ANNUAL REPORT 2012-13

GATEWAY DISTRIPARKS LTD.

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ABOUT THE GROUP

Gateway Distriparks Limited is the only logistics facilitator in the whole of India with three verticals which are synergetic and capable of being interlinked – Container Freight Stations (CFS), Inland Container Depots (ICD) with rail movement of containers to major maritime ports, and Cold Chain Storage and Logistics. GDL operates two Container Freight Stations at Navi Mumbai, one at Chennai, one at Visakhapatanam and one at Kochi. These CFSs have a total capacity of over 600,000 TEUs and offer transportation & storage, general and bonded warehousing, empty handling and several value added services.

GDL's rail operations are handled by a subsidiary, Gateway Rail Freight Limited (GatewayRail) in which The Blackstone Group of USA has made a private equity investment through Blackstone GPV Capital Partners (Mauritius) V-H Ltd. GatewayRail provides inter-modal logistics and operates its own Inland Container Depots/Dry Ports. GatewayRail operates rail linked facilities at Garhi-Harsaru (Gurgaon, Haryana), Ludhiana (Punjab), Asaoti (Faridabad, Haryana) and Kalamboli (Navi Mumbai). GatewayRail owns and operates a fleet of 21 trains and 270+ road trailers at its rail linked terminals. GatewayRail operates regular container train service from these ICDs/Dry Ports to the maritime ports at Nhava Sheva, Mundra and Pipavav, transporting import and export as well as domestic containers. All major shipping lines operate from these GatewayRail terminals for both export and import.

The third vertical consists of cold chain logistics solutions through the subsidiary, Snowman Logistics Limited in which Mitsubishi, Nicherei and IFC (World Bank) are investors. Snowman is a leading Logistics Services Provider and India's first cold supply chain company with a nationwide network connecting more than 100 cities and more than 1,000 outlets. Snowman has a Pan-India presence that offers comprehensive warehousing, transportation and distribution services. Its extensive infrastructure includes 21 ISO-22000 certified warehouses and more than 200 owned and leased reefer vehicles and transport assets. With its premium customer service and intricate distribution network, it is the trusted market leader in food supply chain management today.

Going forward, Gateway Distriparks plans to utilise its land banks to further extend capacities, expand its presence in new locations with the backing of a strong management team, and look at new avenues and verticals to become an all-encompassing service provider in the logistics industry in India.

CHAIRMAN'S STATEMENT

FY 2013 was a year of consolidation for the GDL Group. Our cold chain logistics and container rail businesses delivered strong results. We have maintained the throughput in our CFS business. During the year:

- Consolidated Income grew by 16% to Rs. 9.70 billion, up from Rs. 8.36 billion in FY 2012.
- Container Throughput grew by 12% to 576,228 TEUs, up from 514,561 TEUs in FY 2012.
- Consolidated Group Profit after tax was Rs. 1.27 billion, compared to Rs. 1.32 billion in FY 2012.

(a) CFS

The CFS throughput increased by 2.6% to 342,662 TEUs during FY 2013 (FY 2012 - 334,088 TEUs). Our CFSs at JNPT and Chennai maintained their performance and the CFS at Visakhapatnam increased its throughput. Our new CFS at Vallarpadam, Kochi became operational towards end FY 2013. Profit after tax was Rs. 0.89 billion (FY 2012 – Rs. 1.07 billion).

(b) Rail

Gateway Rail Freight Limited's two dry ports, one at Gurgaon and the other at Faridabad together with its terminal at Kalomboli in Mumbai are fully operational. A third dry port at Faridabad is expected to commence operations soon subject to getting the necessary approvals which have been pending for some time. The company operates 21 container trains and 239 trailers which covers Exim trade across the country. During the year, the company increased it throughput by 29% to 233,566 TEUs, up from 180,473 TEUs in FY 2012. Profit after tax for FY 2013 increased by 23% to Rs. 279.89 million from Rs. 227.45 million in FY 2012.

(c) Cold Chain

Snowman Logistics Limited has emerged as the leading cold chain management company in the country operating out of 17 locations across the country. It is in the process of expanding both its storage capacity as well as its refrigerated transport fleet across the country. The company's income increased by 78% to Rs. 1,141 million up from Rs. 642 million in FY 2012. The Profit after tax increased by 199% to Rs.190 million from Rs. 63.60 million in FY 2012.

Future

During the year, India's export fell by 1.8% to USD 300 billion. The Government has set an exports target of USD 325 billion for FY 2014. EXIM Container traffic in Indian ports has grown by around 10% per annum in the past decade to 7.7 million TEUs in FY 2013. The country's premier container port JNP recorded throughput of 4.26 million TEUs during the year (FY 2012- 4.32 million TEUs) while the container traffic at Chennai the second largest port was 1.54 million TEUs during the year (FY 2012- 1.56 million TEUs). The prospects for India's exim trade is uncertain in the medium term, because of global economic slowdown. Indian Shipping Ministry however has an ambitious maritime plan to triple the country's port capacity by 2020.

The rail business can grow rapidly because of the potential for savings in cost and time by moving cargo

in containers on Railways network provided rail haulage charges remain reasonable. There has been a strong trend towards containerization of cargo movement on Indian Railways network in the past few years. Government has taken initiatives to upgrade the railways network and to set up dedicated freight corridors, which will also boost rail traffic in the long run. We will continue to strengthen our container train fleet, expand operations at our Inland Container Depots (ICD) near Gurgaon, Ludhiana and Faridabad, to become a dominant player in the container rail business.

Demand for cold chain logistics services (Cold stores and refrigerated transport) has shown strong growth due to increase in consumption of perishable products and due to the supply chain requirements of organized retail chains. Our cold chain logistics business provides services to large FMCG companies and organized retail chains. During FY 13, we have increased our capacity from 18,000 pallets to 44,000 pallets. We are expanding the capacity to 70,000 pallets by end of FY 2014. The company has also expanded its platform to include new items such as pharmaceuticals and industrial products which together make up about 25% of the business. We are also increasing the size and reach of our refrigerated transport services to cater for the increased demand. The funding for the expansion will come from private equity as well as some borrowing.

The main challenges for Indian logistics sector are inadequate infrastructure, small scale of operations, compared to many other countries and uncertain global economic environment. Despite these challenges, we are optimistic that the Indian economy will show strong economic growth, due to its inherent strengths. Our initiatives taken for expansion and addition of new lines to our businesses will yield positive results in future.

Our strengths are a network of CFSs, ICDs, cold stores, container trains and trailer fleet, strategic alliances & joint ventures, combined with a strong sense of customer orientation and reliable services. GDL's pan-India integrated logistics infrastructure should ensure growth in the future.

Dividend

The Company has paid interim dividends totaling Rs. 7 per equity share of face value Rs.10 per share for FY 2013 (FY 2012 – Rs. 6 per share). We have not recommended final dividend for FY 2013.

Acknowledgement

GDL continues to take initiatives to be a model corporate citizen setting standards of innovation, efficiency and reliability in all its businesses.

I thank my fellow Directors, our partners in various businesses, customers who patronize our facilities, employees and shareholders for their valued contributions.

Gopinath Pillai

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