensate for competitive pressures

- n With limited entry barriers, many new players have entered the CFS business. However, service quality and proximity to port plays (Gateway's CFS are within 17km of ports) are vital for higher utilization.
- n GDPL is one of the biggest CFS players in India with current port-based capacity of 0.6m teu. Its CFS locations, similar to its rail division, are strategic at Mumbai (two locations), Chennai (two), Vizag and Kochi, which account for 83% of major ports' container volumes.
- n Competition is the highest in Mumbai and Chennai locations with >25 CFS players operating in each location.
- n CFS comes in handy at a location which has (a) higher share of local consumption and (b) distance traveled is <500km, leading to a higher share of road movement.
- n Given India's V-shaped geography towards the southern tip, maximum distances to be travelled are lesser, thus further boosting road transport's share and in turn demand for CFS. ~80% of the container traffic in Chennai is consumed locally, while in Mumbai the local consumption share is lower at ~50%.

Exhibit 5: GDPL's CFS are within short distance from nearest ports

Location	Capacity	Port	Distance from Port
Mumbai	360,000	JNPT	10.3
Mumbai (Punjab Conware)			15
Chennai	90,000	Chennai	15 from Chennai and 17 from Ennore
Chennai (Chandra)	50,000	Ennore	
Vizag	70,000	Vizag	10
Kochi	50,000	Kochi	1
Total	620,000		

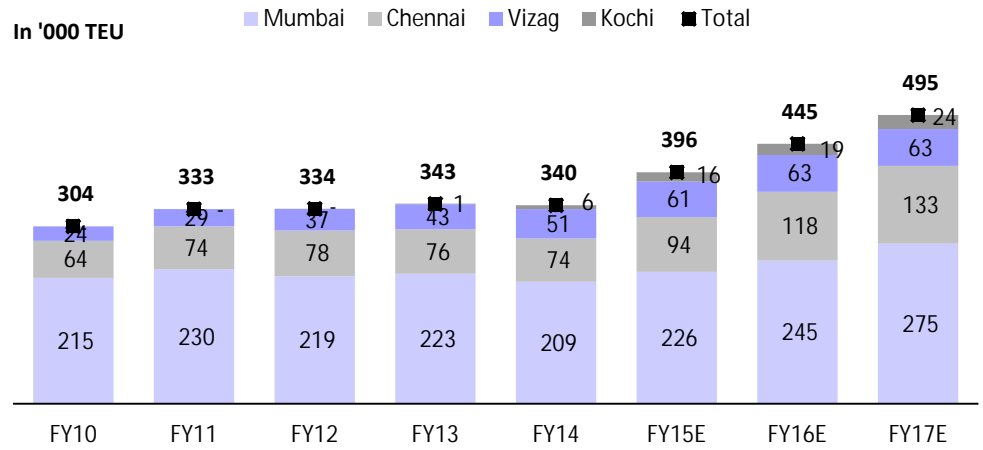
Source: Company, MOSL

Model FY14-17E CAGR at 13% in volume and 20% in EBITDA

- n We expect GDPL's CFS business to report ~13% volume CAGR led by improving utilization at Mumbai and the ramp-up at Chennai and Kochi.
- n Mumbai's volume ramp-up will be driven by increasing EXIM growth and from the upcoming 0.8-1m teu expansion at JNPT by DP World.
- n Chennai (Chandra) CFS' volume growth will be driven by Kattupalli Port and Ennore Port in the near term, which have proximity to Chandra CFS.

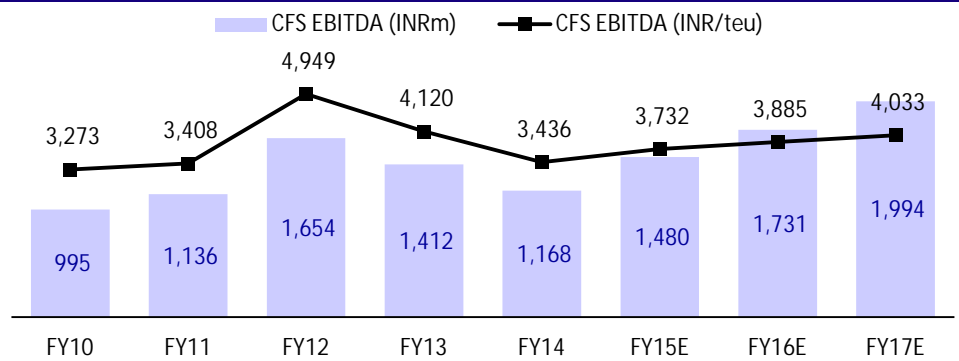
- n Vizag CFS is near its full utilization and management is working on various options to expand/shift the location to accommodate higher volumes.
- n We model 20% EBITDA CAGR led by volume growth and ongoing tariff restructuring.

Exhibit 6: We model consolidated CFS volume CAGR at 13% in FY14-17E driven by 18% CAGR for subsidiary CFS



Source: Company, MOSL

Exhibit 7: Expect CFS EBITDA to report 20% CAGR through FY17E led by higher volume and improved profitability



Source: Company, MOSL

Exhibit 8: CFS business – key assumptions

	FY12	FY13	FY14	FY15E	FY16E	FY17E
Consolidated CFS						
Utilization (%)	65%	62%	56%	62%	67%	75%
Throughput (TEU)	334,088	342,661	340,004	396,431	445,420	494,500
Revenues (INRm)	3,102	3,052	2,960	3,526	4,076	4,620
Realizations (INR/TEU)	9,284	8,908	8,705	8,895	9,151	9,342
EBITDA (INRm)	1,654	1,412	1,168	1,480	1,731	1,994
EBITDA margin (%)	53%	46%	39%	42%	42%	43%
EBITDA (INR/TEU)	4,949	4,120	3,436	3,732	3,885	4,033
EBIT (INRm)	1,452	1,205	917	837	1,407	1,665
EBIT (INR/TEU)	4,346	3,518	2,696	2,111	3,159	3,367
PAT (INRm)	1,065	890	726	468	987	1,190
PAT (INR/TEU)	3,189	2,598	2,135	1,180	2,215	2,406
Standalone CFS						
Utilization (%)	60%	61%	57%	66%	78%	85%
Throughput (TEU)	218,687	222,966	209,062	226,235	245,220	274,500
Revenues (INRm)	2,266	2,059	1,961	2,208	2,434	2,779
Realizations (INR/TEU)	10,360	9,233	9,379	9,758	9,927	10,125
EBITDA (INRm)	1,265	923	751	900	1,030	1,180
EBITDA margin (%)	56%	45%	38%	41%	42%	42%
EBITDA (INR/TEU)	5,785	4,138	3,592	3,977	4,200	4,300
EBIT (INRm)	1,114	770	572	673	798	944
EBIT (INR/TEU)	5,094	3,453	2,734	2,973	3,255	3,439
PAT (INRm)	820	576	409	439	500	613
PAT (INR/TEU)	3,750	2,581	1,955	1,942	2,038	2,233
Subsidiary CFS						
Utilization (%)	77%	64%	54%	66%	78%	85%
Chennai (CFS 1 & 2)	78,385	76,050	73,842	93,657	118,000	133,000
Vizag	37,016	42,631	50,874	60,637	63,000	63,000
Kochi		1,014	6,226	15,902	19,200	24,000
Throughput (TEU)	115,401	119,695	130,942	170,196	200,200	220,000
Revenues (INRm)	836	994	999	1,319	1,642	1,840
Realizations (INR/TEU)	7,246	8,301	7,629	7,749	8,200	8,364
EBITDA (INRm)	388	489	418	580	701	814
EBITDA margin (%)	46%	49%	42%	44%	43%	44%
EBITDA (INR/TEU)	3,366	4,088	3,189	3,407	3,500	3,700
EBIT (INRm)	338	436	345	489	609	721
EBIT (INR/TEU)	2,929	3,639	2,634	2,872	3,040	3,277
PAT (INRm)	245	315	317	352	487	577
PAT (INR/TEU)	2,125	2,630	2,422	2,071	2,432	2,622

Source: Company, MOSL

Company description

Incorporated in 1994, Gateway Distriparks (GDPL) is the logistics facilitator with presence in three synergistic verticals – Container Freight Stations (CFS), Inland Container Depots (ICD) with rail movement of containers to major ports, and cold chain storage logistics.

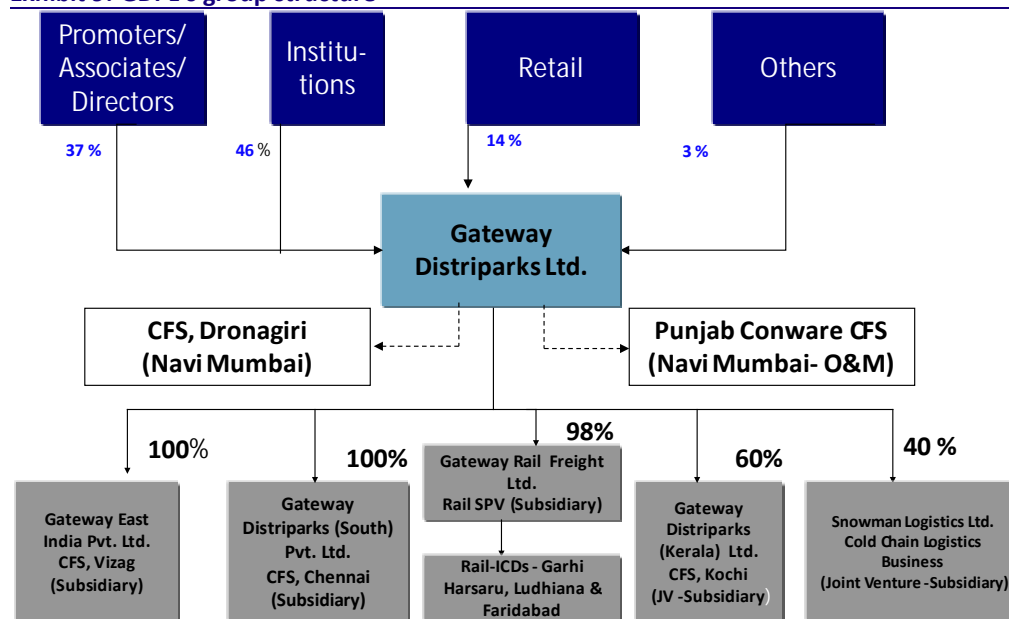
GDPL operates five container freight stations, two in Mumbai and one each in Chennai, Vizag and Kochi with a total capacity of over 600,000 teu. Services provided by the CFS include bonded and transit warehousing, customs clearance, transportation and storage, reefer services and other customized solutions.

Its rail subsidiary Gateway Rail Ltd provides multi-modal logistics services through its rail linked ICDs.

It operates four ICDs located at Gurgaon (Garhi-Harsaru), Ludhiana (Punjab), Mumbai and Faridabad (Asaoti, Haryana). These ICDs are linked through rail network to western India ports of Mumbai in Maharashtra, Mundra and Pipavav in Gujarat. Gateway Rail owns 21 rakes and 235+ road trailers for the last mile connectivity.

Its recently-spun subsidiary (through an IPO, current GDPL stake at 40.4%) Snowman Logistics is a cold chain logistics service provider. It operates through 30 reefer vehicles with 23 temperature controlled warehouses across 14 locations in India, including Serampore (near Kolkata), Taloja (near Mumbai), Palwal (near Delhi), Mevalurkuppam (near Chennai) and Bengaluru.

Exhibit 9: GDPL’s group structure



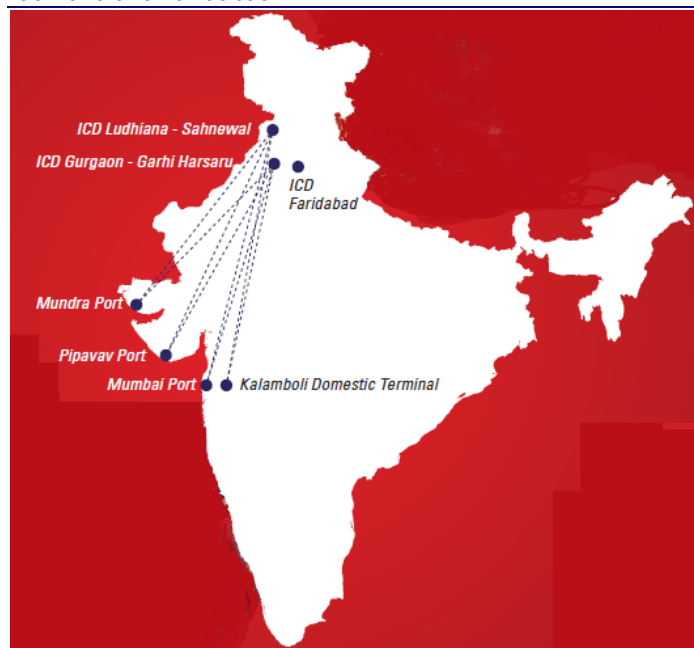
Source: Company, MOSL

Exhibit 10: GDPL's asset summary

Sl. No.	Location	CFS/ Rail ICD	Title	Area (Acres)	Developed Area (Sq. Mt)		
					Yard	Warehouse	
1	Navi Mumbai (Near JNPT/Uran)	CFS	60-year Lease	35.0	100,000	40,000	
2	Punjab Conware (Near JNPT)	CFS	15-year O & M	27.0	65,000	50,000	
WEF 1 Feb 2007							
3	Chennai (Bet. Chennai & Ennore)	CFS	Freehold	20.0	70,000	7,000	
4	Chennai (Near Ennore/Kattupalli)	CFS	Freehold	10.5	36,000	4,000	
5	Vizag	CFS	30-year Lease	20.0	75,000	3,000	
6	Kochi (Vallarpadam)	CFS	30-year Lease	6.5	24,000	1,000	
	Kochi (Kalamasserry)	CFS	Freehold	20.0	Land Bank		
7	Garhi Harsaru (Near Gurgaon)	Rail ICD	Freehold	90.0	250,000	15,000	
8	Kalamboli (Navi Mumbai)	Rail ICD	Alliance	17.0	20,000	1,000	
9	Sanehwal (Near Ludhiana)	Rail ICD	Freehold	60.0	220,000	4,000	
10	Asaoti (Faridabad)	Rail ICD	Freehold	66.0	240,000	5,000	
					372	1,100,000	130,000

Source: Company, MOSL

Exhibit 11: Gateway Rail connects Mumbai and Gujarat ports to the hinterlands in North India with its ICDs at Gurgaon, Ludhiana and Faridabad



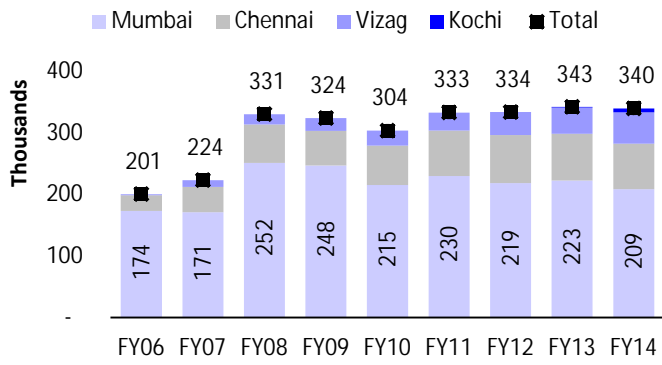
Source: Company, MOSL

Exhibit 12: GDPL's DFCs are located at Mumbai, Chennai, Vizag and Kochi



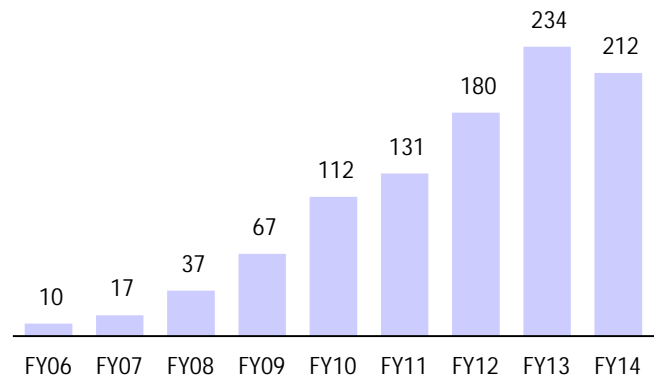
Source: Company, MOSL

Exhibit 13: GDPL's CFS volume posted 7% CAGR in the last eight years (in '000 teu)



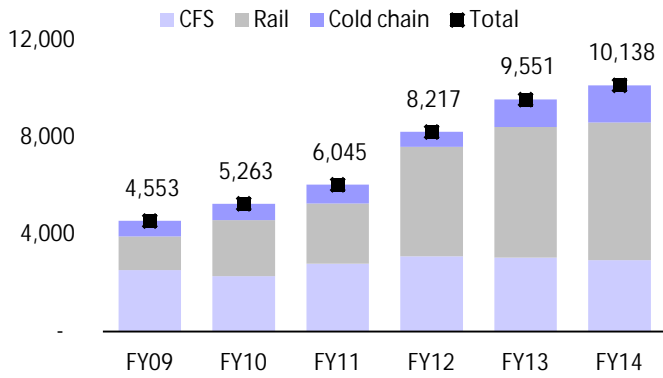
Source: Company, MOSL

Exhibit 14: Gateway Rail volumes clocked 46% CAGR in the last eight years (in '000 teu)



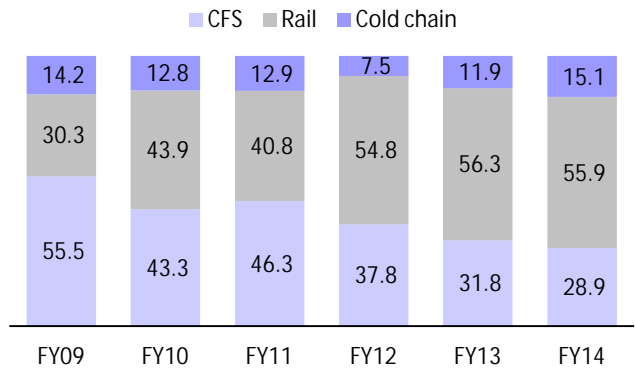
Source: Company, MOSL

Exhibit 15: GDPL revenue posted 17% CAGR in the last five years driven by rail operations (INR m)



Source: Company, MOSL

Exhibit 16: Though CFS revenue was largely stable, its share in overall revenues fell, led by higher contribution of rail (%)

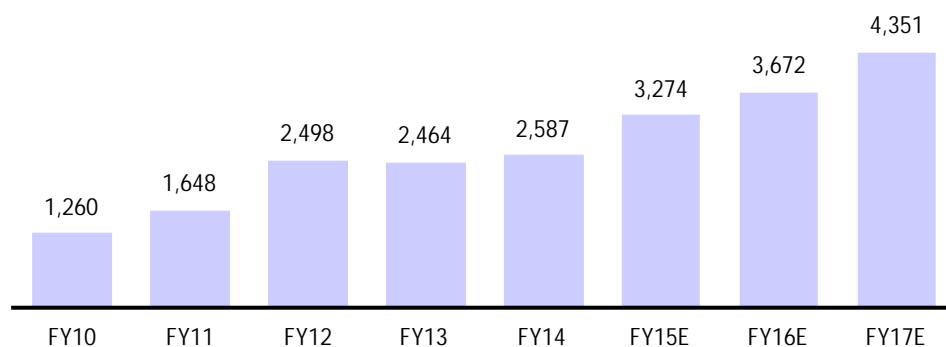


Source: Company, MOSL

Valuation and view

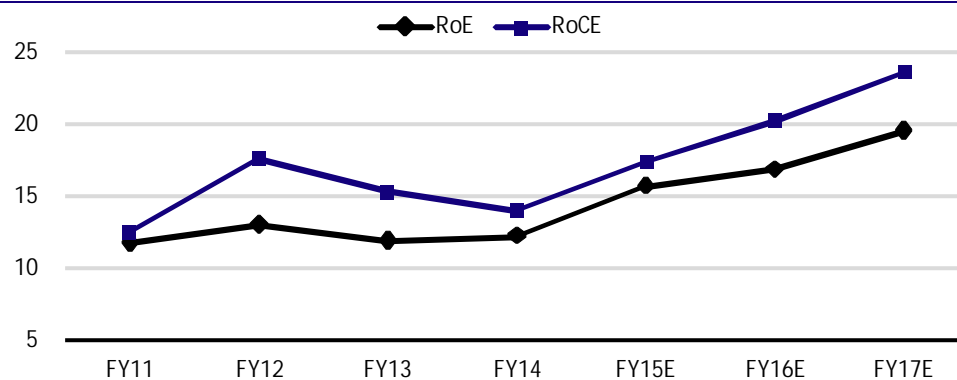
- n GDPL is a direct play on India's EXIM growth and beneficiary of increasing containerization which will be boosted by DFCs completion.
- n Management's focus on reinvesting in the core business along with upgrading to value-added services has ensured continual margin improvement.
- n Blackstone has 48-49% stake in Gateway Rail. As per the agreement, it has given notice to Gateway's management for a mandatory IPO.
- n Key events to watch out are (a) EXIM growth, (b) DFCs completion timelines and (c) GST implementation.
- n **Key risks include (a) delay in JNPT expansion, (b) delay in DFCs completion and (c) intense competition in CFS and rail segment.**
- n We estimate overall EBITDA (adjusted for Snowman) CAGR in FY14-17E at 27%, driven by rail (32% CAGR) and CFS (20% CAGR).
- n We value Gateway Distriparks on SOTP-based fair value of INR535/sh (INR493/sh for core business on DCF basis, WACC: 11.4%, TGR: 5% and INR42/sh for Snowman, post 25% discount).
- n The stock trades at 17.5x FY17E EPS of INR23.7 and has a dividend yield of 2-3%. Initiate coverage with a Buy rating.

Exhibit 17: Expect EBITDA to post 27% CAGR in FY14-17, adjusted for Snowman (INR m)



Source: Company, MOSL

Exhibit 18: Expect RoE and RoCE to move towards 20-25% and above



Source: Company, MOSL

Exhibit 19: Gateway Distriparks DCF Valuation Summary

INR Million	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
CFS EBITDA	1,480	1,731	1,994	2,167	2,299	2,479	2,603	2,733	2,870	2,984	3,104
YoY Chg (%)		17%	15%	9%	6%	8%	5%	5%	5%	4%	4%
Rail EBITDA	1,649	1,942	2,356	2,785	3,314	4,024	4,627	5,321	6,119	6,854	7,676
YoY Chg (%)		18%	21%	18%	19%	21%	15%	15%	15%	12%	12%
Total EBITDA	3,274	3,672	4,351	4,952	5,613	6,502	7,230	8,054	8,989	9,838	10,780
YoY Chg (%)		12%	18%	14%	13%	16%	11%	11%	12%	9%	10%
EBIT	2,380	2,812	3,399	3,881	4,396	5,093	5,765	6,575	7,493	8,323	9,248
PBT	2,612	3,016	3,583	4,056	4,571	5,267	5,599	6,417	7,343	8,181	9,113
Less: Tax	(406)	(637)	(786)	(906)	(1,032)	(1,196)	(1,176)	(1,348)	(1,542)	(1,718)	(1,914)
Less: WC Changes	(206)	(139)	(317)	(311)	(355)	(478)	(218)	(247)	(280)	(255)	(283)
Less: Capex	(920)	(1,100)	(1,100)	(1,100)	(1,100)	(1,100)	(291)	(330)	(374)	(340)	(377)
FCFF	1,743	1,797	2,148	2,634	3,125	3,729	5,545	6,130	6,793	7,526	8,207
Year		1.0	2.0	3.0	4.0	5.0	6.0	7.0	8.0	9.0	
Discount factor		0.90	0.81	0.72	0.65	0.58	0.52	0.47	0.42	0.38	
Discounted FCFF		1,928	2,122	2,259	2,419	3,228	3,203	3,185	3,167	3,100	

DCF Summary

NPV (INRm)	24,612
TGR	5%
NPV of TV (INRm)	50,659
Enterprise Value	75,270
Less: Gateway Rail 50% JV NPV	20,168
Less: Net Debt / (Cash) (INRm)	1,538
Implied Mcap (INRm)	53,565
Per share Value	493
Add: Snowman stake (25% discount)	42
Fair Value	535
CMP	410
Upside	30%

WACC Calculation

Target D/E	25%
Risk Free Rate	7.5%
Beta	0.90
Market Risk Premium	6.0%
Cost of Equity	12.9%
Cost of Debt	7.0%
WACC	11.4%

Fair Value Sensitivity to TGR and WACC

		WACC (%)			
		13%	12%	11%	10%
TGR (%)	4%	343	417	512	641
	5%	382	471	590	758
	6%	433	544	700	934
	7%	501	645	863	1,228

Source: MOSL

Financials and valuation

Consolidated - Income Statement						(INR Million)		
Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Total Income from Operations	5,166	6,025	8,215	9,541	10,128	10,975	11,901	14,044
Change (%)	14.3	16.6	36.3	16.1	6.2	8.4	8.4	18.0
Operating Expenses	3,029	3,395	4,544	5,745	6,029	6,256	6,783	8,005
% of Sales	58.6	56.3	55.3	60.2	59.5	57.0	57.0	57.0
Personnel Expenses	227	293	385	464	484	532	585	644
% of Sales	4.4	4.9	4.7	4.9	4.8	4.8	4.9	4.6
Other Expenses	650	690	788	867	1,028	913	860	1,045
% of Sales	12.6	11.4	9.6	9.1	10.2	8.3	7.2	7.4
Total Expenditure	3,906	4,377	5,717	7,077	7,541	7,700	8,228	9,694
% of Sales	75.6	72.7	69.6	74.2	74.5	70.2	69.1	69.0
EBITDA	1,260	1,648	2,498	2,464	2,587	3,274	3,672	4,351
Margin (%)	24.4	27.3	30.4	25.8	25.5	29.8	30.9	31.0
Depreciation	455	502	628	699	801	894	860	952
EBIT	805	1,145	1,870	1,766	1,786	2,380	2,812	3,399
Int. and Finance Charges	206	199	149	187	294	232	203	184
Other Income	125	95	144	155	171	122	134	173
PBT bef. EO Exp.	724	1,041	1,865	1,734	1,662	2,270	2,743	3,387
PBT	724	1,041	1,865	1,734	1,662	2,270	2,743	3,387
Tax Rate (%)	-11.0	4.2	27.3	21.5	11.4	17.9	23.2	23.2
Add: Profit in Associate Company	0.0	0.0	0.0	0.0	0.0	56	30	35
Less: Mionrity Interest	12	30	36	93	114	33	19	24
Reported PAT	791	968	1,320	1,267	1,358	1,887	2,117	2,612
Adjusted PAT	791	968	1,320	1,267	1,358	1,831	2,087	2,578
Change (%)	-0.6	22.3	36.5	-4.0	7.2	34.8	14.0	23.5

Consolidated - Balance Sheet						(INR Million)		
Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Equity Share Capital	1,079	1,080	1,083	1,085	1,086	1,086	1,086	1,086
Total Reserves	5,564	5,799	6,395	6,802	7,280	7,947	8,685	9,594
Net Worth	6,643	9,837	10,436	10,845	11,324	11,991	12,729	13,638
Minority Interest	625	610	663	806	1,257	1,257	1,257	1,257
Deferred Liabilities	528	613	602	1,012	1,016	1,016	1,016	1,016
Total Loans	2,099	1,327	1,270	2,520	3,241	2,241	2,041	1,841
Capital Employed	9,895	12,387	12,971	15,183	16,839	16,505	17,043	17,753
Gross Block	9,633	11,124	11,993	14,585	16,033	17,391	18,161	19,151
Less: Accum. Deprn.	1,851	2,103	2,703	3,391	4,005	4,900	5,759	6,711
Net Fixed Assets	7,783	9,021	9,290	11,194	12,028	12,491	12,402	12,440
Goodwill on Consolidation	403	310	310	511	553	553	553	553
Capital WIP	517	380	565	565	760	322	652	762
Total Investments	150	130	0	1	340	340	340	340
Curr. Assets, Loans&Adv.	2,003	3,004	3,320	2,852	3,481	3,111	3,483	4,221
Account Receivables	682	624	664	964	1,136	1,230	1,334	1,575
Cash and Bank Balance	795	1,377	1,600	927	1,149	584	743	988
Loans and Advances	527	1,003	1,056	961	1,196	1,296	1,406	1,659
Curr. Liability & Prov.	1,306	932	976	863	1,300	1,289	1,363	1,540
Account Payables	888	286	244	274	339	346	370	436
Other Current Liabilities	131	212	274	505	494	535	580	685
Provisions	287	434	458	84	467	408	413	419
Net Current Assets	697	2,072	2,344	1,989	2,181	1,822	2,120	2,681
Deferred Tax assets	340	473	462	924	976	976	976	976
Appl. of Funds	9,895	12,387	12,971	15,183	16,839	16,505	17,043	17,753

E: MOSL Estimates

Financials and valuation

Ratios								
Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Basic (INR)								
EPS	7.3	9.0	12.2	11.7	12.5	16.9	19.2	23.7
Cash EPS	11.6	13.6	18.0	18.1	19.9	25.1	27.1	32.5
BV/Share	61.6	91.1	96.4	100.0	104.3	110.4	117.2	125.6
DPS	3.5	6.0	6.0	7.0	7.0	9.6	10.8	13.4
Payout (%)	55.8	78.1	57.2	69.6	65.5	64.7	65.1	65.2
Valuation (x)								
P/E					32.8	24.3	21.3	17.3
Cash P/E					20.6	16.3	15.1	12.6
P/BV					3.9	3.7	3.5	3.3
EV/Sales					4.6	4.2	3.9	3.2
EV/EBITDA					18.0	14.1	12.5	10.4
Dividend Yield (%)	0.9	1.5	1.5	1.7	1.7	2.3	2.6	3.3
Return Ratios (%)								
RoE	12.3	11.7	13.0	11.9	12.3	15.7	16.9	19.6
RoCE	10.9	12.5	17.6	15.3	14.0	17.4	20.3	23.6
Working Cap. Turnover (Days)	-7	42	33	41	37	41	42	44
Leverage Ratio (x)								
Debt/Equity	0.3	0.1	0.1	0.2	0.3	0.2	0.2	0.1

Consolidated - Cash Flow Statement								
(INR Million)								
Y/E March	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
OP/(Loss) before Tax	724	1,041	1,865	1,734	1,662	2,270	2,743	3,387
Depreciation	455	505	628	699	801	894	860	952
Interest & Finance Charges	163	115	29	46	179	110	70	11
Direct Taxes Paid	-164	-230	-436	-285	-405	-406	-637	-786
(Inc)/Dec in WC	396	-1,169	-84	-264	-133	-206	-139	-317
CF from Operations	1,574	262	2,001	1,930	2,105	2,663	2,897	3,248
Others	54	73	71	3	-7	0	0	0
CF from Operating incl EO	1,628	335	2,073	1,933	2,098	2,663	2,897	3,248
(inc)/dec in FA	-1,009	-1,631	-1,116	-2,383	-1,964	-920	-1,100	-1,100
(Pur)/Sale of Investments	85	23	147	0	-340	0	0	0
Others	41	636	60	-77	519	122	134	173
CF from Investments	-883	-971	-909	-2,460	-1,785	-798	-966	-927
Issue of Shares	36	0	28	22	10	0	0	0
(Inc)/Dec in Debt	61	-947	-79	1,240	675	-1,000	-200	-200
Interest Paid	-200	-185	-135	-148	-269	-232	-203	-184
Dividend Paid	-375	-629	-648	-1,084	-434	-1,220	-1,379	-1,703
Others	-64	2,980	-107	-176	-74	23	11	10
CF from Fin. Activity	-543	1,219	-940	-146	-92	-2,430	-1,771	-2,077
Inc/Dec of Cash	202	582	223	-673	222	-565	159	244
Opening Balance	593	795	1,377	1,600	927	1,149	584	743
Closing Balance	795	1,377	1,600	927	1,149	584	743	988

Blue Dart Express

BSE Sensex 29,449 S&P CNX 8,938

CMP: INR7,053

Not Rated



Stock Info

Bloomberg	BDE IN
Equity Shares (m)	23.8
52-Week Range (INR)	7850/3070
1, 6, 12 Rel. Per (%)	3/40/72
M.Cap. (INR b)	167.6
M.Cap. (USD b)	2.7
Avg Val. INRm/Vol'000	42/9
Free float (%)	25.0

Financial Snapshot (INR b)

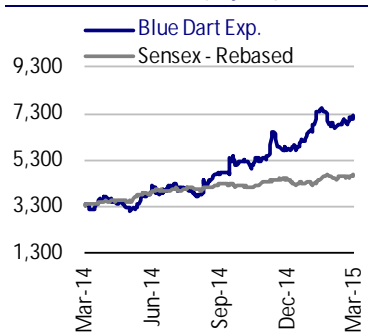
Y/E Mar	2013	2014	2015
Sales	21.7	19.4	21.3
EBITDA	2.7	1.7	2.1
NP	1.9	1.2	1.5
EPS (INR)	80.3	50.9	63.9
EPS Gr (%)	55.3	-36.5	25.5
BV/Sh (INR)	277.7	270.6	321.1
RoE (%)	29.2	18.8	21.8
RoCE (%)	41.4	28.3	32.7
P/E (x)	87.9	138.5	110.3
P/BV (x)	25.4	26.1	22.0

Shareholding pattern (%)

As on	Dec-14	Sep-14	Dec-13
Promoter	75.0	75.0	75.0
DII	5.7	5.9	7.1
FII	7.9	7.6	6.5
Others	11.4	11.5	11.4

FII Includes depository receipts

Stock Performance (1-year)



Market leader with commanding premium

Riding on high-growth e-commerce potential

- n Blue Dart Express (BDE) is India's largest package distribution company, with a presence in over 33,739 locations and 220 countries worldwide. Its market share in organized Air Express is 52% and in organized Surface Express at 14.5%.
- n Blue Dart Aviation is India's first and only scheduled cargo airline — acquiring a new licence to operate a cargo airline is a significant entry barrier.
- n BDE's growth drivers include (a) high growth e-commerce (currently ~ 10% of revenue), (b) GST implementation and (c) higher GDP trajectory.

Leader in organized Air Express business; margins ahead of competitors

- n Indian air cargo business has ~500 operators, of which ~75 operate on a pan India basis. However, a large market share is only with few large players like BDE, Aramex, First Flight, DTDC, Overnight Express, Safex and GATI.
- n BDE is the market leader with 52% share and is able to command 25-30% premium compared to competitors due to (a) is the sole player with a licence to operate scheduled cargo planes and (b) ability to provide timely services, against competitors dependence on commercial airlines.
- n The Air Express industry is likely to witness 12.5% CAGR over FY14-16, and we believe that BDE would be a key beneficiary, being the market leader.

E-commerce boom to drive long term growth

- n BDE is well placed to significantly benefit from the growing e-commerce business in India, particularly in sub-2kg packages.
- n E-commerce players' in-house logistics capabilities are limited to large cities, and for Tier2/3 cities, they depend on 3PL players like BDE.
- n E-tailing is expected to be a huge volume driver, given underlying growth:
 - o Knight Frank India predicts 64% annual growth through 2019 to INR840b in e-tailing versus 11% growth in traditional retailing.
 - o 5% penetration of online retailing in India (versus ~10% in the US, 6% in China and 10% in Korea) would mean an opportunity size of USD50b in the next 10 years.

Strong parentage, strengthening surface capabilities

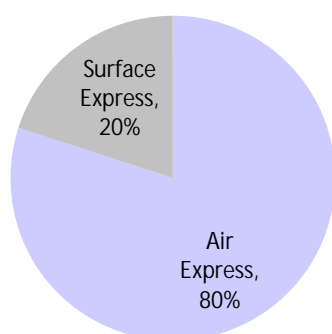
- n BDE gets competitive advantage from the global reach and practices of its parent, DHL (75% stake), world's largest logistics player with USD72b revenue. DHL is dominant in its home market (Europe, 41% share) and in Asia Pacific (40% share).
- n BDE has strengthened its ground express capabilities with current 20% revenue contribution and 14.5% market share in the organized space.
- n We expect 15-20% growth in the Surface Express business, against 8-10% growth in the Air Express segment, led by an improvement in road infrastructure and a gradual shift in favor of organized players from unorganized ones.

Company description

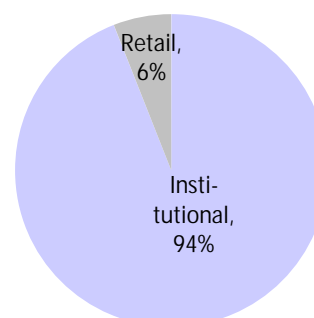
- n Blue Dart Express (BDE) is India's largest package distribution company, with a presence in over 33,739 locations domestically and 220 countries worldwide. It has a market share of 49% in the organized air express business and 13% in the organized surface express business. Express delivery services are used for various products, including documents like letters, applications, cheque books, credit cards, trade papers and non-documents like electronic products, machine spare parts, trade samples, equipments and e-commerce parcels.
- n BDE began operations in 1983 as the first domestic and international onboard courier service provider in India. In 1987, it tied up with Fed-Ex, giving it a strong foothold in international markets. In 2005, BDE parted ways with Fed-Ex and partnered with DHL, which bought out the original promoters and acquired 81% stake in the company.
- n BDE's parent, DHL Express, is a division of Deutsche Post DHL and is the world's largest logistics company. DHL is the global market leader in sea and air mail. It has its headquarters in Bonn, Germany, employs 467,088 people and is present in over 220 countries and territories worldwide. Deutsche Post DHL reported a revenue of ~USD72b in 2012. The current Managing Director of BDE is Mr Anil Khanna, who has over 32 years of experience, more than 20 years of which are with BDE.
- n Air Express contributes ~80% of BDE's revenue. Surface Express is a relatively new business for the company and currently contributes ~20%. Institutional clients account for 94% of BDE's revenue, with the balance 6% from retail clients.

Exhibit 1: Revenue composition (%)

Mode of transport



Buyer profile

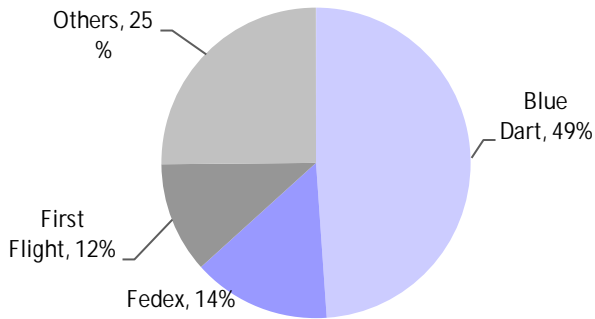


Promoters and management

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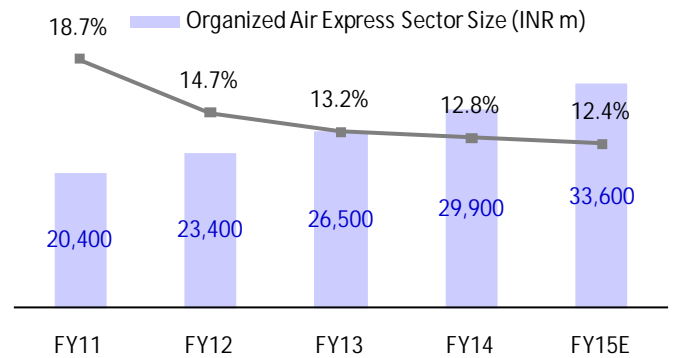
Story in charts

Exhibit 2: Market leader in Air Express industry



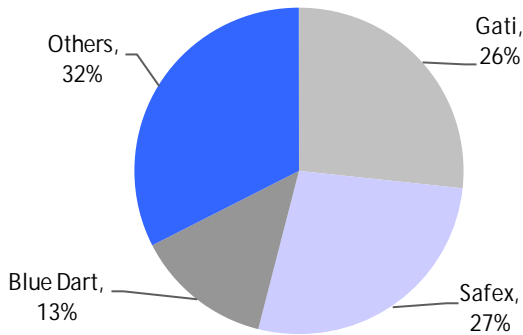
Source: Company, MOSL

Exhibit 3: Organized Air Express market growth trend



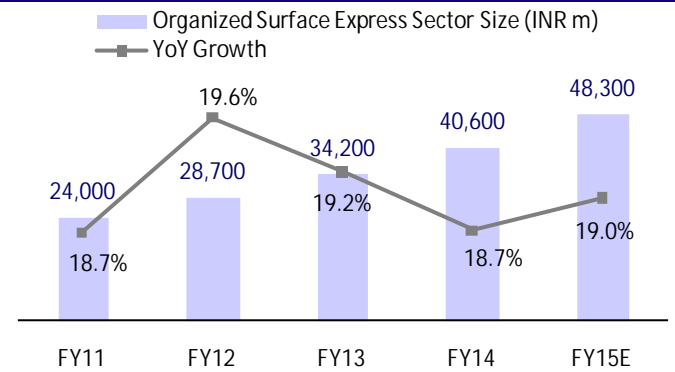
Source: Company, MOSL

Exhibit 4: Market share in Surface Express industry



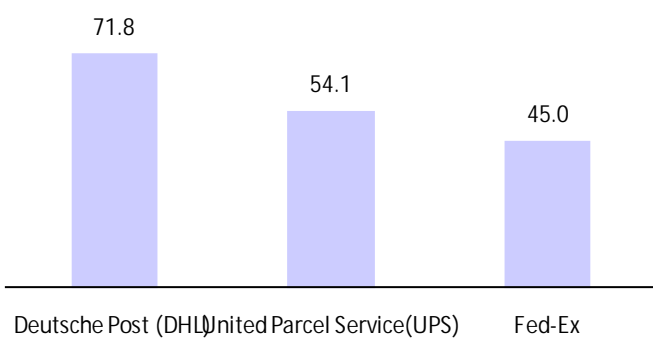
Source: Company, MOSL

Exhibit 5: Organized Surface Express market growth trend



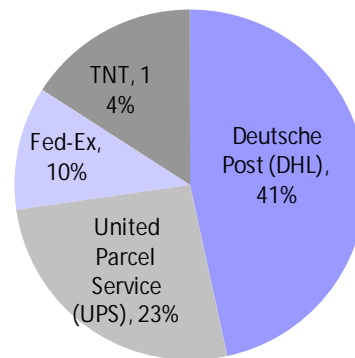
Source: Company, MOSL

Exhibit 6: Global logistic companies' revenue (USD b)



Source: Company, MOSL

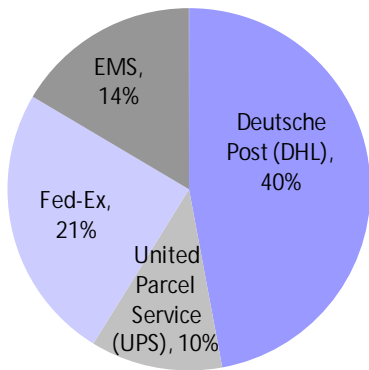
Exhibit 7: DHL - market leader in Europe



Source: Company, MOSL

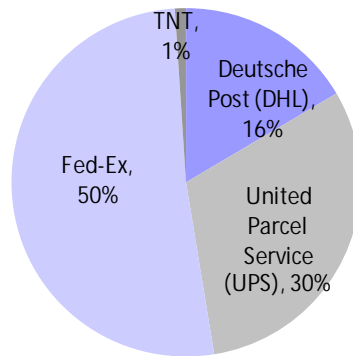
Story in charts

Exhibit 8: DHL - market leader in Asia Pacific



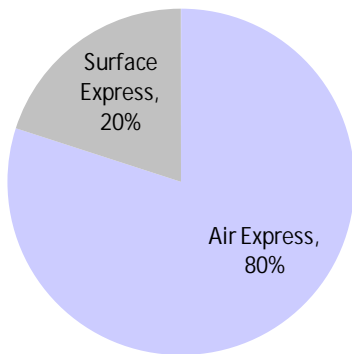
Source: Company, MOSL

Exhibit 9: Express industry market share in US



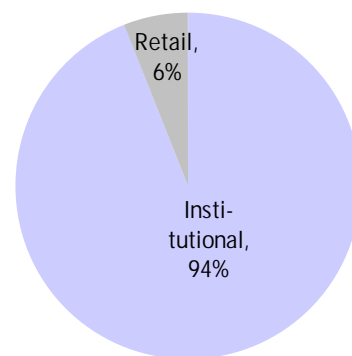
Source: Company, MOSL

Exhibit 10: BDE's revenue breakup



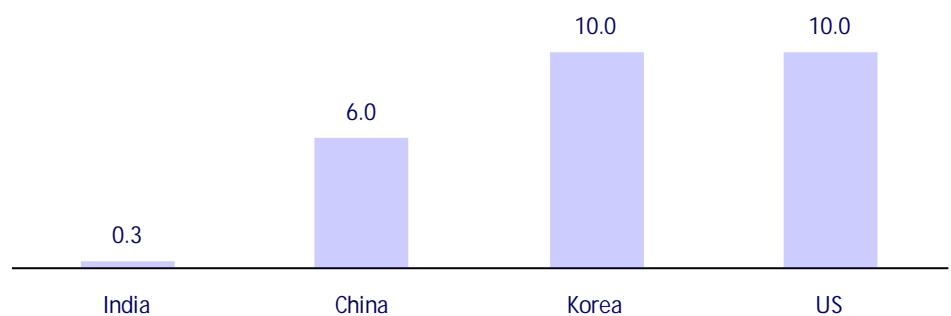
Source: Company, MOSL

Exhibit 11: BDE's buyer profile



Source: Company, MOSL

Exhibit 12: Online retail penetration abysmally low in India (%)



Source: Company, MOSL

Financials and valuations (Consolidated)

Income Statement							(INR Million)
Y/E March	CY08	CY09	CY10	CY11	FY13 (15M)	FY14	
Service Charges & Op. Inc.	9,767	9,075	11,499	14,954	21,717	19,383	
Total Expenditure	8,509	8,032	9,952	13,155	19,029	17,642	
% of Sales	87.1	88.5	86.5	88.0	87.6	91.0	
EBITDA	1,258	1,043	1,547	1,799	2,688	1,741	
Margin (%)	12.9	11.5	13.5	12.0	12.4	9.0	
Depreciation	168	179	194	218	347	273	
EBIT	1,090	864	1,353	1,581	2,341	1,468	
Int. and Finance Charges	5	6	0	0	0	0	
Other Income - Rec.	109	77	54	217	400	377	
PBT after EO Exp.	1,194	936	1,407	1,798	2,741	1,845	
Current Tax	398	317	465	570	868	608	
Deferred Tax	19	9	-4	1	-34	27	
Tax Rate (%)	34.9	34.8	32.7	31.7	30.4	34.4	
Reported PAT	778	610	947	1,228	1,907	1,210	
PAT Adj for EO items	778	610	947	1,228	1,907	1,210	
Change (%)	9.2	-21.5	55.2	29.7	55.3	-36.5	
Margin (%)	8.0	6.7	8.2	8.2	8.8	6.2	
Net Profit	780	612	947	1,242	1,933	1,226	
Balance Sheet							
Y/E March	CY08	CY09	CY10	CY11	FY13 (15M)	FY14	
Equity Share Capital	238	238	238	238	238	238	
Total Reserves	3,710	4,294	5,213	6,400	6,362	6,192	
Preference Capital	0	0	0	0	0	0	
Net Worth	3,947	4,531	5,451	6,637	6,599	6,430	
Minority Interest	0	0	0	0	0	0	
Deferred Liabilities	178	185	181	182	148	175	
Total Loans	0	0	0	0	0	0	
Capital Employed	4,126	4,717	5,632	6,819	6,747	6,604	
Gross Block	2,877	3,024	3,275	3,952	3,967	4,238	
Less: Accum. Deprn.	1,135	1,300	1,438	1,621	1,761	1,957	
Net Fixed Assets	1,742	1,725	1,837	2,332	2,206	2,281	
Capital WIP	89	171	267	29	123	85	
Total Investments	711	1,052	969	739	228	243	
Curr. Assets, Loans&Adv.	2,566	2,849	3,892	5,340	7,951	6,794	
Inventory	22	20	22	26	24	27	
Account Receivables	1,154	1,259	1,533	1,890	2,272	2,667	
Cash and Bank Balance	487	260	354	401	2,417	1,064	
Loans and Advances	902	1,309	1,984	3,023	3,239	3,035	
Curr. Liability & Prov.	982	1,079	1,334	1,620	3,760	2,798	
Account Payables	491	763	968	538	729	1,074	
Other Current Liabilities	356	216	250	1,023	1,007	1,171	
Provisions	135	100	116	59	2,025	553	
Net Current Assets	1,584	1,770	2,559	3,720	4,190	3,996	
Appl. of Funds	4,126	4,717	5,632	6,819	6,747	6,604	

E: MOSL Estimates

Financials and valuations (Consolidated)

Ratios

Y/E March	CY08	CY09	CY10	CY11	FY13 (15M)	FY14
Basic (INR) *						
EPS	32.7	25.7	39.8	51.7	80.3	50.9
Cash EPS	39.8	33.2	48.0	60.8	94.9	62.4
BV/Share	166.1	190.7	229.4	279.3	277.7	270.6
DPS	1.0	1.0	1.0	2.0	70.9	49.9
Payout (%)	3.6	4.5	2.9	4.5	103.4	115.3

Valuation (x) *

P/E				136.5	87.9	138.5
Cash P/E				115.9	74.3	113.0
P/BV				25.2	25.4	26.1
EV/Sales				11.2	7.6	8.6
EV/EBITDA				93.0	61.4	95.6
Dividend Yield (%)				0.0	1.0	0.7

Return Ratios (%)

RoE	21.8	14.4	19.0	20.5	29.2	18.8
RoCE	33.6	22.2	28.2	29.8	41.4	28.3

Working Capital Ratios

Asset Turnover (x)	2.4	1.9	2.0	2.2	3.2	2.9
Inventory (Days)	0.8	0.8	0.7	0.6	0.4	0.5
Debtor (Days)	43	51	49	46	38	50

Leverage Ratio (x)

Current Ratio	2.6	2.6	2.9	3.3	2.1	2.4
Debt/Equity	0.0	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR Million)

Y/E March	CY08	CY09	CY10	CY11	FY13 (15M)	FY14
NP / (Loss) Before Tax and EO Items	1,194	936	1,407	1,798	2,741	1,845
Depreciation	168	179	194	218	347	273
Interest & Finance Charges	-22	-11	-8	-153	-280	-283
Direct Taxes Paid	427	307	480	598	882	612
(Inc)/Dec in WC	-305	-363	-741	-128	-167	94
CF from Operations	608	434	372	1,137	1,760	1,317
Others	-54	-52	5	-67	65	-116
CF from Operating incl EO	555	382	377	1,070	1,825	1,201
(inc)/dec in FA	-316	-285	-379	-518	-418	-272
(Pur)/Sale of Investments	-18	0	-9,852	-10,648	-21,889	-19,613
Others	-15	-291	9,976	10,172	22,552	20,270
CF from Investments	-349	-575	-255	-994	246	385
(Inc)/Dec in Debt	-4	-4	-4	-3	-7	5
Interest Paid	-5	-6	0	0	0	0
Dividend Paid	-24	-24	-24	-24	-48	-2,943
CF from Fin. Activity	-33	-34	-28	-27	-55	-2,938
Inc/Dec of Cash	173	-227	94	50	2,016	-1,352
Add: Beginning Balance	314	487	260	351	400	2,417
Closing Balance	487	260	354	401	2,417	1,064

BSE Sensex
29,449S&P CNX
8,938**CMP: INR240****Not Rated****Stock Info**

Bloomberg	GTIC IN
Equity Shares (m)	87.3
52-Week Range (INR)	341/61
1, 6, 12 Rel. Per (%)	-7/53/241
M.Cap. (INR b)	20.9
M.Cap. (USD b)	0.3
Avg Val. INRm/Vol'000	346/2020
Free float (%)	58.6

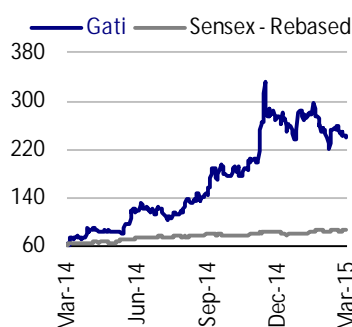
Financial Snapshot (INR b)

Y/E Mar	2012	2013	2014
Sales	11.9	12.7	11.2
EBITDA	0.8	0.8	0.8
NP	0.4	0.1	0.2
EPS (INR)	4.8	1.0	2.7
EPS Gr. (%)	192.5	-78.2	156.4
BV/Sh. (INR)	47.6	90.9	88.6
RoE (%)	11.7	1.5	3.0
RoCE (%)	17.7	6.9	5.8
P/E (x)	0.0	0.0	89.4
P/BV (x)	0.0	0.0	2.7

Shareholding pattern (%)

As on	Dec-14	Sep-14	Dec-13
Promoter	41.4	38.1	33.9
DII	0.2	0.2	0.2
FII	8.6	8.1	0.1
Others	49.8	53.6	65.8

FII Includes depository receipts

Stock Performance (1-year)**MNC practices + high growth e-tail and cold chain play****Banking on execution, well placed to benefit from multiple triggers**

- Gati Ltd (GATI) is well poised to grow in its core multimodal logistics business through the Gati-KWE joint venture and benefit from its investments in high growth/high margin e-commerce logistics and cold chain businesses.
- GATI Promoters' willingness to sacrifice full control has aided GATI to not only get into high growth phase but also able to adopt best global practices which are critical for a new age complex business model.
- Management guidance implies >20% revenue CAGR and ~40% EBITDA CAGR over FY14-18E. Clarity on FCCB issue will remove a big overhang on the stock. The stock trades at 25.6x FY17E EPS. Not rated.

Expect economic revival to boost Gati-KWE revenue and margins

- Gati-KWE (70:30), express logistics subsidiary contributes 85% to sales and 90% of EBITDA. Expect accelerated growth led by (1) likely economic revival, (2) market share gain from unorganized players with GST implementation and (3) increasing share of high margin supply chain management business.
- Gati-KWE has an all-India reach with almost 100% India coverage and leadership position in pharma, apparel, FMCG and auto sectors.
- JV with KWE offered GATI capital infusion and insights into global practices and processes. KWE also owns 5% in GATI directly.

E-commerce logistics to witness hyper growth

- Management expects e-commerce business to record 100% annual growth in the next 2-3 years led by (1) fast growing e-tailing business with higher internet penetration, (2) mainly from Tier 2/3 cities and (3) more so in >5k categories. We believe this is in-line with the growth witnessed by other e-tailing logistics companies.
- Company plans to strengthen its delivery capability from current 30,000 (15,000 a year ago) to >40,000 deliveries per day by end-FY15.
- GATI's e-commerce division is well poised to benefit by leveraging KWE's network (16,500 pin codes, 667 of 671 districts), tie-ups with all large e-commerce players and service offerings like cash on delivery (COD), packing, reverse logistics, e-fulfillment, with >500 bikers.

Cold chain expansion on track to capture opportunity

- GATI plans to set up 10 large cold chain warehouses and expand its fleet size from 200 to 375. Gati is targeting revenue of INR2.2b by 2017 and expects the business model shift from pure transportation to integrated services will EBITDA margin from current 10-13% to beyond 20%.
- GATI's cold chain division, Gati Kausar, offers transport services in healthcare, meat and poultry, bio-pharma, frozen and fresh produce, dairy products, organized retail and quick service restaurants sectors.

- n GATI is investing INR2.2b in the business, which includes INR1.5b capital infusion (equity and non-convertible debentures) by Mandala Capital for a 30% stake.

Valuation and View

- n Management guidance implies >20% revenue CAGR and ~40% EBITDA CAGR over FY14-18E. Clarity on FCCB issue will remove a big overhang on the stock. The stock trades at 25.6x FY17E EPS. **Not rated.**

GDP growth, GST to boost to Gati-KWE volumes

Lower fuel cost, better pricing to improve margins

- Gati-KWE (70:30), express logistics subsidiary contributes 85% to sales and 90% of EBITDA. Expect accelerated growth led by (1) likely economic revival, (2) market share gain from unorganized players with GST implementation and (3) increasing share of high margin supply chain management business.
- Gati-KWE has a pan-India reach with a almost 100% India coverage and leadership position in pharma, apparel, FMCG and auto sectors.
- JV with KWE offered GATI capital infusion and insights into global practices and processes. KWE also owns 5% in GATI directly.

Gati-KWE is backbone of GATI's current profitability

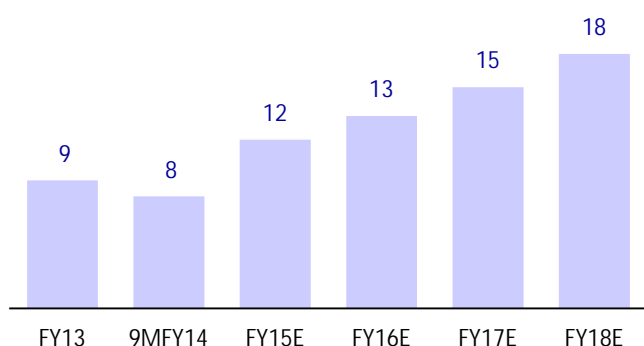
Gati-KWE contributes to 85% of GATI's overall revenue and 90% of EBITDA. Gati-KWE has ~16% market share in the organized express cargo business in India, with key competitors like Safexpress, XPS of TCI, Spoton and AFL FedEx.

It operates through a fleet of 4,500 vehicles and has a warehousing capacity of 2.6msqft. Gati-KWE delivers 6.5m packages every month and through various services like express surface cargo, premium air cargo, rail transport solutions, supply chain management and warehousing services on a pan-India basis.

Its strong surface capabilities are seen from ~79% contribution from the road mode followed by 11% in air and 8% in rail. Higher economic activity driven by GDP growth and "Make in India" initiative are expected to accelerate the growth rate for this segment.

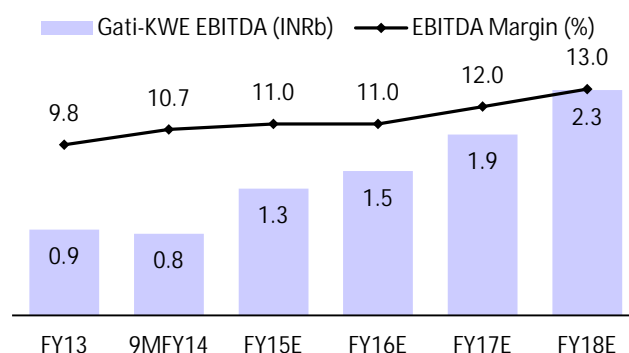
We model Gati-KWE revenue to post 15% CAGR through FY18E and expect margins to expand from the current level of 11% to 13%, leading to EBITDA CAGR of 21%.

Exhibit 1: Model revenue to clock 15% CAGR (INR b)



Source: Company, MOSL

Exhibit 2: Expect higher share of supply chain solutions to increase margins from current 11% to 13%



Source: Company, MOSL

Margin expansion is expected from (a) improving synergies with KWE, (b) Project Udaan. Gati has engaged IBM to identify cost saving opportunities (margin expansion) and has termed this initiative as "project Udaan". It was launched in FY13 to focus on improving efficiency in services, optimize workforce productivity and maximize sales.

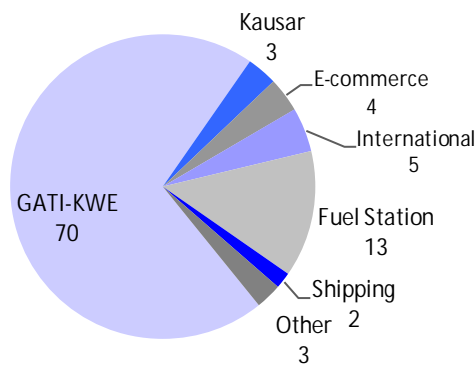
KWE provides exposure to global practices

On Feb 13, 2012, GATI entered into a joint venture with KWE (listed on Tokyo Stock Exchange), a leading global logistic service provider under the name 'Gati-Kintetsu Express' (Gati-KWE). KWE operates through more than 330 locations in 203 cities in 31 countries. In India, KWE also separately operates its freight forwarding business.

Under the JV agreement, GATI holds 70% and 30% is held by KWE, with an investment of INR2.7b. Also, a large part of Gati's Express Distribution and Supply Chain (EDSC) business was transferred to the JV through a business transfer agreement. As per the agreement, KWE can increase its stake in the JV to 49% from the third to fifth year of JV's formation.

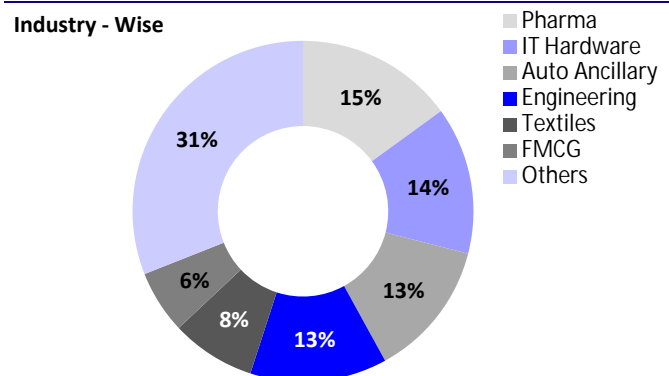
The JV with KWE offered GATI capital infusion and also global practices and processes, and aided to improve its quality of operations. GATI and KWE's teams also have annual exchange programs to learn the best practices. KWE owns 5% in GATI directly.

Exhibit 3: GATI revenue break-up – Gati-KWE JV contributes to 70% of total revenue (% of total)



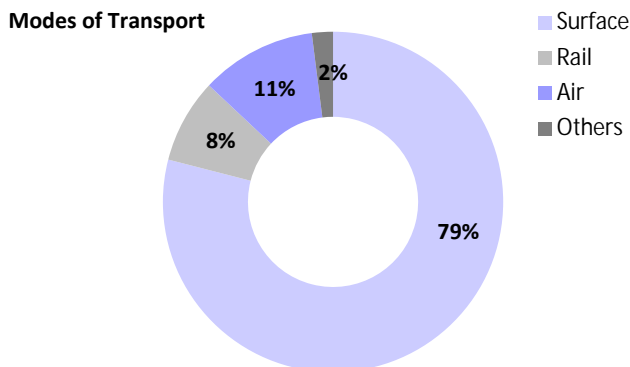
Source: Company, MOSL

Exhibit 4: High growth industries contribute to majority of Gati-KWE revenue (%)



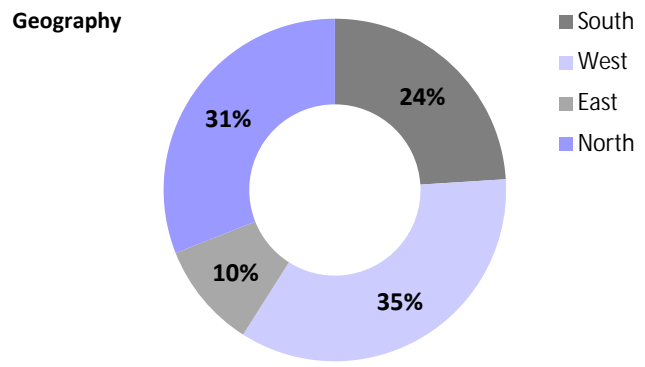
Source: Company, MOSL

Exhibit 5: Multimodal capabilities with surface mode having the largest share



Source: Company, MOSL

Exhibit 6: Balanced share of revenue across the country, reflecting pan India capabilities of Gati-KWE



Source: Company, MOSL

E-commerce logistics to witness hyper growth

GATI gears up to capture the opportunity

- n Management expects e-commerce business to record 100% annual growth in the next 2-3 years led by (1) fast growing e-tailing business, (2) mainly from Tier 2/3 cities and (3) more so in >5kg categories. We believe this is in-line with the growth witnessed by other e-tailing logistics companies.
- n Company plans to strengthen its delivery capability from current 30,000 (15,000 a year ago) to >40,000 deliveries per day by end-FY15.
- n GATI's e-commerce division is well poised to benefit by leveraging KWE's network (16,500 pin codes, 667 of 671 districts), tie-ups with all large e-commerce players and service offerings like cash on delivery (COD), packing, reverse logistics, e-fulfillment, with >500 bikers.

E-tailing logistics growing at rapid pace in India

E-commerce business is still in the nascent stage in India and the current low internet penetration offers tremendous growth potential. Various industry estimates forecast e-commerce growth at >50% through 2020.

We believe that while the e-commerce opportunity is huge, it is critical that the e-commerce companies' (Flipkart, Amazon, Snapdeal etc) business models graduate to a self-sustaining/self-funding model for a long term longevity.

As per industry estimates, e-commerce logistics cost is ~10% of the merchandise value sold through the e-commerce route.

GATI has an early mover advantage in e-tailing logistics

GATI has been nimble footed in terms of resource allocation, technology adoption and ramping up capabilities (increase per day delivery capability from 15,000 to 30,000) to capture this opportunity. As on 3QFY15, Gati covered 5,300 pin codes directly and 10,000 pin codes at a premium and served COD at 13,000 pin codes.

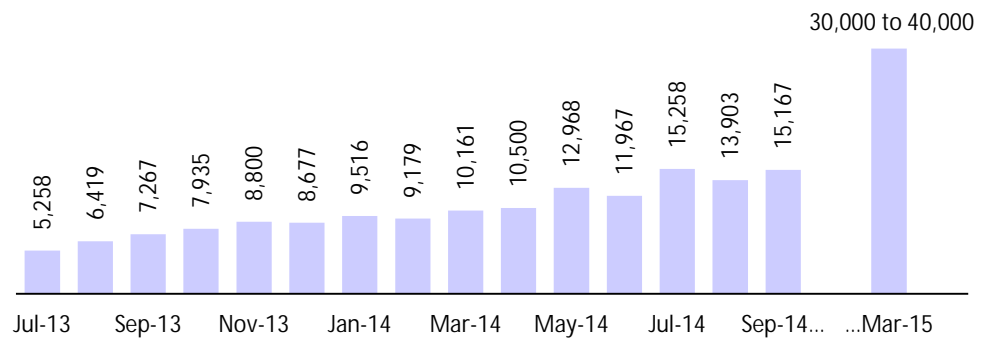
Rapid expansion is also evident from the fact that Gati has increased its headcount by 28% in the 9MFY15.

The early mover advantage has placed GATI among the top five e-logistics players in India. Competitors include Blue Dart, Aramex, Ecomexpress etc. In less than three years, GATI is looking to earn >INR1.3b annualized revenue from this business, with medium term outlook of 100% annual growth. EBITDA margin is expected to move towards ~15% in the medium term.

Its range of services include cash on delivery, packing, reverse logistics and e-fulfillment. GATI's current e-logistics capability is to deliver 30,000 shipments per day through its synergies with Gati-KWE and last mile 500 bikers.

It plans to expand in the near term to 1,000 bikers, 90 e-logistics centers and 19 EFCs (currently e-fulfillment centers – capex of ~INR20m per center). Its current three e-fulfillment centres are located at Delhi, Mumbai and Hyderabad, while another three planned EFC's will be at Delhi, Ahmedabad and Jaipur.

Exhibit 7: E-tailing deliveries per day – Plan to ramp-up delivery capacity to 40,000 per day by end FY15



Source: Company, MOSL

GATI - beneficiary of e-tailing business model

E-tailing in India is an evolving business and is gradually shifting towards >2kg items like white goods, furniture etc. GATI, given its surface transport capabilities at almost 15,000 pin codes, will be a beneficiary of e-tailing growth in tier 2/3 cities and increasing share of >2kg merchandise. Its current market share in >5kg merchandise is estimated at 50% and in >10kg is estimated at 75-80%.

GATI services almost all e-tailers in India like Flipkart, Amazon, Myntra, Snapdeal etc and also includes television-based sellers.

E-commerce logistics include distribution and also various value-added services such as cash on delivery, e-packaging, e-pick, e-fulfillment centers and returns to the origin (RTO).

Cold chain expansion on track to capture opportunities

- n GATI is investing INR2.2b in the business, which includes INR1.5b capital infusion (equity and non-convertible debentures) by Mandala Capital for a 30% stake.
- n GATI plans to set up 10 large cold chain warehouses and expand its fleet size from 200 to 375. Gati is targeting revenue of INR2.2b by 2017 and expects the business model shift from pure transportation to integrated services will EBITDA margin from current 10-13% to beyond 20%.
- n GATI's cold chain division, Gati Kausar, offers transport services in healthcare, meat and poultry, bio-pharma, frozen and fresh produce, dairy products, organized retail and quick service restaurants sectors.

Compelling opportunity in cold chain business

Indian cold chain logistics industry's size is estimated at ~INR150b, with an expected growth rate of 15% to 20% in the medium term to reach ~INR250b by FY18. Organized players have a huge growth opportunity in this space, given the 6-7% share in the cold chain warehousing segment, and 15-20% share in the temperature controlled transportation.

Background: Cold chain logistics also known as Temperature Controlled Logistics (TCL) business includes (a) warehousing services to store at temperatures ranging from -25°C to +20°C and distribution through temperature controlled containerized trucks and cargo trains.

Some of the key product categories transported through this route include dairy, poultry/meat/seafood, ready-to-eat, chocolates, medicines, industrial products and fruit and vegetables.

Existing cold chain warehousing capacity in India is estimated at 30m tones and reefer vehicles of ~7,000-8,000, with majority of the facilities in Uttar Pradesh (41%) and West Bengal (33%), followed by Punjab (6%), Gujarat and Bihar.

75% of the warehousing capacity is used by potatoes, ~2% for meat/seafood and the rest is for multi-purpose products.

Gati Kausar investments to improve margins

Gati Kausar is one of the larger players in the temperature controlled vehicle segment. However, EBITDA margin in reefer transportation is low at ~12-13% due to competition. But in cold chain warehouses, EBITDA margin is significantly higher as the high capex acts as an entry barrier. Hence, EBITDA margin is expected to improve from the current 12% to over 20%, once the warehouses are set up by Gati Kausar.

Gati Kausar is investing INR2.2b in the business, including INR1.5b capital infusion (equity and non-convertible debentures) by Mandala Capital for a 30% stake. Mandala Capital has an option to exit the business through the IPO route during the five to six-year period of post investment.

It plans to set up 10 large cold chain warehouses (initially at Ghaziabad and Gurgaon) and expand its fleet size from 200 to 375. These warehouses will be of

varying capacity; smaller one will have a pallet capacity of 3,500 and the bigger ones 5,000 pallets.

Management targets a revenue of INR2.2b by 2017. Upgradation from pure transportation to integrated services is expected to improve the EBITDA margin from current 10-13% to beyond 20%.

Gati Kausar will have a debt-equity ratio of 1:2.5, which will reduce by 2020 to 1:1, and these warehouses will have a discounted payback period of around six years.

Company, across the value chain, provides consolidation, packaging, fulfilment, cash on delivery, return to origin and the Last Mile services. The Last Mile delivery contributes the most significant amount, currently ~75-80% of GATI's revenue from e-commerce.

Government support makes economics better

In FY12, the government had granted infrastructure status to the cold chain industry in India to curb post harvest losses.

Further, it also allowed investment related deduction for computation of income tax up to 150% along with 5% concession on import duty, service tax exemption, excise duty exemption on several items of cold storage equipment.

Company description

Gati, established in 1989, a pioneer in express distribution services in India, is one of the largest multimodal logistics company in the country. It covers almost 100% of India with presence in 667 of 671 districts. It operates through a fleet of 4,500 transport vehicles and 200 reefer trucks. Gati has a strong market presence in the Asia Pacific region and Saarc countries, with offices in China, Singapore, Hong Kong, Thailand and Nepal.

Its key business segments (consolidated basis) include express distribution, which includes Gati-KWE (JV with Japan-based Kintetsu World Express), Gati Kausar (cold chain), e-commerce business and international freight forwarding business. It has hived off the loss-making shipping division. The standalone Gati entity consists of e-commerce, freight forwarding and fuel stations.

Gati operates through four large zonal offices, 16 hubs and 62 warehousing centers and also has a call center in Nagpur.

Exhibit 8: Gati – key timelines

Year	Key Milestones
1989-95	<ul style="list-style-type: none"> - Introduced door to door service - Introduced cash on delivery - Expansion to SAARC - Received ISO Certification
1996-00	<ul style="list-style-type: none"> - Introduction of 24*7 customer convenient centre - Launch of Mechatronic Warehouses - Introduction of own Customized ERP GEMS
2001-06	<ul style="list-style-type: none"> - Launched India-centric distribution solutions and forayed into Asia Pacific region - Gati Millennium Express: First cargo train of Gati - Ventured in Cold Chain Logistics
2007-14	<ul style="list-style-type: none"> - Joint Venture with KWE Japan (divested 30% stake to KWE) - Ventured into E Commerce Logistics - Project Udaan: Business transformation exercise with IBM - Expansion of Cold Chain Vertical through warehouses - Creating Vision 2020 - Establishing e-Fulfillment centers for e-Commerce clients

Source: Company, MOSL

Management

Mr Mahendra Agarwal - Founder & CEO:

- n Mr Agarwal is the driving force behind Gati's journey into a major integrated logistics service provider and is a recipient of several awards.
- n He holds an Engineering Degree from Bangalore University and a Masters in Business Administration from Austin, USA.
- n Mr Agarwal is also the founder member of SCLG India (member, international board of advisors for SCLG Global), Managing Committee Member of Express Industry Council of India, elected member of CII Southern Region Council, member of CII Institute of Logistics Advisory Council & FICCI's Civil Aviation Committee. In Singapore, he is a Board member of Singapore Indian Chamber of Commerce & Industry (SICCI).

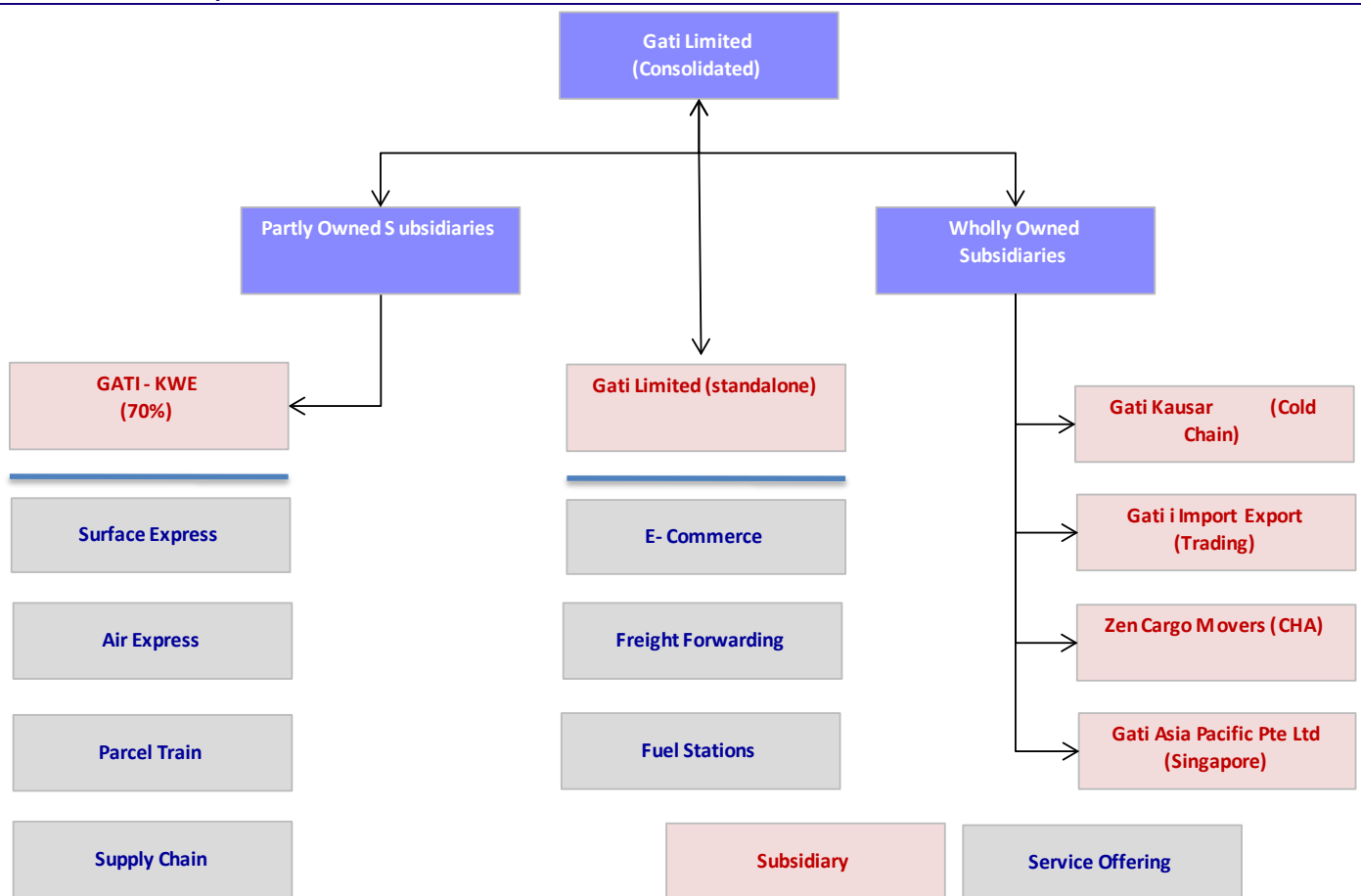
Mr Sanjeev Kumar Jain - Director (Finance)

- n Mr Jain, with over 25 years of experience, has varied industry expertise with business verticals like telecom, logistics and fertilizers.
- n Prior to Gati, Mr Jain worked as the CFO at AFL-FedEx Express Ltd, and at Tata Communication Ltd for over 10 years. He has played key roles in the M&A activities for the organization.
- n Mr Jain is a Masters in Commerce and is also a Fellow Member of the Institute of Chartered Accountants of India. He has an extensive knowledge in the field of accounting, Audit, M&A and business restructuring and transformation. He is also well versed with company law, taxation and regulation.

Mr Bablu Tewari - Chief Operating Officer, E-commerce and International Business

- n He joined Gati in 1995 as an Executive Trainee and has over 20 years of experience in the express distribution business and has proven his prowess in Business Operations, Sales, Customer Relationship Management and Branch Administration.
- n In the last two years as COO, he created a new vertical called Gati E-Connect and significantly augmented e-commerce business' delivery capacity, amplified to tier 3 cities and remote locations, improved workforce collaboration and automated processes.
- n Mr Tewari holds a bachelor's degree in Commerce from Calcutta University and is trained in Customer Relationship Management from the Indian Institute of Management, Lucknow.

Exhibit 9: Gati – corporate structure



Source: Company, MOSL

Valuation and View

Key Risks: FCCB Dilution

On December 12, 2001 Gati had issued USD22.18m 22.18 zero coupon unsecured foreign currency convertible bonds (FCCB) of USD1,000 each. The conversion price was fixed at INR38.51/sh. As per the terms, the bonds are convertible from December 12, 2012 to November 13, 2016. Unless previously converted, the bonds will be redeemed at 132.8% of the principle amount on December 12, 2016 (implied YTM of 5.76% per annum).

However, on Gati's application to RBI (Reserve Bank of India) for seeking the permission to part repurchase the FCCB's, RBI informed that it was not eligible to borrow under the automatic rout and the borrowing to be treated as a foreign debt. RBI also levied a fee of INR29.6m on Gati. RBI's decision is challenged by Gati in Andhra Pradesh High Court and the matter is sub-judice. In the meantime the bondholders have served notice to Gati for conversion and as the matter is sub-judice no further action has been taken on the issue.

Valuation and View

- n Gati Ltd (GATI) is well poised to grow in its core multimodal logistics business through the Gati-KWE joint venture and benefit from its investments in high growth/high margin e-commerce logistics and cold chain businesses.
- n GATI Promoters' willingness to sacrifice full control has aided GATI to not only get into high growth phase but also able to adopt best global practices which are critical for a new age complex business model.
- n Gati's focus to high growth e-commerce and cold chain logistics will provide the significant revenue and profit growth, while domestic economic improvement and GST implementation will accelerate Gati-KWE growth.
- n Management guidance implies >20% revenue CAGR and ~40% EBITDA CAGR over FY14-18E. Clarity on FCCB issue will remove a big overhang on the stock. The stock trades at 25.6x FY17E EPS. **Not rated.**

Financials and valuation (Consolidated)

Income Statement

Y/E March	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Total Income from Operations	7,168	7,904	9,261	12,030	11,874	12,730	11,166
Change (%)	26.2	10.3	17.2	29.9	-1.3	7.2	-12.3
Operating Expenses	4,185	4,815	5,530	7,027	7,340	8,042	6,750
Personnel Expenses	757	857	915	1,130	1,136	1,236	1,027
Other Expenses	1,741	1,732	2,015	2,949	2,613	2,635	2,548
Total Expenditure	6,683	7,404	8,460	11,105	11,089	11,914	10,325
EBITDA	486	500	801	925	785	816	841
Margin (%)	6.8	6.3	8.7	7.7	6.6	6.4	7.5
Depreciation	186	264	272	255	369	248	221
EBIT	300	236	529	670	415	568	620
Interest Cost	134	384	478	516	619	437	325
Other Income	264	140	108	83	1,017	166	106
PBT bef. EO Exp.	430	-7	160	237	813	298	402
EO Items	-151	-169	0	0	-145	-71	0
PBT after EO Exp.	279	-176	160	237	668	227	402
Current Tax	82	11	65	96	252	60	119
Tax Rate (%)	29.2	-6.0	40.8	40.6	37.8	26.3	29.5
Reported PAT	198	-187	95	141	415	167	283
Adjusted PAT	198	-187	95	141	415	91	234
Change (%)	-7.8	-194.4	-150.8	48.5	194.5	-78.2	158.3
Margin (%)	2.8	-2.4	1.0	1.2	3.5	0.7	2.1

Consolidated - Balance Sheet

Y/E March	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Equity Share Capital	169	170	170	172	173	173	175
Total Reserves	2,805	2,532	2,726	2,800	3,950	7,697	7,554
Net Worth	2,974	2,702	2,896	2,972	4,123	7,870	7,728
Minority Interest	18	0	0	0	537	1,154	1,173
Deferred Liabilities	75	74	96	104	101	107	61
Total Loans	2,362	4,768	4,541	4,469	4,617	4,770	4,802
Capital Employed	5,429	7,543	7,533	7,545	9,378	13,901	13,764
Gross Block	3,244	5,372	5,268	5,429	5,426	5,641	5,716
Less: Accum. Deprn.	685	916	1,090	1,328	1,564	1,770	1,922
Net Fixed Assets	2,558	4,457	4,178	4,100	3,862	3,872	3,794
Goodwill on Consolidation	160	201	207	0	101	4,469	4,469
Capital WIP	630	360	355	365	157	245	387
Total Investments	204	204	202	202	202	202	548
Curr. Assets, Loans&Adv.	2,796	3,023	3,532	5,085	6,630	6,817	6,576
Inventory	35	70	127	121	108	118	119
Account Receivables	1,212	1,213	1,497	1,903	1,890	2,203	2,414
Cash and Bank Balance	164	214	192	319	1,401	466	308
Loans and Advances	1,385	1,526	1,716	2,742	3,231	4,030	3,734
Curr. Liability & Prov.	922	703	943	2,207	1,573	1,703	2,009
Account Payables	188	258	325	714	670	663	732
Other Current Liabilities	348	218	262	942	219	446	437
Provisions	386	227	356	551	684	594	840
Net Current Assets	1,874	2,320	2,588	2,878	5,057	5,114	4,567
Misc Expenditure	3	3	3	0	0	0	0
Appl. of Funds	5,429	7,543	7,533	7,545	9,378	13,901	13,764

E: MOSL Estimates

Financials and valuation

Ratios

Y/E March	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Basic (INR)							
EPS (without dilution)	2.3	-2.2	1.1	1.6	4.8	1.0	2.7
Fully Diluted EPS				1.2	3.4	0.7	1.9
Cash EPS	4.5	0.9	4.3	4.6	9.1	3.9	5.2
BV/Share	35.1	31.8	34.0	34.6	47.6	90.9	88.6
DPS	0.8	0.0	0.4	0.5	1.1	0.6	1.8
Payout (%)	40.1	0.0	41.9	35.5	26.7	46.7	68.9
Valuation (x)							
P/E (without dilution)							89.4
P/E (with dilution)							124.9
Cash P/E							46.0
P/BV							2.7
EV/Sales							2.3
EV/EBITDA							30.2
Dividend Yield (%)	0.3	0.0	0.2	0.2	0.5	0.3	0.8
FCF per share	-17.8	-20.4	7.3	5.2	-14.6	-7.6	0.8
Return Ratios (%)							
RoE	8.4	-6.6	3.4	4.8	11.7	1.5	3.0
RoCE	12.6	5.9	8.6	10.1	17.7	6.9	5.8
Fixed Asset Turnover (x)	2	1	2	2	2	2	2
Creditor (Days)	16	20	21	37	33	30	40
Leverage Ratio (x)							
Current Ratio	3.0	4.3	3.7	2.3	4.2	4.0	3.3
Interest Cover Ratio	2	1	1	1	1	1	2
Debt/Equity	0.8	1.8	1.6	1.5	1.1	0.6	0.6

Cash Flow Statement

Y/E March	FY08	FY09	FY10	FY11	FY12	FY13	FY14
OP/(Loss) before Tax	430	-7	160	237	776	303	402
Depreciation	186	264	272	254	370	248	221
Interest & Finance Charges	113	366	443	498	582	359	242
Direct Taxes Paid	-67	-11	-43	-100	193	-51	-92
(Inc)/Dec in WC	-973	-352	-351	-159	-2,118	-1,095	-444
CF from Operations	-312	259	480	730	-198	-236	328
Others	30	17	39	20	-1,130	-24	-19
CF from Operating incl EO	-282	276	519	751	-1,328	-259	309
(inc)/dec in FA	-1,226	-2,004	100	-308	64	-398	-238
(Pur)/Sale of Investments	2	0	2	0	892	0	0
Others	19	90	61	37	-52	213	82
CF from Investments	-1,205	-1,914	163	-270	905	-184	-156
Issue of Shares	0	0	1	37	1	0	24
(Inc)/Dec in Debt	460	2,406	-226	170	0	71	100
Interest Paid	-134	-380	-478	-521	-619	-437	-325
Dividend Paid	-68	-79	0	-39	-50	-125	-110
Others	910	-259	0	0	2,173	0	0
CF from Fin. Activity	1,168	1,688	-703	-353	1,505	-491	-311
Inc/Dec of Cash	-318	50	-22	127	1,082	-935	-158
Opening Balance	482	164	214	192	319	1,401	466
Closing Balance	164	214	192	319	1,401	466	308

Allcargo Logistics

BSE Sensex
29,449S&P CNX
8,938

CMP: INR331

Not Rated

**Stock Info**

Bloomberg	AGLL IN
Equity Shares (m)	126.1
52-Week Range (INR)	358/133
1, 6, 12 Rel. Per (%)	-2/26/77
M.Cap. (INR b)	41.7
M.Cap. (USD b)	0.7
Avg Val. INRm/Vol'000	30/105
Free float (%)	30.1

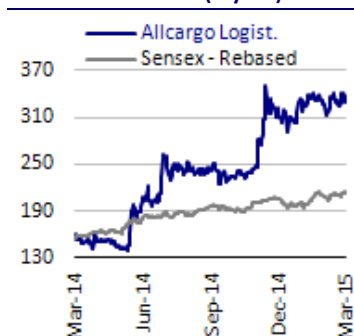
Financial Snapshot (INR Million)

Y/E Mar	2012	2013	2014
Net Sales	42.8	39.3	48.6
EBITDA	5.2	3.6	4.0
Adj PAT	2.8	1.7	1.5
EPS (INR)	21.9	13.5	11.8
Gr. (%)	71.9	-38.4	-12.0
BV/Sh. (INR)	114.4	125.8	142.3
RoE (%)	21.3	11.0	8.8
RoCE (%)	22.8	12.2	10.1
P/E (x)	-	-	27.9
P/BV (x)	-	-	2.3

Shareholding pattern (%)

As on	Dec-14	Sep-14	Dec-13
Promoter	69.9	69.9	72.1
DII	0.0	0.0	0.2
FII	6.2	13.0	11.9
Others	23.9	17.1	15.9

FII Includes depository receipts

Stock Performance (1-year)**Leading global LCL consolidator****Strong balance sheet, expands capacities across businesses**

- Allcargo Logistics (AGLL) is a leading multinational logistics company headquartered in India, with synergistic businesses ranging from LCL (Less-Than-Container-Load) consolidation, CFS and Project & Engineering solutions, including coastal Shipping.
- Its international network spans over 200+ offices in 90+ countries, covering over 4,000 port pairs, thus giving it a global scale.
- AGLL's growth drivers include (a) growth in global trade, (b) growth in container trade in India, (c) revival in capex cycle in India, (d) domestic GDP growth and (e) GST implementation.

Global leader in LCL freight forwarding

- AGLL's MTO (Multimodal Transport Operations) business contributes 85% of its revenue.
- It is a global leader in LCL (Less-than-Container-Load) consolidation, with a presence in 90+ countries through 200+ owned offices and covering over 4,000 port pairs. Company operates in all major countries through its 100% subsidiary, Eculine.
- AGLL's growth strategy includes (a) expand in high growth markets like Far East and China and (b) tactical acquisitions/buyout of local partners/strategic alliances where Eculine does not have a significant presence.

Leading CFS operator in India

- AGLL has a pan-India presence in CFS business, with its CFSs at JNPT, Chennai and Mundra and an overall land bank of over 200 acres.
- These ports have proximity to industrial hubs which carry majority of the container volume. The undeveloped land bank available with the company can be used to increase capacity as container volume picks up in India.

Strong balance sheet, well placed to capture growth opportunities

- With a net debt-equity of 0.26x, AGLL is well placed to implement its strategy of tactical acquisitions and capacity growth.
- Global presence offers its scale for LCL business, while domestic economic growth and EXIM growth augurs well for its CFS business. Infrastructure projects revival will drive utilization for company's Project and Engineering Solutions business.

Valuation and View

- The stock trades at 27.9x FY14A EPS of INR27.4. Not rated.




Company description

Incorporated in 1993 by promoter Mr S K Shetty, Allcargo Logistics (a part of Avvashya Group) started operations as cargo handler at Mumbai port. Allcargo is a leading company providing integrated logistics solutions. Its key business divisions are global Multimodal Transport Operations (NVOCC, LCL and FCL), domestic CFS/ICD operations, Project and Engineering Solutions (Project Logistics & Equipment Hiring Solutions), Ship Owning and Chartering along with 3PL and warehousing services.

It has a strong domestic and international network of 200 offices, agents and franchisees in 90 countries, covering more than 4,000 port pairs.

Exhibit 1: Allcargo’s key business divisions

Business Verticals

Multimodal Transport Operations (MTO)	Container Freight Stations (CFS)	Project & Engineering Solutions (P&E)
 <ul style="list-style-type: none"> Consolidation of Less-than-Container-Load (LCL) ocean cargo into containers for shipment across 4,000 port pairs globally Global brand – ‘ECU Line’ with presence in 90 countries Demonstrated ability in air freight-forwarding Diversified customer base with an asset-light business model 	 <ul style="list-style-type: none"> Provides storage and custom clearance services for export-import cargo at major Indian ports Market leader at Chennai and amongst top 5 CFS operators at JNPT and Mundra Inland Container Depots (ICDs) at Pithampur and Dadri; presence in warehousing / 3PL segment Land bank of more than 200 acres 	 <ul style="list-style-type: none"> Offers integrated end-to-end logistics services including transportation of over-dimensional & over-weight cargo, on-site lifting & shifting Diverse fleet of more than 1,000 equipment needed for building & creating infrastructure Presence in Coastal Shipping through 3 owned ships

FY14 Revenue¹
% of Total

INR 4,125 Cr
85%

INR 312 Cr
6%

INR 413 Cr
9%

FY14 EBITDA¹
% of Total

INR 207 Cr
47%

INR 99 Cr
22%

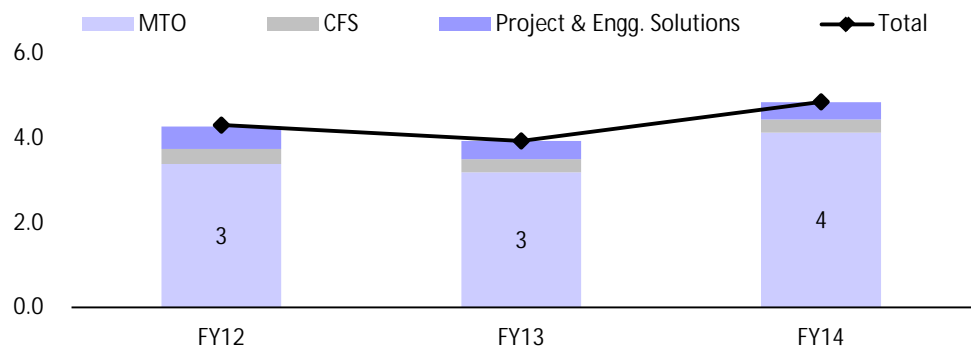
INR 138 Cr
31%

Source: Company, MOSL

Key management

Mr Shashi Kiran Shetty, Chairman & Managing Director: Mr Shashi Kiran Shetty founded Allcargo Ltd in 1993. Previously, he had 15 years of experience with Intermodal Transport and Trading Systems Pvt Ltd, Mumbai and Forbes Gokak, a Tata Group company. He was a board member of Mumbai Port Trust and also was the co-Chairman of the Transport and Logistics Committee of The Indian Merchant Chambers. He was the Vice President of the Association of Multimodal Transport Operators of India.

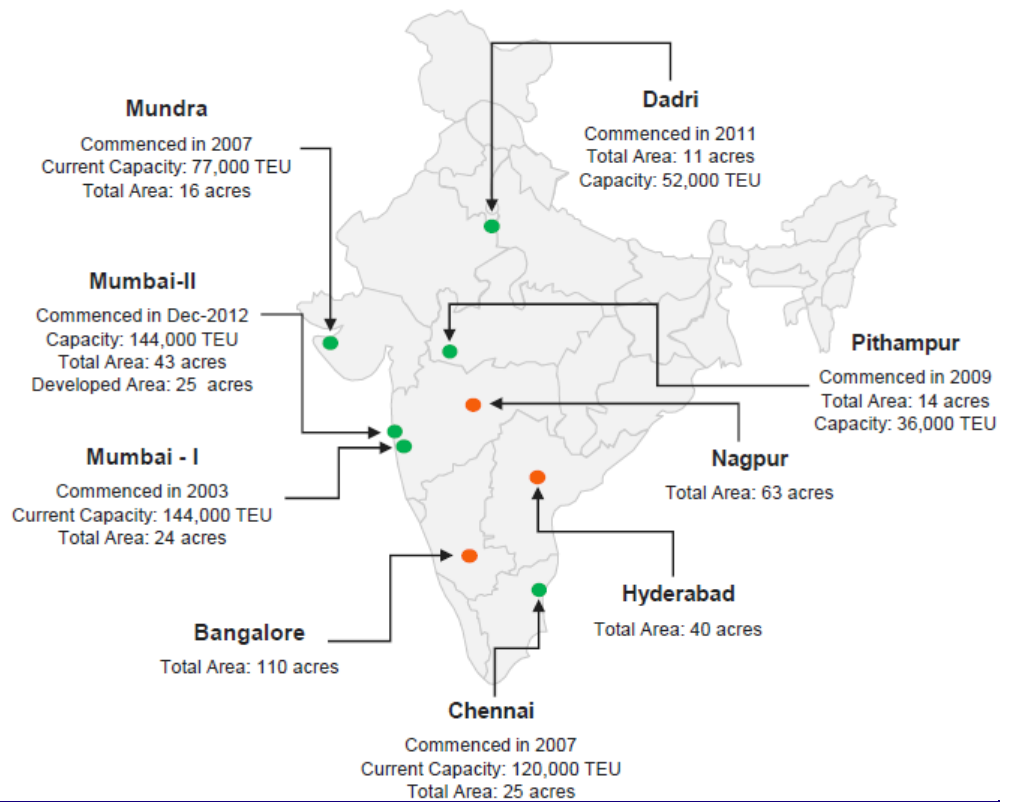
Exhibit 2: MTO operations contribute >85% of Allcargo's business (INR b)



*Coastal shipping included in P&E division

Source: Company, MOSL

Exhibit 3: Allcargo is present across major container ports of India



Source: Company, MOSL

Financials and valuation

Consolidated - Income Statement

Y/E March	CY08	CY09	CY10	FY12	FY13	FY14
Total Income from Operations	23,141	20,609	28,633	42,804	39,263	48,594
Change (%)	43.4	-10.9	38.9	49.5	-8.3	23.8
Operational Cost	15,883	12,991	18,734	28,645	27,194	34,281
Personnel Expenses	3,305	3,466	3,973	6,095	5,634	7,276
Other Expenses	1,786	1,995	3,210	2,824	2,835	3,078
Total Expenditure	20,974	18,452	25,916	37,564	35,663	44,635
EBITDA	2,167	2,158	2,717	5,240	3,600	3,959
Margin (%)	9.4	10.5	9.5	12.2	9.2	8.1
Depreciation	447	545	550	1,337	1,474	1,755
EBIT	1,720	1,613	2,167	3,903	2,127	2,205
Int. and Finance Charges	249	232	195	644	453	609
Other Income	106	286	266	452	662	365
PBT	1,578	1,667	2,239	3,710	2,335	1,960
Tax	362	260	480	734	512	416
Tax Rate (%)	22.9	15.6	21.4	19.8	21.9	21.2
PAT	1,216	1,407	1,759	2,977	1,823	1,544
Less: Mionrity Interest	139	108	100	132	126	51
Reported PAT	1,077	1,300	1,659	2,845	1,697	1,493
Change (%)	40.7	20.7	27.7	71.5	-40.3	-12.0
Margin (%)	4.7	6.3	5.8	6.6	4.3	3.1

Consolidated - Balance Sheet

(INR Million)

Y/E March	CY08	CY09	CY10	FY12	FY13	FY14
Equity Share Capital	224	250	261	260	252	252
Total Reserves	5,873	9,561	11,551	14,638	15,604	17,679
Net Worth	6,097	9,811	11,812	14,899	15,857	17,931
Minority Interest	115	135	263	311	433	463
Deferred Liabilities	205	284	519	924	1,172	1,284
Total Loans	3,440	2,044	3,778	7,653	7,267	9,921
Capital Employed	9,857	12,274	16,371	23,788	24,728	29,599
Gross Block	5,072	6,813	10,429	16,358	18,850	20,869
Less: Accum. Deprn.	1,460	2,053	2,338	3,801	5,163	7,094
Net Fixed Assets	3,612	4,761	8,091	12,557	13,687	13,775
Goodwill on Consolidation	2,013	2,428	3,391	4,580	4,602	8,710
Capital WIP	741	750	560	854	139	77
Total Investments	828	1,668	1,319	1,071	1,859	1,902
Curr. Assets, Loans&Adv.	5,673	5,463	7,273	9,369	9,641	11,834
Inventory	20	27	70	125	111	114
Account Receivables	2,975	2,354	2,528	3,576	3,825	5,715
Cash and Bank Balance	1,012	916	1,430	1,341	1,382	1,647
Loans and Advances	1,667	2,166	3,245	4,327	4,324	4,358
Curr. Liability & Prov.	3,091	2,900	4,397	4,815	5,429	6,938
Account Payables	1,764	1,409	2,564	3,338	3,536	4,709
Other Current Liabilities	1,190	1,405	1,289	1,094	1,275	1,627
Provisions	138	87	543	383	619	602
Net Current Assets	2,583	2,563	2,876	4,555	4,212	4,897
Deferred Tax assets	78	105	111	171	228	238
Misc Expenditure	3	0	23	0	0	0
Appl. of Funds	9,857	12,274	16,371	23,788	24,728	29,599

Financials and valuation

Ratios

Y/E March	CY08	CY09	CY10	FY12	FY13	FY14
Basic (INR)						
EPS	9.6	10.4	12.7	21.9	13.5	11.8
Cash EPS	13.6	14.8	16.9	32.1	25.2	25.8
BV/Share	54.5	78.6	90.5	114.4	125.8	142.3
DPS	0.5	1.0	3.0	1.5	1.5	1.5
Payout (%)	6.1	11.2	27.6	8.0	13.0	14.8
Valuation (x)						
P/E						27.9
Cash P/E						12.8
P/BV						2.3
EV/Sales						1.0
EV/EBITDA						12.6
Dividend Yield (%)	0.2	0.3	0.9	0.5	0.5	0.5
Return Ratios (%)						
RoE	19.9	16.3	15.3	21.3	11.0	8.8
RoCE	23.6	17.8	17.7	22.8	12.2	10.1
Working Capital Ratios						
Asset Turnover (x)	2.3	1.7	1.7	1.8	1.6	1.6
Leverage Ratio (x)						
Debt/Equity	0.6	0.2	0.3	0.5	0.5	0.6

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	CY08	CY09	CY10	FY12	FY13	FY14
OP/(Loss) before Tax	1,609	1,695	2,239	3,710	2,335	1,960
Depreciation	447	545	550	1,337	1,474	1,755
Interest & Finance Charges	219	193	117	551	370	532
Direct Taxes Paid	-312	-424	-653	-930	-634	-373
(Inc)/Dec in WC	-1,069	10	-376	-1,353	-22	-414
CF from Operations	894	2,019	1,877	3,315	3,522	3,461
Others	-18	-158	88	153	-278	-353
CF from Operating incl EO	876	1,860	1,966	3,468	3,244	3,107
(inc)/dec in FA	-1,742	-1,707	-4,425	-5,991	-1,896	-1,290
(Pur)/Sale of Investments	-745	-636	380	1,014	52	-237
Others	-138	41	232	-414	88	-2,665
CF from Investments	-2,625	-2,302	-3,813	-5,391	-1,757	-4,192
Issue of Shares	297	1,120	1,047	0	0	0
(Inc)/Dec in Debt	2,177	-386	1,707	3,009	-563	1,959
Interest Paid	-249	-232	-195	-556	-538	-586
Dividend Paid	-67	-118	-103	-530	-74	-222
Others	-28	-38	-96	-90	-271	198
CF from Fin. Activity	2,130	346	2,361	1,834	-1,446	1,350
Inc/Dec of Cash	381	-96	513	-89	41	265
Opening Balance	631	1,012	916	1,430	1,341	1,382
Closing Balance	1,012	916	1,430	1,341	1,382	1,647

Transport Corporation of India

BSE Sensex
29,449

S&P CNX
8,938

CMP: INR268

Not Rated



Stock Info

Bloomberg	TRPC IN
Equity Shares (m)	73.0
52-Week Range (INR)	299/92
1, 6, 12 Rel. Per (%)	3/21/130
M.Cap. (INR b)	19.5
M.Cap. (USD b)	0.3
Avg Val. INRm/Vol'000	43/216
Free float (%)	30.9

Financial Snapshot (INR Million)

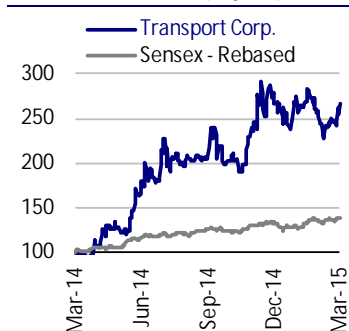
Y/E Mar	2012	2013	2014
Net Sales	19.5	21.3	22.3
EBITDA	1.6	1.8	1.7
Adj PAT	0.6	0.7	0.7
EPS (INR)	8.2	9.5	9.8
Gr. (%)	8.6	16.6	2.8
BV/Sh. (INR)	52.0	60.0	67.3
RoE (%)	16.9	17.1	15.4
RoCE (%)	17.9	18.0	16.3
P/E (x)	-	-	27.3
P/BV (x)	-	-	4.0

Shareholding pattern (%)

As on	Dec-14	Sep-14	Dec-13
Promoter	69.1	69.1	69.4
DII	0.8	1.2	0.1
FII	2.3	1.9	4.9
Others	27.9	27.9	25.7

FII Includes depository receipts

Stock Performance (1-year)



Express Cargo, Supply Chain business to drive growth

DFCs/diamond quadrilateral, GST seen as key triggers

Transport Corporation of India Ltd (TRPC), established in 1958, is a leading multimodal logistics player with services ranging from basic transportation to high-end supply chain management. It operates 1,300 owned vehicles and 7,500+ managed vehicle fleet to transport 2.5% by value of India's GDP. Its operations cover almost 100% of the Indian economy, with 17,000 domestic and overseas locations. Key business divisions are Freight Transport, Express Cargo Services, Supply Chain Solutions and Seaways.

Similar to other logistics companies, we believe TRPC will be a key beneficiary of (a) economic growth, (b) DFCs/diamond quadrilateral and (c) GST.

Freight Transport: GDP revival to benefit, but competition to keep margins low

- Freight division contributes to 37% in revenue 11% in EBITDA for TRPC. Being highly unorganized with low entry barrier, it is a low margin business (3-5%) with low growth.
- Company is focused on moving away from this basic business which is reflected in reduction in revenue contribution from 52% in FY09 to 36% in FY14, with a target to reduce it further to 25%.
- Revenue drivers include GDP growth and JV with Concor, while margin triggers include lower diesel price and infrastructure sector spending that could revive the high-margin large cargo movement.

Express Cargo Services: margins better, growth high; large scale gives competitive and cost advantage

- Express cargo services division contributes 30% in revenue and 29% in EBITDA, with expected growth of 10-15% and higher margins than freight.
- TRPC's scale and multimodal capability through tie-ups in domestic and international locations provides competitive advantage and higher margins.
- While air cargo contributes to 10%, key goods handled include electronics, pharmaceuticals, white goods and silk sarees among others.
- While e-tailing volume contribution is lower, it could be a key volume driver in future, given its underlying growth.

Supply Chain Solutions: nascent, complex, technology intensive but high margin

- Supply chain solutions business (3PL) is still at a nascent stage in India, with growth rates of 20-30% and contributes 5% of TRPC's revenue.
- Players with investment in technology, deeper understanding of various businesses, skilled manpower can witness high entry barriers and margins in

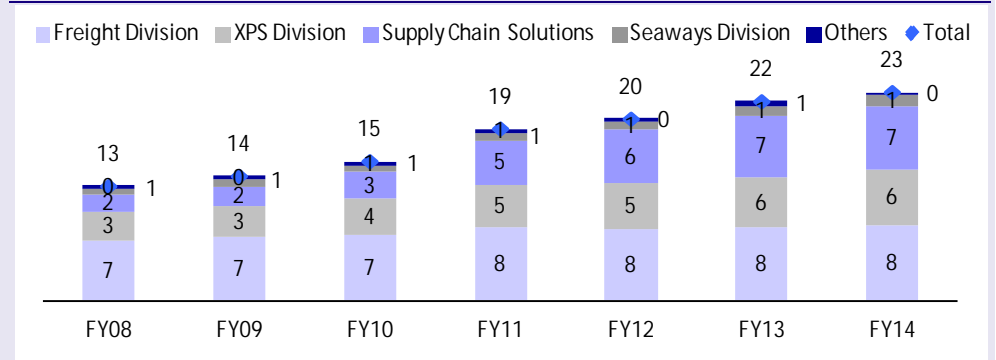
this segment.

- n Automobile sector contributes to 75% of this business followed by ~10% by FMCG and also cold chain. GST will be the key trigger for this business.

Shipping: steady contributor, high entry barriers

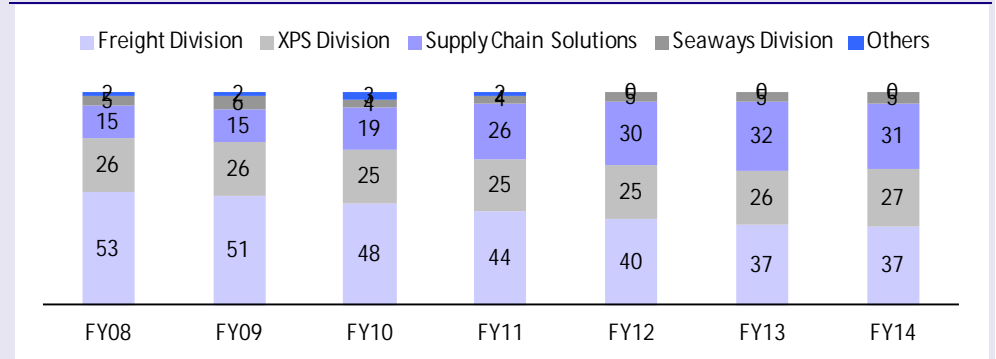
- n TRPC operates ships and also lucrative services to Andaman and Nicobar and neighbouring countries.
- n While there is scope to increase utilization levels on the current route, company plans to diversify on the west coast routes of India.

Exhibit 1: TRPC’s revenue clocked 13% CAGR in the last five years, driven by Supply Chain Solutions CAGR at 31%

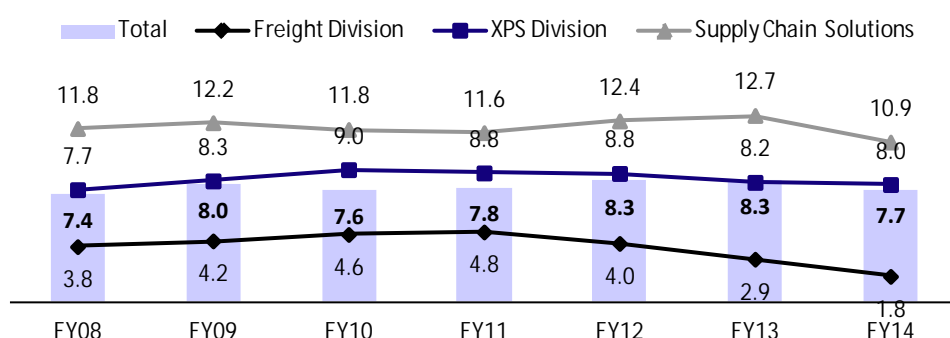


Source: Company, MOSL

Exhibit 2: Increasing revenue share of high-margin Express Cargo, Supply Chain divisions



Source: Company, MOSL

Exhibit 3: TRPC's EBITDA margin trend - Supply Chain business has the highest margins among the largest business segments (%)

Source: Company, MOSL

Exhibit 4: Snapshot of TRPC's key businesses

	Freight Division	XPS Division	Supply Chain Solutions Division	Seaways Division
Industry Scenario	Mature, Fragmented, Low barriers to entry, low cost	Growth, niche, high entry barriers, cost efficiency	Nascent, knowledge-based, very high barriers, single window	Growth, high entry barriers, low cost
Industry Growth	5-8%	8-12%	20-30%	10-15%
% of Total Revenue (FY 14-15 H1)	36% (392 cr.)	30% (320 cr.)	28% (307 cr.)	5% (53 cr.)
TRPC EBITDA Margin	3-5%	8-10%	10-12%	11-15%
TRPC Growth Pattern	0-5%	8-12%	20-30%	10-15%
RoCE (5-yr Average)	13.3%	43.6%	24.6%	14.7%
RoCE (10-yr Average)	17.0%	39.8%	22.9%	18.2%

Source: Industry, , Company, MOSL

Management profile

Mr S M Datta – Chairman: Mr Datta has more than 51 years of experience in the engineering and technology sector. Previously he served as the Chairman of Hindustan Lever and all Unilever group companies in India and Nepal during 1990-1996. Mr Datta holds the following positions: Director on the Boards of Castrol India, Philips Electronics India, IL&FS Investment Manager, BOC India, Zodiac Clothing Company. A Chartered Engineer, he is also associated with various management and research institutes both in India and abroad.

Mr D P Agarwal - Vice Chairman and Managing Director: Mr Agarwal is the Vice-Chairman and Managing Director of TRPC. He has been associated with the transport industry for more than 43 years. Mr Agarwal holds the Directorships of Bhoruka Power Corporation and Jai Bharat Maruti Ltd. He is also associated with the various chambers of commerce, including CII, Ficci and Phdcci.

Financials and valuation

Consolidated - Income Statement							(INR Million)
Y/E March	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Total Income from Operations	12,428	13,513	15,215	18,513	19,538	21,305	22,265
Change (%)	14.6	8.7	12.6	21.7	5.5	9.0	4.5
Operating Expenses	9,708	10,665	12,240	15,088	12,902	17,456	18,334
% of Sales	78.1	78.9	80.4	81.5	66.0	81.9	82.3
Personnel Expenses	681	697	835	929	1,015	1,121	1,172
% of Sales	5.5	5.2	5.5	5.0	5.2	5.3	5.3
Other Expenses	1,170	1,170	1,017	1,093	4,042	976	1,063
% of Sales	9.4	8.7	6.7	5.9	20.7	4.6	4.8
Total Expenditure	11,559	12,531	14,092	17,109	17,959	19,552	20,569
% of Sales	93.0	92.7	92.6	92.4	91.9	91.8	92.4
EBITDA	869	982	1,123	1,403	1,578	1,753	1,696
Margin (%)	7.0	7.3	7.4	7.6	8.1	8.2	7.6
Depreciation	233	297	296	353	416	464	468
EBIT	636	685	827	1,050	1,163	1,289	1,227
Int. and Finance Charges	197	279	219	283	364	352	327
Other Income	58	105	44	51	57	73	92
PBT bef. EO Exp.	497	511	652	818	856	1,011	992
PBT after EO Exp.	497	511	652	818	856	1,011	992
Current Tax	149	179	226	255	257	318	258
Deferred Tax	19	-1	9	16	5	-3	17
Tax Rate (%)	33.7	34.8	36.0	33.1	30.6	31.2	27.7
Reported PAT	330	333	417	547	595	695	716
Adjusted PAT	330	333	417	547	595	695	716
Change (%)	7.8	1.0	25.3	31.2	8.8	16.8	3.0
Margin (%)	2.7	2.5	2.7	3.0	3.0	3.3	3.2

Consolidated - Balance Sheet							(INR Million)
Y/E March	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Equity Share Capital	145	145	145	145	145	146	146
Total Reserves	2,605	2,861	3,204	3,107	3,637	4,224	4,764
Net Worth	2,750	3,006	3,349	3,252	3,783	4,370	4,910
Minority Interest	0	17	47	30	29	11	31
Deferred Liabilities	291	293	303	319	317	315	332
Total Loans	2,439	2,499	2,849	3,147	3,410	3,544	3,355
Capital Employed	5,479	5,815	6,548	6,748	7,538	8,240	8,628
Gross Block	4,170	4,666	4,930	5,284	6,223	6,515	6,931
Less: Accum. Deprn.	1,133	1,370	1,574	1,825	2,064	2,342	2,616
Net Fixed Assets	3,037	3,296	3,355	3,459	4,159	4,174	4,315
Capital WIP	53	119	154	67	78	51	183
Total Investments	81	33	41	15	17	80	80
Curr. Assets, Loans&Adv.	2,847	3,200	4,159	4,375	4,480	5,344	5,429
Inventory	10	10	11	14	20	22	17
Account Receivables	1,959	2,133	2,637	3,208	3,365	3,951	3,800
Cash and Bank Balance	245	285	383	183	307	460	428
Loans and Advances	634	772	1,128	970	788	911	1,184
Curr. Liability & Prov.	543	839	1,171	1,178	1,198	1,410	1,381
Account Payables	254	366	635	726	874	883	773
Other Current Liabilities	109	107	125	139	97	109	194
Provisions	180	365	412	314	227	419	414
Net Current Assets	2,305	2,361	2,988	3,197	3,282	3,934	4,048
Appl. of Funds	5,479	5,815	6,548	6,748	7,538	8,240	8,628

E: MOSL Estimates

Financials and valuation

Ratios

Y/E March	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Basic (INR)							
EPS	4.5	4.6	5.8	7.5	8.2	9.5	9.8
Cash EPS	7.8	8.7	9.8	12.4	13.9	15.9	16.2
BV/Share	37.9	41.5	46.2	44.8	52.0	60.0	67.3
DPS	0.6	1.0	0.9	1.0	1.1	1.5	1.8
Payout (%)	15.4	23.4	17.4	14.7	15.4	18.8	21.9
Valuation (x)							
P/E							27.3
Cash P/E							16.5
P/BV							4.0
EV/Sales							1.0
EV/EBITDA							13.2
Return Ratios (%)							
RoE	14.2	11.6	13.1	16.6	16.9	17.1	15.4
RoCE	15.0	14.8	14.9	17.5	17.9	18.0	16.3
Working Capital Ratios							
Asset Turnover (x)	2.3	2.3	2.3	2.7	2.6	2.6	2.6
Inventory (Days)	0.3	0.3	0.3	0.3	0.4	0.4	0.3
Debtor (Days)	58	58	63	63	63	68	62
Creditor (Days)	10	13	19	18	25	18	15
Working Cap. Turnover (Days)	60	56	62	59	56	60	59
Leverage Ratio (x)							
Current Ratio	5.2	3.8	3.6	3.7	3.7	3.8	3.9
Interest Cover Ratio	3	2	4	4	3	4	4
Debt/Equity	0.9	0.8	0.9	1.0	0.9	0.8	0.7

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY08	FY09	FY10	FY11	FY12	FY13	FY14
OP/(Loss) before Tax	432	551	681	818	855	1,011	993
Depreciation	208	299	296	353	416	464	468
Interest & Finance Charges	168	243	192	256	339	299	288
Direct Taxes Paid	-403	-502	-419	-557	-271	-264	-280
(Inc)/Dec in WC	-421	-21	-372	-392	-68	-462	146
CF from Operations	-15	570	378	478	1,270	1,047	1,615
Others	2	-11	-5	24	-23	-3	-38
CF from Operating incl EO	-13	559	373	502	1,247	1,044	1,577
(inc)/dec in FA	-430	-626	-394	-858	-1,106	-441	-741
Others	65	78	-155	468	140	-104	-235
CF from Investments	-467	-501	-556	-396	-967	-608	-976
Issue of Shares	517	0	2	4	12	10	8
(Inc)/Dec in Debt	105	60	350	298	263	134	-189
Interest Paid	0	0	0	0	-350	-336	-311
Dividend Paid	-44	-70	-62	-69	-69	-79	-119
Others	-7	-8	-11	-538	-11	-13	-20
CF from Fin. Activity	571	-18	280	-305	-155	-284	-633
Inc/Dec of Cash	91	40	97	-200	125	153	-32
Opening Balance	154	245	285	383	183	307	460
Closing Balance	245	285	383	183	307	460	428




Ocean Sparkle

COMPANY DESCRIPTION	PRODUCTS AND SERVICES									
<p>Company Profile</p> <ul style="list-style-type: none"> n Established in 1995, Ocean Sparkle Ltd (OSL Group) is engaged in providing comprehensive port operations and management services. n It is also involved in coastal transportation on the East Coast through its fleet of barges and tugboats for lighterage operations. The company is based in Hyderabad, Telangana. <p>Key JV's</p> <ul style="list-style-type: none"> n Sea Sparkle Harbour Service (56:44 JV of OSL and PSAM) for operations at Ennore port n Sealion Sparkle Port and Terminal Services (Dahej) Ltd (49:51 JV of OSL and PSAM) for operations at Petronet LNG Limited's jetty at Dahej, n 100% subsidiary Sparkle Port Services Ltd for operations at Petronet LNG Limited's jetty at Kochi. n Other entities in OSL group include Sparkle Overseas Pte Limited (100% OSL stake) formed for overseas business and one JV for undertaking large-scale dredging projects, Sai Sparkle Dredging and Infra structure Developers Pvt. Ltd. <p>Key Management</p> <ul style="list-style-type: none"> n Mr P Jairaj Kumar, Chairman & MD n Mr Sanjeev Dhawan, Joint Managing Director n Mr A K Sawhney n Mr R Virender Prasad 	<p>Port Operations and Management Solutions</p> <ul style="list-style-type: none"> n The company has invested in harbor crafts like Tug Boats, Pilot Boats, Mooring Boats etc. It owns and operates ~100 of harbor crafts, which includes more than 70 Tug boats of varying capacities ranging from 30t to 70t Bollard Pull. It also has a fleet of 10 harbor tugs under its management. n As a part of port O&M solutions, it also offers pilotage services, control tower operations, mooring services, maintenance of navigational aids and buoys, oil spill <p>Ship to Ship Operations/FPSO/SBM Operations</p> <ul style="list-style-type: none"> n Ocean Sparkle carries out double banking operations for liquid and dry cargo in Indian and International waters. n It also carries out tandem mooring operations at FPSOs by provisioning pull back tugs, line handling boats, mooring gang, and loading masters/mooring master. <p>Dredging</p> <ul style="list-style-type: none"> n Ocean Sparkle has invested in a fleet of dredgers and barges and has the capability to cater to capital and maintenance dredging. It can provide end-to-end dredging services, including disposal of dredged material. <p>Key Clients</p> <ul style="list-style-type: none"> n Reliance Port and Terminals Limited, Jawaharlal Nehru Port Trust, Dahej Harbour and Infrastructure Limited, Cochin Port Trust, Kandla Port Trust, Gujarat Pipavav Port Limited, Mumbai Port Trust 									
KEY CHARTS	KEY FINANCIALS AND INVESTORS									
<p>Geographical presence</p>	<p>Key Financials (INR M)</p> <table border="1"> <thead> <tr> <th></th> <th>2014</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>Total Income</td> <td>2,890</td> <td>3,770</td> </tr> <tr> <td>PAT</td> <td>400</td> <td>590</td> </tr> </tbody> </table>		2014	2013	Total Income	2,890	3,770	PAT	400	590
	2014	2013								
Total Income	2,890	3,770								
PAT	400	590								




J.M. Baxi & Co

COMPANY DESCRIPTION	PRODUCTS AND SERVICES
<p>Company Profile</p> <p>n Established in 1916, J.M. Baxi & Co. is engaged in providing shipping support services. Its services include shipping agency, agency for cruise and visiting naval ships, container transport management, port development and terminal management, project logistics division, engineering, equipment and training division, tanker operations, warehousing and freight station, chartering brokers, stevedoring and bulk cargo operations, manpower recruitment and ship management, support services for the oil and gas industry, support services for dredging operations and international freight forwarding. It is based in Mumbai, Maharashtra.</p> <p>Key Management</p> <p>§ Mr Krishna B Kotak, Chairman</p> <p>KEY CHARTS</p> <p>Geographical presence</p> 	<p>Shipping Agency</p> <p>n J.M. Baxi handles over 6,000 vessels including tankers, carriers, bulk cargo vessels, container vessels, dredgers, offshore & onshore rigs, etc. per annum at various Indian ports.</p> <p>n It also handles all types of cruise and visiting Naval ships at any port in India. Services include handling of passengers, crew, naval personnel both for embarking and disembarking operations. It maintains close liaison with port authorities, related government agencies, tourist bureaus, passenger handling companies, as well as, the Indian Navy.</p> <p>Port Development & Terminal Management</p> <p>n Since 1998, Company has been managing its own jetty at Rozi (Jamnagar) which is equipped with conveyors and bagging plants, ideally suited for loading and unloading of bulk cargoes.</p> <p>n It also set up the first container terminal at Visakhapatnam port, operational since June 2003.</p> <p>Bulk Cargo Operations</p> <p>n It offers turnkey services which includes receiving the cargo, documentation, stevedoring, lighterage activities, warehousing, etc.</p> <p>n JM Baxi has stevedoring licenses at most major and minor ports, which enables it to handle diverse cargoes such as dry and liquid, bulk & break bulk, containerized, heavy lift and over dimensional .</p> <p>Clearing and Freight Forwarding</p> <p>n As licensed Custom House Agents(CHA) at most Indian ports, J. M. Baxi & Co. provides efficient clearing and freight forwarding services. Freight forwarding services include custom clearance, compliance with import/export regulations, comprehensive multimodal point -to- point services comprising land, rail, air and sea transport and warehousing. It has tie-ups with foreign partners as well to provide International freight forwarding services.</p> <p>Project Logistics</p> <p>n JM Baxi provides specialized professional transportation services for a wide range of project equipments including over dimensional cargoes and delicate equipments on a turnkey and door-to-door basis.</p> <p>Other services</p> <p>n Includes handling tanker operations, crew & ship management, providing support services for Dredging operations and oil & gas industry.</p>

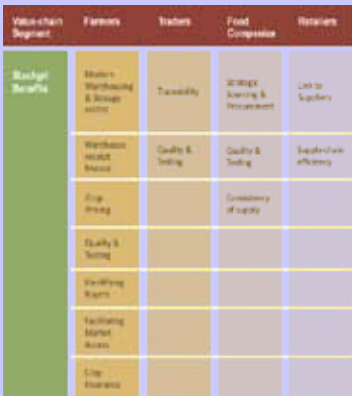


Continental Warehousing Corp (Nhava Sheva) (CWCNSL)

COMPANY DESCRIPTION	PRODUCTS AND SERVICES									
<p>Company Profile</p> <ul style="list-style-type: none"> n Established in 1997, Continental Warehousing Corporation, flagship company of the NDR group, provides services like warehouse management, inventory management, manpower, import container handling, export container handling, accounting, insurance, transportation and distribution. The company also provides comprehensive, value-added cargo and container management solutions to its clients. It is based in Navi Mumbai, Maharashtra. n CWCNSL also operates CFSs in Chennai (Madhavaram and Redhills), and Tuticorin (Tamil Nadu). The combined container handling capacity of the group exceeds 300,000 twenty-foot-equivalents (TEUs) per annum. Additionally, CWCNSL recently set up an inland container depot (ICD) at Indore (Madhya Pradesh), with a container handling capacity of 30,000 TEU per annum. CWCNSL also has jetty operations in Jamnagar (Gujarat). <p>Key Management</p> <ul style="list-style-type: none"> n Mr Dara Jalnawalla - Director at CWCNSL n Mr. N. Amrutesh Reddy - Executive Director at CWCNSL n Mr. N Adikesavulu Reddy - Chairman of NDR Group 	<p>Container Freight Stations</p> <p>CWCNSL operates three CFS at Nhava Sheva, Chennai and Tuticorin</p> <p>CFS in Nhava Sheva, Mumbai</p> <ul style="list-style-type: none"> n Set up on a total area of 36 acres, with container handling capacity of 1.50 lakh TEUs per annum. It has a bonded warehouse of 1.2 lakh sq. ft., export warehouse of 1.15 lakh sq. ft and import/LCL warehouse of 1.4 lakh sq. ft <p>CFS in Madhavaram, Chennai</p> <ul style="list-style-type: none"> n Set up on a total area of 10 acres, with container handling capacity of 25,000 TEUs per annum. It has a bonded warehouse of 2.5 lakh sq. ft., import/export warehouse of 27,500 sq. ft and customs bonded & general warehouse <p>CFS in Meelavittan, Tuticorin</p> <ul style="list-style-type: none"> n Set up on a total area of 7 acres, it has an enclosed warehouse of 45,000 sq. ft and facility to handle import FCL/LCL and exports <p>Warehousing Solutions</p> <ul style="list-style-type: none"> n Apart from the warehousing solutions provided at the CFSes, CWCNSL offers an integrated warehousing solution across India through Kaveri Warehousing, a subsidiary of NDR group, providing services like warehouse management, inventory management, manpower, accounting, MIS, transportation and distribution 									
KEY CHARTS	KEY FINANCIALS AND INVESTORS									
<p>Geographical presence</p> 	<p>The Continental group - Key Financials (INR Mn)</p> <table border="1"> <thead> <tr> <th></th> <th>2014</th> <th>2013</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>6,980</td> <td>6,680</td> </tr> <tr> <td>PAT</td> <td>445.6</td> <td>363.5</td> </tr> </tbody> </table>		2014	2013	Sales	6,980	6,680	PAT	445.6	363.5
	2014	2013								
Sales	6,980	6,680								
PAT	445.6	363.5								

Staragri Star AgriWarehousing and Collateral Management

COMPANY DESCRIPTION	PRODUCTS AND SERVICES
<p>Company Profile</p> <ul style="list-style-type: none"> Founded in 2006, Star AgriWarehousing and Collateral Management Ltd. is engaged in providing harvesting solutions. It offers post-harvest management solutions services, warehousing and storage services, collateral management services, logistics management services, procurement management services and private Mandi solution services. The firm also exports agriculture products. It is based in Mumbai, Maharashtra. <p>Key Highlights</p> <ul style="list-style-type: none"> INR 250 crore investment by Temasek Holdings Acquired 1.38% stake in NCDEX, one of the Asia's largest agri-commodity exchange Started first international office through wholly owned subsidiary in Singapore "Star Agri Services (Pte) Ltd" Presence in 250+ locations, 16 states Warehousing capacity through warehouses and silos around 1.5 million MT <p>Key Management</p> <ul style="list-style-type: none"> Suresh Goyal – Chairman and Managing Director Dr. Y.S.P Thorat –Non Executive Vice-Chairman Dr. Y.K. Alagh - Nominee Director Amit Mundawala - Executive Director Amit Khandelwal - Executive Director Girish Nadkarni - Nominee Director Amith Agarwal - Executive Director 	<p>Warehousing</p> <ul style="list-style-type: none"> StarAgri provides state-of-the-art temperature controlled storage through an integrated and modern pan-India warehousing network of 800+ warehouses across 16 Indian states and over 1.5 million tonnes of warehousing capacity. It also provides value added services like weighing, testing and certification <p>Collateral Management</p> <ul style="list-style-type: none"> StarAgri, with the help of India's leading financial institutions and banks, currently holds commodities worth INR 75 billion across 200 collateral management locations. It reduces operating risk by ensuring safekeeping of commodities held as collateral with stringent inspection, verification, monitoring and control measures for secure traceability across the supply chain. <p>Procurement</p> <ul style="list-style-type: none"> StarAgri facilitates integration with farmers for secure and reliable raw material supply to enable customers to source the right quality and quantity at the right price and time. It has state-of-the-art quality and testing laboratories – StarLabs which provides a distinct measure to create a process driven transparency in the area of rural procurement. <p>Logistics & Value Added Services</p> <ul style="list-style-type: none"> It provides end-to-end transportation solutions from sourcing the agri-produce to reaching the client's factory or distribution network. StarAgri offers value added services in the areas of rural retailing through 'StarAgri Bazaar', agri-insurance, logistics and bulk procurement

KEY CHARTS	
<p>The StarAgri Value Chain</p> <ul style="list-style-type: none"> Farmers Traders & Buyers Food Companies Retailers Consumers 	



Shree Shubham Logistics

COMPANY DESCRIPTION	PRODUCTS AND SERVICES
<p>Company Profile</p> <ul style="list-style-type: none"> Founded in 2007, Shree Shubham Logistics Ltd.(SSL), a subsidiary of Kalpataru Power Transmission Ltd., offers storage and preservation, weighing facilities through electronic weighbridges, testing and certification, fumigation and pest management, collateral management for commodity funding, commodity procurement and disposal of agricultural produce services. It is based in Mumbai, Maharashtra. Shareholding Pattern – KPTL (85%), Bafna Family (15%). <p>Key Management</p> <ul style="list-style-type: none"> Dr. Prakash Bakshi - Managing Director Mr. Aditya Bafna - Executive Director Mr. Shubhendra Kumar Bafna - Executive Director Dr. B.B. Pattanaik - Chairman & Non-Executive Independent Director 	<p>Storage and Preservation</p> <ul style="list-style-type: none"> SSL manage and operate a total of 149 warehouses (owned/hired/PPP) across the states of Rajasthan, Gujarat, Madhya Pradesh and Maharashtra, with a total storage capacity of around 9.39 million sq. ft Its agri-logistics parks are scientifically designed and equipped with modern infrastructure conforming to WDRA standards at a minimum <p>Testing and Certification</p> <ul style="list-style-type: none"> SSL has set up its own central Analysis and Certification Laboratory (ACL) to provide testing and certification services for several parameters for various agri-commodities and non-agricultural commodities. <p>Collateral Management & Funding Facilitation</p> <ul style="list-style-type: none"> SSL works with various banks and financial institutions and enables various market participants to source funding from these banks and financial institutions It has state-of-the-art quality and testing laboratories – StarLabs which provides a distinct measure to create a process driven transparency in the area of rural procurement. <p>Commodity Procurement, Processing & Trading</p> <ul style="list-style-type: none"> SSL assists private entities dealing in agri-commodities to procure physical stocks, including in large volumes and with uniformity in quality, from mandis, auction sites, farmers, and traders & aggregators, based on the prices range, quality and grades specified by its clients. It also has dedicated spaces in its warehouses for cleaning, de-stoning, grading, sorting and decorticating of agri-commodities.

KEY CHARTS	KEY FINANCIALS AND INVESTORS																								
<p>Geographical presence</p>	<p>Key Financials (INR Mn)</p> <table border="1"> <thead> <tr> <th></th> <th>2014</th> <th>2013</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td>Total Income</td> <td>3,779.8</td> <td>2,432.1</td> <td>2,039.5</td> </tr> <tr> <td>EBITDA</td> <td>580.70</td> <td>290.09</td> <td>228.27</td> </tr> <tr> <td>PAT</td> <td>236.6</td> <td>154.0</td> <td>20.8</td> </tr> <tr> <td>Equity Paid up#</td> <td>626.8</td> <td>580.0</td> <td>580.0</td> </tr> <tr> <td>Total Debt</td> <td>3456.9</td> <td>3078.4</td> <td>2135.0</td> </tr> </tbody> </table> <p># Included Preference share Capital</p>		2014	2013	2012	Total Income	3,779.8	2,432.1	2,039.5	EBITDA	580.70	290.09	228.27	PAT	236.6	154.0	20.8	Equity Paid up#	626.8	580.0	580.0	Total Debt	3456.9	3078.4	2135.0
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TVS Logistics Services Ltd

COMPANY DESCRIPTION	PRODUCTS AND SERVICES
<p>Company Profile</p> <ul style="list-style-type: none"> n Set up in 1995, TVS Logistics Services Ltd.(TVS LSL), a subsidiary of TV Sundram Iyengar and Sons Ltd., offers transportation solutions including inbound and outbound logistics and milk run collections, warehouse management solutions in plant, spare parts warehouse, freight management solutions, asset based management solutions and materials management solutions. It is based in Chennai, Tamil Nadu. <p>Key Management</p> <ul style="list-style-type: none"> n Suresh Krishna - Chairman n R.Dinesh - Managing Director n Tarun Khanna - Director n Gopal Srinivasan - Director n Ravichandran - Executive Director 	<p>Transportation Solutions</p> <ul style="list-style-type: none"> n TVS LSL's service offering in transportation includes plan for each part (PFEP) milk runs, line haul, re-delivery, customized vehicles and solutions, GPS tracking solution for all trucks, etc. <p>Warehouse Management Solutions</p> <ul style="list-style-type: none"> n TVS LSL offers customized solutions to meet client's business needs and optimize their inventory and assets. n The company has 31 warehouses all across India with modern infrastructure – automation, modern racking, barcode scanning, in house Warehouse Management Solutions suite 'Msys', etc. <p>Freight Management Solutions</p> <ul style="list-style-type: none"> n With over 160 offices across the globe, TVS LSL offers global integration solutions like air freight, ocean freight, special equipment handling, custom clearances, customized surface transport, etc. It's value added services include quality inspection, effective container cube utilization, robust packaging, etc. n TVS LSL also has approvals from the concerned authorities IATA, MTO, and is a member of major industry bodies like ACAAI, FFFAI, MMA, FIATA, CII, AMTOI, etc. <p>Asset Based Management Solutions</p> <ul style="list-style-type: none"> n TVS LSL has ventured into a new value added service offering - Material Handling Solutions for engineering and automobile majors, where all the material handling solutions required in the plant are provided with manpower to operate and maintain the equipment.
KEY HIGHLIGHTS	
<ul style="list-style-type: none"> n Over 16 years of rich experience in managing warehouse operations n Strength of over 7000 strong head counts n Fleet volume exceeding 800 nos. in supporting Material Handling Solutions n Daily average of 650 trips to support Milk run activities for OEMs n Around 950 vehicles plying on road, with the option of GPS tracking facility, to meet the Line haul activities. 	



Safexpress Pvt. Ltd

COMPANY DESCRIPTION

Company Profile

Set up in 1997, Safexpress Pvt. Ltd. is engaged in providing supply chain services including express distribution, third party logistics (3PL) and consulting. It also provides value-added logistics services for 8 different business verticals ranging from apparel and lifestyle, healthcare, hi-tech, publishing to automotive, engineering and electrical hardware, fast moving consumer goods (FMCG) and consumer electronics and institutional. It is based in New Delhi.

Key Management

- Mr. Pawan Kumar Jain – Chairman & Managing Director
- SR Sharda - Executive Director

KEY CHARTS

Geographical presence



PRODUCTS AND SERVICES

Express Distribution

- Safexpress ensures time-definite deliveries through their robust 'hub and spoke' mode with a fleet of 4,000 vehicles, which is intended to minimize the distance travelled. This offering enables 'just in time' and lean supply chain requirements of the customers.
- SafeAir is their specialized air service that complements the surface logistics in offering optimal multimodal solutions and faster deliveries through 20 state-of-the-art air hubs.

3PL & Inventory Management

- Safexpress provides warehousing solutions to clients, right from identification of strategic locations, designing the rack layout and deciding optimal stocking levels.
- It also has a state-of-the-art warehouse management system that monitors and controls all critical warehouse processes. Its value added services offering includes kitting, packaging, ERP systems, etc.

Supply Chain Consulting

- Company offers consulting solutions in distributions requirement planning, labour resource planning, warehousing layout and design, statutory documentation support, supply chain optimization and after-market distribution design.

Customized Solutions and Reverse Logistics

- Safexpress provides customized solutions including warehousing solutions, express surface and air or even multi-modal distribution, date and time-definite delivery, security and anonymity of consignment, cash-on-delivery, technology support, documentation assistance, in-transit inventory tracking, deferred deliveries, status reporting and customizing it as per client's logistics requirements.
- Safexpress offers reverse logistics solution and has a REVLOG system in place which is a unique online platform for downstream dealers / partners through which all stakeholders, requesters, approvers, pick up associates, receivers get a transparent view of the entire 'Returns Process'.
- It also provides industry specific solutions catering to Apparels, Automotive, E-commerce, Healthcare, etc.



Mahindra Logistics Ltd

COMPANY DESCRIPTION	PRODUCTS AND SERVICES
<p>Company Profile</p> <p>§ Set up in 2000, Mahindra Logistics Ltd (MLL), a subsidiary of Mahindra group, is engaged in providing supply chain and people logistics solutions. It offers multimodal transportation, warehousing, international logistics, fleet management centers, inbound and outbound logistics, inter-plant movements and other value-added services. It is based in Mumbai, Maharashtra.</p> <p>Key Highlights</p> <ul style="list-style-type: none"> n More than 13 offices, and over 88 operating locations across the country n We deploy over 25,000 vehicles a month, across transportation operations n Our operational space is over 5 million square feet for warehousing n We manage logistics for over 1,000,000 finished vehicles per annum n Currently we are managing in-plant logistics at 26 different manufacturing plants n We serve more than 200 large customers today <p>Key Management</p> <ul style="list-style-type: none"> n Mr Pirojshaw Sarkari – CEO n Nikhil Nayak - Chief Financial Officer 	<p>Supply Chain Management</p> <ul style="list-style-type: none"> n MLL’s transport solutions include primary, secondary and tertiary transportation, domestic long haul transportation by road and rail, last mile delivery, reverse logistics, value-added services like network design and optimization, freight optimization, specialized vehicle designs, cross docking, customized packaging etc. n Company also offers multi-user warehousing, customized warehousing, in-plant stores etc. n MLL also offers international logistics by being a member of the World Cargo Alliance (WCA) family of Logistic Networks, a non-exclusive, privately-owned and managed forwarder network, with access to 4,466 agents worldwide. <p>People Transport Solutions</p> <ul style="list-style-type: none"> n Company provides customized solutions for people transport in corporates, deploying more than 5,500 vehicles every day and serving 200 corporate clients.

KEY CHARTS	KEY FINANCIALS																								
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SSN Logistics Pvt. Ltd.(Delhivery)

COMPANY DESCRIPTION	PRODUCTS AND SERVICES												
<p>Company Profile</p> <ul style="list-style-type: none"> n Set up in 2011, SSN Logistics Pvt Ltd (Delhivery) is engaged in providing logistics solutions to e-commerce portals n Its services include last-mile delivery, warehousing, reverse logistics, flexible payment collection and processing, vendor-to-warehouse and direct vendor-to-consumer delivery n It is based in Gurgaon, Haryana <p>Key Highlights</p> <table border="1"> <tr><td>Cities</td><td>175+</td></tr> <tr><td>Clients</td><td>800+</td></tr> <tr><td>Sellers</td><td>25000</td></tr> <tr><td>Products handled/day</td><td>90000</td></tr> <tr><td>Processing capacity/day</td><td>2,50,000</td></tr> <tr><td>Team size</td><td>5000</td></tr> </table> <p>Key Management</p> <ul style="list-style-type: none"> n Mr Sahil Barua, CEO & Co-founder n Mr Mohit Tandon, CSO & Co-founder n Mr Suraj Saharan, COO & Co-founder n Mr Bhavesh Manglani, COO & Co-founder n Mr Kapil Bharati, CTO & Co-founder 	Cities	175+	Clients	800+	Sellers	25000	Products handled/day	90000	Processing capacity/day	2,50,000	Team size	5000	<p>Fulfilment and Logistics</p> <ul style="list-style-type: none"> n Delhivery owns and operates fulfilment centers across India, with a presence in over 150 cities n The network is backed by in-house fulfilment and transportation management systems, customer analytics, geo-coding and route optimization so that products reach the consumers within 12-48 hours, a key feature of e-commerce deliveries <p>Commerce Services</p> <ul style="list-style-type: none"> n Delhivery provides a unified view of customer data, right from engagement to order management, fulfilment and shipping n It also offers business and reporting tools which provide real-time and periodic update of business performance metrics. n Also, Delhivery Data Services can be used to design marketing campaigns, recommendations engines and plan and manage merchandizing, transportation and customer service <p>Omni-Channel</p> <ul style="list-style-type: none"> n Delhivery's omni-channel suite helps retailers to all channels – in-store, website, social media, mobile and voice - to create a seamless consumer experience n It further helps in managing store fronts, marketplace integration, distribute orders, catalogues, payments and analytics from a single location
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Clients	800+												
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KEY CHARTS

Geographical presence



Annexure 1: Dedicated Freight Corridor

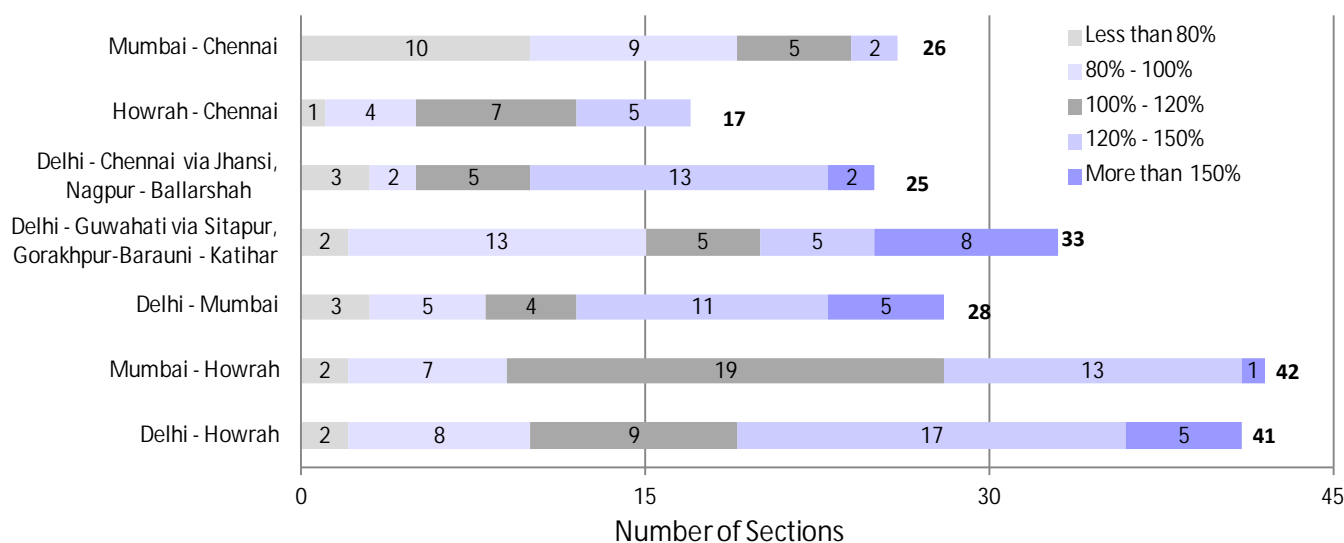
- n Planned D FCs connecting Delhi to Mumbai in West India (Container traffic) and Kolkatta in East India (Coal and steel traffic) will significantly ease the rail freight carrying capacity and turnaround time.
- n Full commissioning is expected by 2019. In the interim, some sections would be commissioned thus easing pressure on rail routes to some extent.
- n While D FCs will reduce logistics bottlenecks across the value chain, it will directly benefit the rail freight operators like CCRI and GDPL, who could expect a volume jump and margin expansion through double stacking and reduced empties.

Need for dedicated freight corridors

A dedicated freight corridor is planned to:

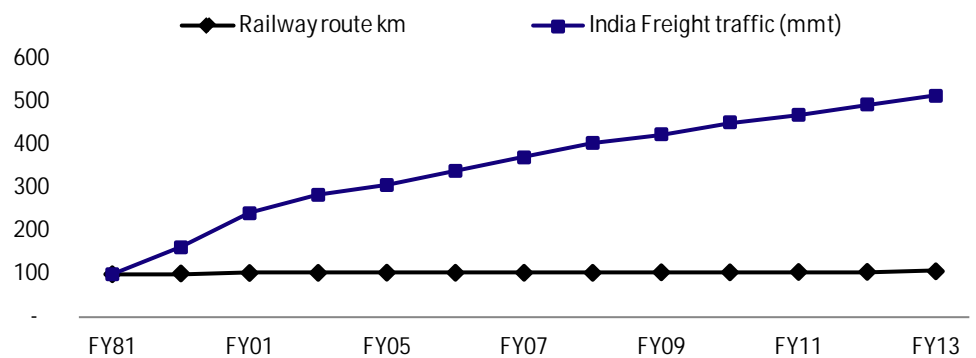
- n Decongest the rail network by providing dedicated rail line for growing freight traffic (16% of the railway route/km carries 52% of passengers and 58% of freight traffic).
- n Win back the freight market share from road segment (down to 30% from ~90%/60%/45% in 1951/1981/1991).
- n Reduce (and guarantee) freight transit time, boost overall industrial development along the route and provide the much-needed infrastructure for EXIM trade.
- n The shift of freight share from rail to road was driven by high growth and limited railway capacity additions. Indian rail network's growth has been dismal since the last five decades as the route/km has increased by only 20% from ~54,000km to ~65,000km.
- n Other announced freight corridors include:
 1. East-West Corridor (Kolkata-Mumbai) ~1,976kms.
 2. North-South Corridor (Delhi-Chennai) ~2,173kms.
 3. East Coast Corridor (Kharagpur-Vijaywada) ~1,100kms.
 4. Southern Corridor (Chennai-Goa) ~899kms.

Exhibit 1: Indian Railways line capacity utilization



*Railway Year Book 2010-11

Source: NTDP, MOSL

Exhibit 2: Indian rail route capacity addition significantly lagged freight growth

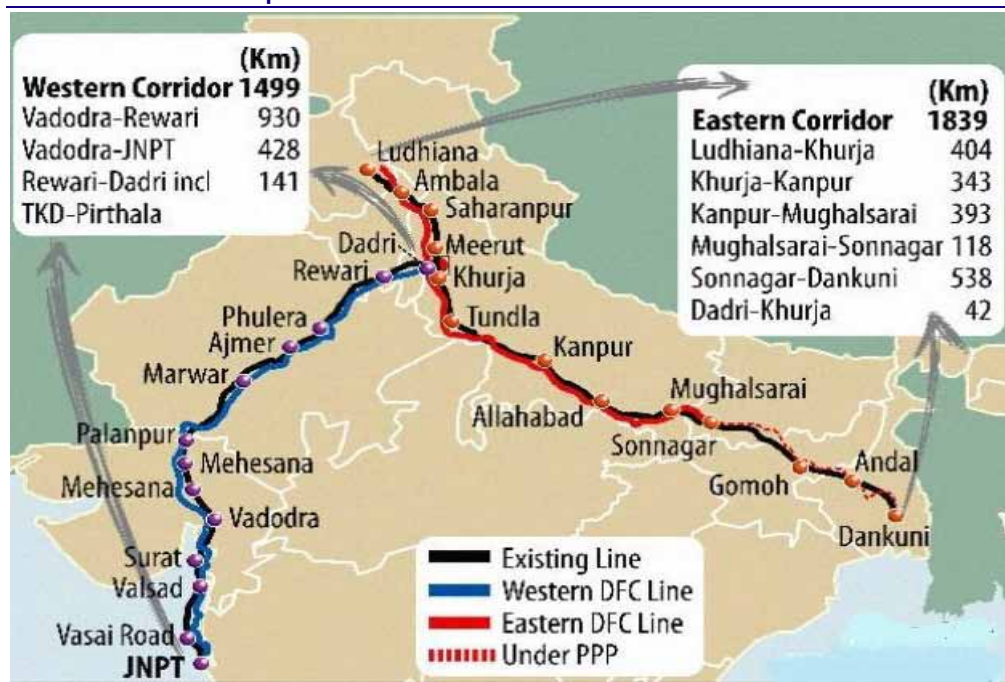
Source: Indian Railways, MOSL

Current timelines imply full commissioning by 2019

- n DFCs are being constructed through the Dedicated Freight Corridor Corporation of India (DFCCIL, incorporated in October 2006), which is a special purpose vehicle (SPV) under the administrative control of Ministry of Railways. DFCCIL's scope of operation includes planning and development, funds mobilization, construction, maintenance and operation of DFCs.
- n **DFCs route:** DFCs envisage connecting Delhi with Mumbai in Western India and Kolkatta in Eastern India. These two routes currently contribute to ~55% of Indian Railway's freight revenue, and the route utilization on these two lines is 115-150% (refer Exhibit 1). The planned routes are:
 1. 1,839km Eastern DFC from Ludhiana in Punjab to Dankuni in West Bengal
 2. 1,499km Western DFC from Jawaharlal Nehru Port Trust in Mumbai to Dadri near Delhi
- n **Capex and funding:** The estimated capex (debt-equity – 2:1, excluding PPP) on DFCs (excluding Sonnagar-Dankuni section, which is to be implemented through public private partnership) is ~INR800b (Eastern DFC INR267b and Western DFC INR467b). Land cost is estimated at INR81b. Majority of the project costs are funded by Japan International Cooperation Agency (JICA) (~77% of Western DFC cost) and World Bank (~45% of Eastern DFC).
- n **Timelines:** Western Corridor is expected to be completed by 2018, while the Eastern Corridor is expected to be completed by 2019.
- n **Current status:** Two major hindrances for any large project — land acquisition and environmental clearance — are in place with 96% land acquisition.
- n **Revenue model:** It will be operated on a no-profit, no-loss basis. DFCs will earn revenue from the Indian Railways by charging a track access charge. This charge will have a fixed (payable irrespective of traffic volume) and variable component, which will depend on traffic volume in terms of gross tonne/km. Short distance traffic would continue to ply on existing tracks, while DFCs will be primarily used for long distance traffic.
- n **Allied infrastructure with DFCs:** Along the DFCs, Multimodal Logistics Parks/Freight terminals and theme parks too are being developed.
- n **Unique features:** The project is expected to be a game changer for India's logistics sector.
 - Ø It will significantly reduce the transit time — each freight train trip will be able to carry 3x the current load — reducing per unit transportation cost.

- Ø The average speed of freight trains will increase from current 25km/hr to >70km/hr.
 - Ø The axle load in DFC will increase from 25MT to 32.5MT, thereby enhancing the track loading capacity from 8.67MT/mtr to 12MT/mtr.
 - Ø Rail technology will be upgraded with the help of heavy hauled freight train capacity of 15,000 MT and length of 1,500 meters.
- n The train frequency between key ports and ICD destination is expected to increase significantly. JNPT to Vadodra train's frequency could increase from 9 to 49/day or Ahmedabad to Marwar train's frequency could increase from 15 to 72/day.

Exhibit 3: Indicative map of DFC's route



*-80% route is parallel to the existing rail track

Source: PTI, PMO, MOSL

Exhibit 4: Dec 2014 status of Eastern DFC



Source: DFCCIL, MOSL

Exhibit 5: Dec 2014 status of Western DFC



Source: DFCCIL, MOSL

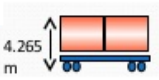
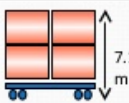
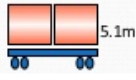



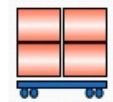


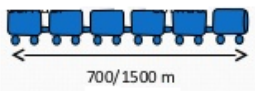

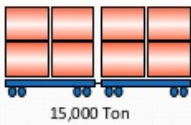




Exhibit 6: Status of key sub-sections in dedicated freight corridors

Western Corridor	Route	Length (km)	Year	Funding	Status	FY15 target
Phase III	Dadri - Rewari	140	2013-2018	JICA + IR		
Phase I	Rewari - Phulera - Ajmer - Marwar - Palanpur - Mehesana - Vadodara	920	2011-2017	JICA + IR	Civil works on 625km Rewari - Iqbalgarh started (INR67b contract awarded to L&T Soliitz JV)	Award of civil contract for Iqbalgarh - Vadodara (305km) Award of electrical and signalling contract for Rewari – Vadodara section (930 km)
Phase II	Vadodara - Surat - Valsad - Vasai Road - JNPT	430	2012-2018	JICA + IR	Civil and track package at bidding stage	
Total		1,490				
Eastern Corridor						
Phase III-APL3	Ludhiana - Ambala - Saharanpur - Meerut - Khurja	397	2014-2019	World Bank	Appointed AECOM Asia as consultant	
Phase I-APL1	Khurja -Tundla - Bhaupur - Kanpur	343	2011-2017	World Bank	Civil works on 343km Bhaupur - Khurja started (INR33b contract awarded to Tata - Aldesa, Spain JV)	Award of systems contract for khurja - Kanpur (343 km)
Phase II-APL2	Kanpur - Allahabad - Mughal Sarai	390	2013-2018	World Bank		Award of civil contract for Kanpur - Mughalsarai section (390 km)
Phase Ia (Funding by MoR)	Mughal Sarai - Sonnagar	125	2010-2016	Gol	Expect to run trial runs after clearing few bottlenecks	
Phase IV (Funding through PPP)	Sonnagar - Gomoh - Andal - Dankuni	550	2014-2019	PPP	Will be implemented PPP model	
Total		1,805				

* Track-laying is also part of civil works

Source: DFCCIL, Industry, MOSL

Exhibit 7: Key design features of DFC route and infrastructure

	Indian Railways	Western DFC Routes	Eastern DFC Routes
Maximum Speed	75 km /hour	100km/ hour	
Grade	Upto 1 in 100	1 in 200	
Height			
Width			
Container Stack			
Train Length			
Train Load			
Axle Load			
Track Loading Density			

Source: DFCCIL, MOSL

Exhibit 8: Western Dedicated Freight Corridor Land Acquisition Status

	(Kms)	Area (in Hectares)				As a % of total	Compensation (INR M)		Land Taken over (Ha.)	As a % of total
		Total	20A	20E	20F		Award	Disbursed		
Rewari	34	141	141	141	141	100%	1,530	1,390	129	91%
Mahendragarh	46	93	93	93	93	100%	820	820	92	99%
Alwar	2	6	6	6	6	100%	30	20	5	83%
Sikar	79	328	328	328	328	100%	370	340	307	94%
Nagaur	5	6	6	6	6	100%	0	0	6	100%
Jaipur	98	461	461	461	461	100%	310	300	446	97%
Ajmer	98	366	366	366	366	100%	920	760	300	82%
Pali	196	524	524	524	524	100%	330	330	516	98%
Sirohi	65	137	137	137	137	100%	390	350	124	91%
Banaskantha	64	150	150	150	150	100%	640	230	54	36%
Patan	11	22	22	22	19	86%	40	30		0%
Mahesana	64	189	189	165	165	87%	850	470		0%
Gandhinagar	30	181	181	181	117	65%	310	130	49	27%
Ahmedabad	35	280	280	268	268	96%	1,150	650	152	54%
Kheda	27	164	164	164	163	99%	100	60	103	63%
Anand	44	275	275	275	274	100%	980	690	194	71%
Vadodara	32	284	284	284	284	100%	3,070	3,020	280	99%
Total Phase 1	930	3,607	3,607	3,571	3,502	97%	11,840	9,590	2,757	76%
Vadodara	22	134	134	134	134	100%	35	34	133	99%
Bharuch	53	330	330	330	327	99%	120	101	274	83%
Surat	60	248	248	248	238	96%	455	3318	177	71%
Navsari	37	65	65	65	50	77%	33	28	42	65%
Valsad	72	91	91	91	69	76%	28	203	516	567%
Thane	138	368	368	368	364	99%	490	158	117	32%
Raigarh	45	74	74	74	74	100%	5	3	0	0%
Total Phase 2	427	1,310	1,310	1,310	1,256	96%	1,166	3,845	1,259	96%
Grand Total	1,357	4,917	4,917	4,881	4,758	97%	13,006	13,435	4,016	82%

Source: DFCCIL, MOSL

Exhibit 9: Eastern Dedicated Freight Corridor Land Acquisition Status

	Length (Km.)	Area (in Hectares)				As a % of total	Compensation (INR M)	
		Total	20A	20E	20F		Award	Disbursed
APL- 1 Khurja - Bhaupur Section (UP)	343	1,320	1,320	1,320	1,315	100%	5,700	5,200
APL- 2 Bhaupur - Mughalsarai (UP)	393	1,400	1,400	1,400	1,373	98%	4,250	3,430
Punjab	88	251	251	251	251	100%	8,620	7,660
Haryana	72	78	78	78	78	100%	390	310
Uttar Pradesh	288	436	353	338	338	78%	2,170	1,310
APL- 3 Ludhiana - Khurja Section	447	766	682	667	667	87%	11,180	9,270
Uttar Pradesh	26	51	51	46	42	82%	290	190
Bihar	93	268	268	263	259	97%	2,080	1,580
Mughalsarai – Sonnagar	118	319	319	309	301	94%	2,370	1,770
Bihar	139	202	202	171	121	60%	580	0
Jharkhand	196	373	184	138	138	37%	1,160	0
West Bengal	203	427	427	306	127	30%	690	0
Sonnagar- Dhankuni	538	1,002	813	614	386	39%	2,420	0
Total of EDFC	1,839	4,807	4,534	4,310	4,041	84%	25,930	19,670

20A – Declaration to acquire land for public purpose; Empowers to enter for survey, is a cut-off date for compensation determination,

20E – Declaration of acquisition; The land shall be vested absolutely in the Central Government free from all encumbrances.

20F – Determination of amount payable as compensation; Competent authority shall make an award under this section.

Source: DFCCIL, MOSL

Annexure 2: Delhi – Mumbai Industrial Corridor (DMIC)

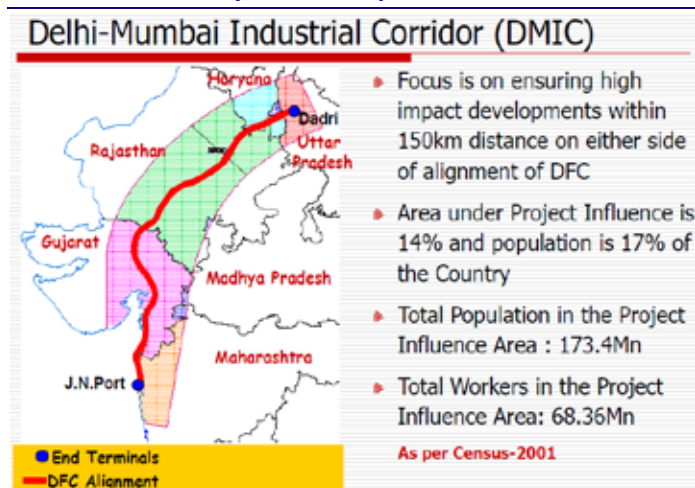
Government of India is developing Delhi – Mumbai Industrial Corridor (DMIC) along the planned DFC. It plans to develop 9 mega industrial regions, each of 20,000 hectares on 150-200kms, on either side of DFC railway line.

Key project goals (Source: DMIC website) include (a) Double employment potential in 7 years, (b) Triple industrial output in 9 years and (c) Quadruple exports from the region in 8-9 years.

Key stakeholders in the project include Gol (49%), Japan Bank for International Cooperation (26%), HUDCO (19.0%), IIFCL (4.1%) and LIC (1%).

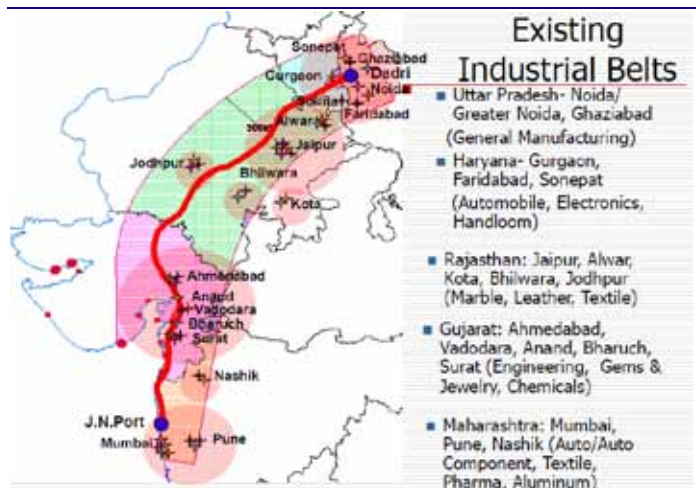
DMIC will be aligned with DFC at nine junction stations in addition to the end terminals at Tughlakabad and Dadri in Delhi and JNPT in Navi Mumbai.

Exhibit 10: DMIC Project Summary



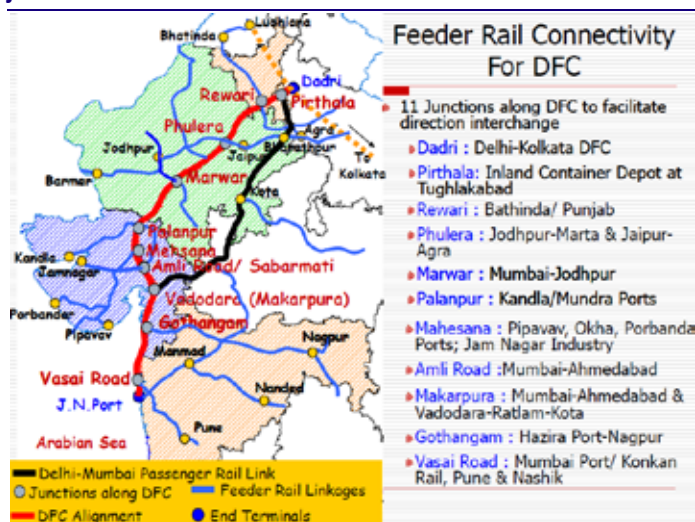
Source: DMICDC, MOSL

Exhibit 11: Large existing Industrial belts are within the DMIC areas



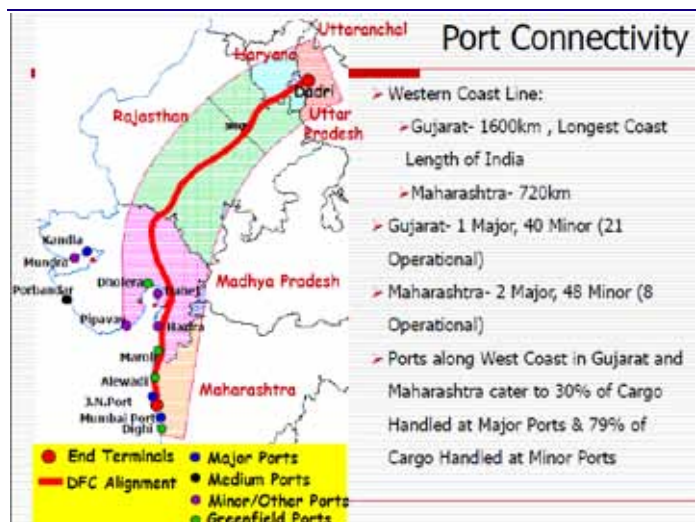
Source: DMICDC, MOSL

Exhibit 12: DFC will provide connectivity at nine intermediate junction stations



Source: DMICDC, MOSL

Exhibit 13: DMIC covers the major ports in West Coast of India



Source: DMICDC, MOSL

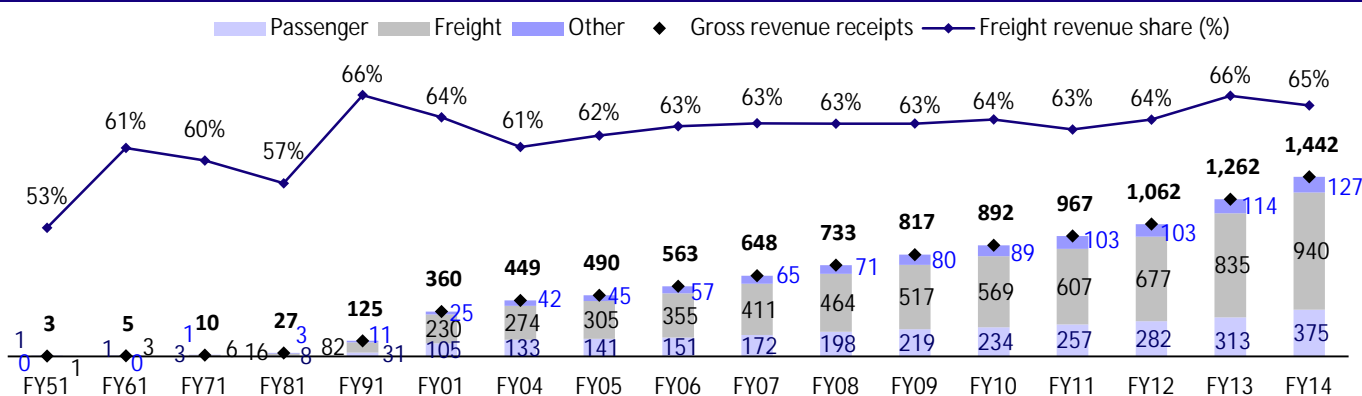
Annexure 3 : Indian Railways Financial and Operational Summary

Exhibit 14: Indian Railways continues to operate on very thin profitability (INR b)

(INR b)	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
Goods traffic	248	265	276	308	363	417	474	534	585	628	695	853	940
Passenger traffic	112	126	133	141	151	172	198	219	235	258	282	313	375
Other coaching	9	10	9	10	12	17	18	20	22	25	27	31	37
Sundry earnings	9	11	10	12	18	17	26	25	29	34	36	43	53
Traffic earnings	379	411	428	470	544	624	716	798	871	945	1,042	1,239	1,404
Less: working expenses	363	380	395	428	453	490	545	718	829	895	987	1,116	1,273
Net miscellaneous receipts	8	8	11	7	9	8	11	12	15	13	13	15	25
Net railway revenue	23	38	45	53	101	145	183	92	55	63	68	136	158
Payments to general revenues	23	27	34	32	39	42	49	47	55	49	57	53	78
Excess/shortfall	10	11	11	21	62	102	134	45	0	14	11	83	79

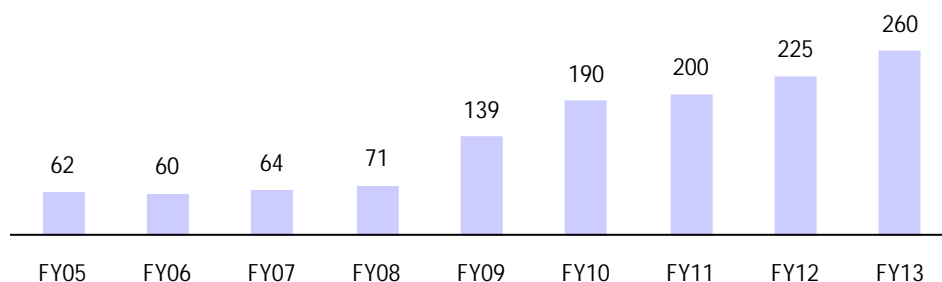
Source: Indian Railways, CMIE, MOSL

Exhibit 15: Freight revenues contribute to ~65% OF Railway's gross revenues (INR b)



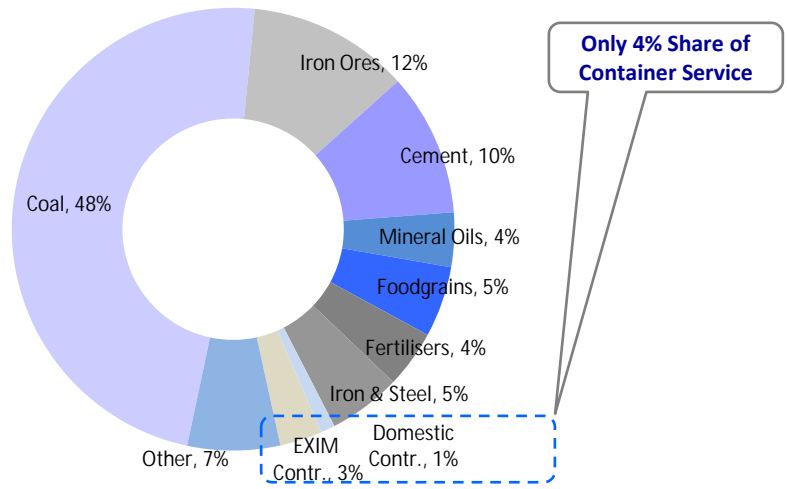
Source: Indian Railways, CMIE, MOSL

Exhibit 16: Passenger service losses are cross subsidized by revenues from tariff (INR b)



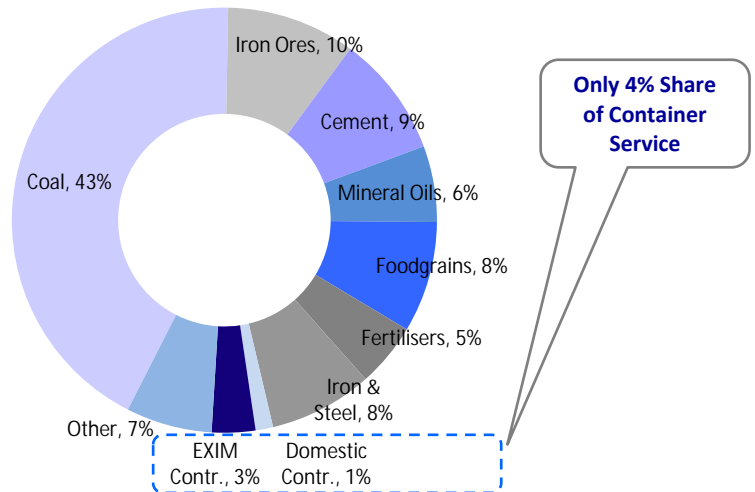
Source: Indian Railways, CMIE, MOSL

Exhibit 17: FY14 Railway Freight Volume (1,054 million tonnes) – Container traffic contributes to only 4% of the total volumes



Source: Indian Railways, CMIE, MOSL

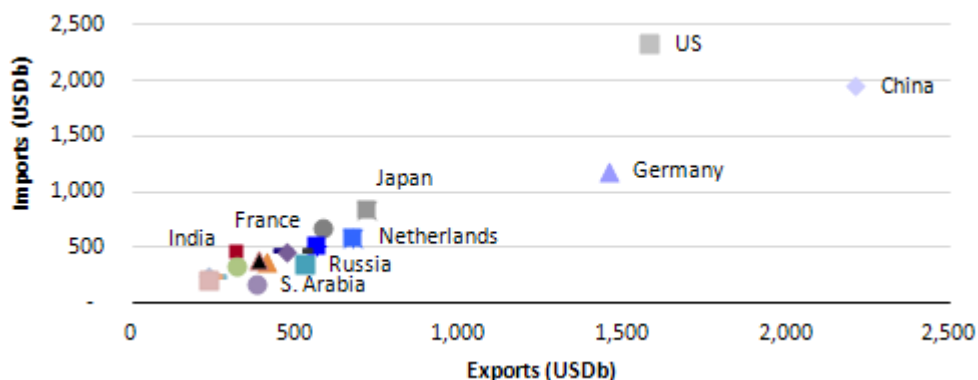
Exhibit 18: Container traffic contributes to only 4% of Railway's freight revenues (%)



Source: Indian Railways, CMIE, MOSL

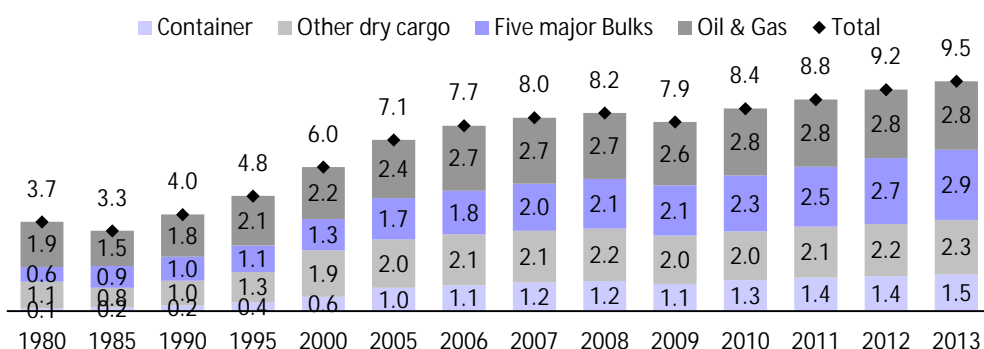
Annexure 4: Key global and domestic logistic trade statistics

Exhibit 19: India rank's 13th in the world with 2% share in merchandise trade



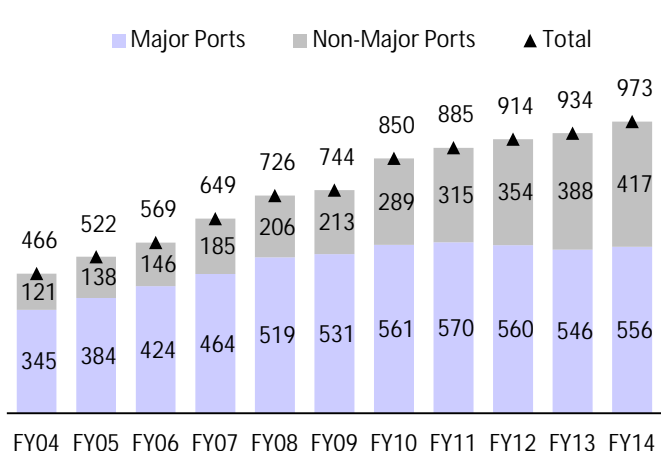
Source: UN, MOSL

Exhibit 20: International seaborne trade (volume loaded) grew at 7% CAGR in the last decade with Container growth highest at 15% CAGR (b tonnes)

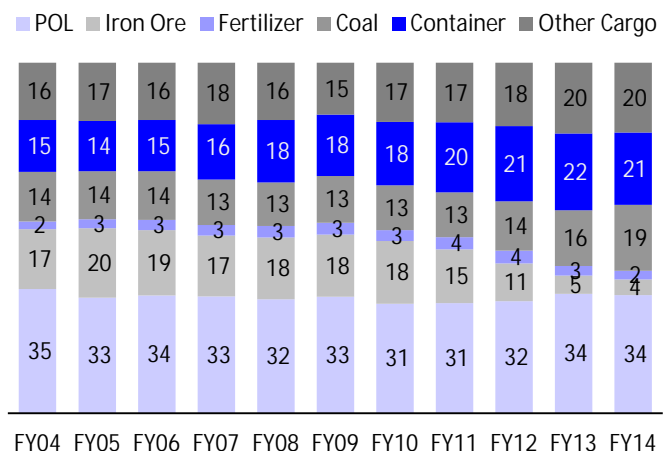


Source: UNCTAD, MOSL

Exhibit 21: Indian port volumes grew at ~ 8% in the last decade (m tonnes) **Exhibit 22: Commodity-wise % share in port volumes - Share of Container has grown from 15% in FY04 to ~22% now**

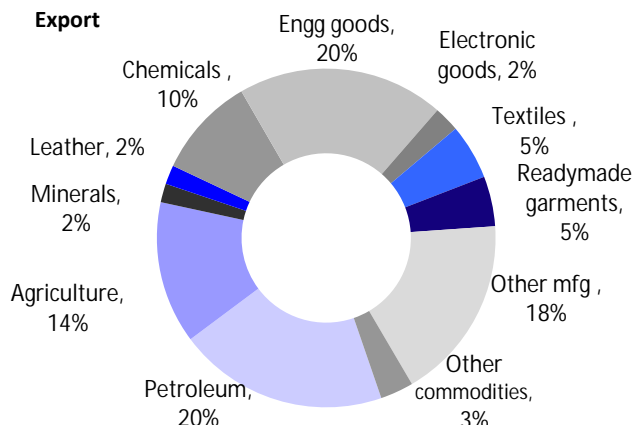


Source: IPA, MOSL



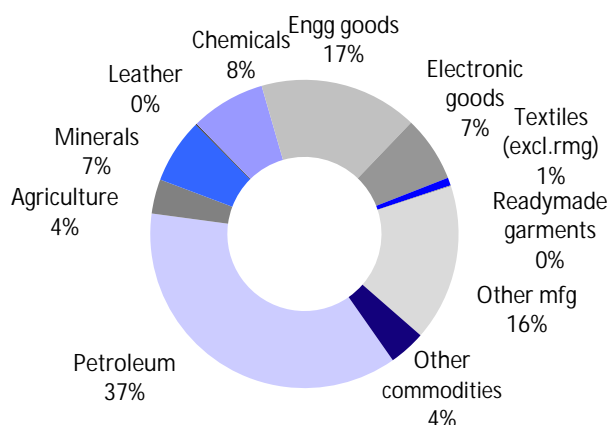
Source: IPA, MOSL

Exhibit 23: India export composition



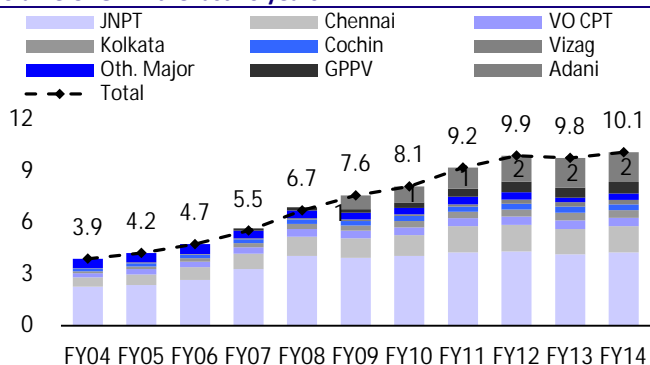
Source: CMIE, MOSL

Exhibit 24: India import composition (%)



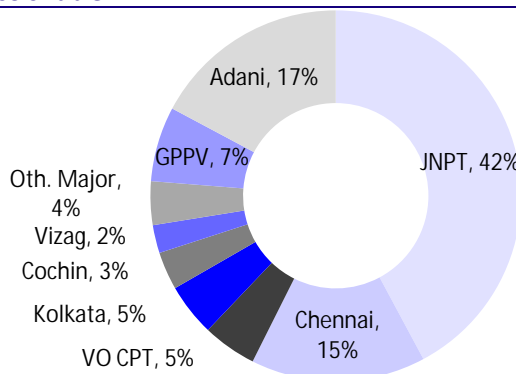
Source: CMIE, MOSL

Exhibit 25: Domestic container volume growth – Witnessed 10% volume CAGR in the last 10 years



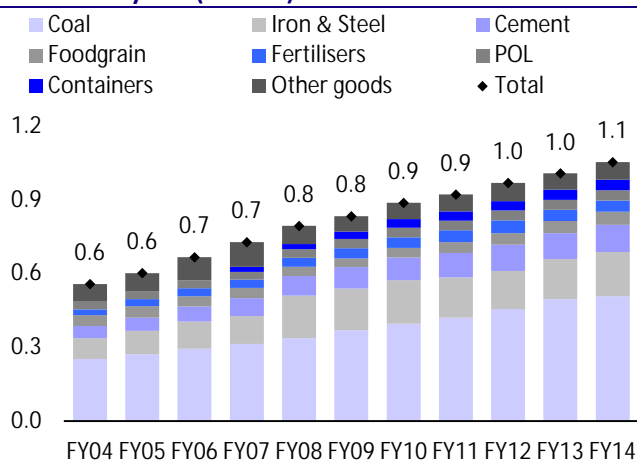
Source: IPA, MOSL

Exhibit 26: Container volume share (%) - While JNPT has the highest container volume share, private Gujarat ports are also sizable



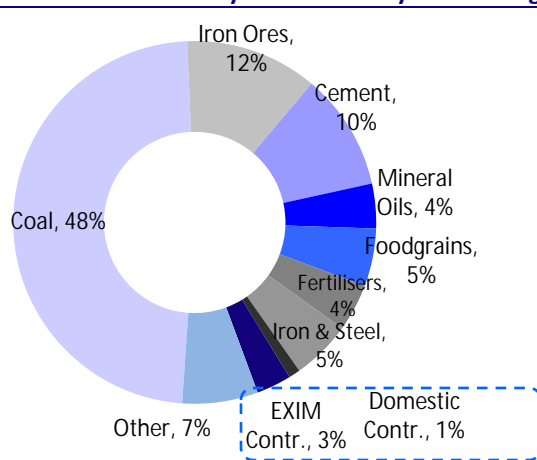
Source: IPA, MOSL

Exhibit 27: Indian Railway's total freight grew at 6.6% CAGR in the last 10 years (b tones)



Source: Indian Railways, MOSL

Exhibit 28: FY14 Railway Freight Breakdown (%) - Container volumes contribute to only ~4% of railway's total freight



Source: Indian Railways, MOSL

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