Annual Report 2008-09

GATEWAY DISTRIPARKS LTD.

Container, Rail and Cold Chain Logistics Company.

Chairman's Statement

Performance in FY 2009

FY 2009 has been a year of consolidation and rapid growth for our various businesses. Our consolidated revenues grew by 62% from Rs.2.86 billion in the preceding year to Rs.4.63 billion in FY 2009.

During the year, major initiatives taken to diversify into new high growth areas and to expand existing CFS business, resulted in:

- 252% increase in Income of Gateway Rail Freight Limited from container rail operations with the deployment of container rakes on the Indian Railways network.
- 25 % increase in Profit after tax from the CFS operations of GDL from its two large CFS facilities at JNPT, India's premier container port.
- 28% increase in Profit after tax from the CFS operations of 100% subsidiary company at Chennai.

a) CFS business:

Despite the unfavorable global economic environment, from the later half of FY 2009, our CFS business maintained its throughput at 324,407 TEUs during FY 2009 (FY 2008 - 330,834 TEUs). All our CFSs at JNPT, Chennai and Visakhapatnam recorded strong growth in performance. We are now in the process of expanding capacity at our operational CFSs and setting up a new CFS at Kochi.

b) Container Rail business:

GDL's subsidiary, Gateway Rail Freight Limited (GRFL) operates Rail linked terminals with Customs facilities (Dry ports) at Gurgaon and Ludhiana. It also provides rail and transport services from Navi Mumbai. GRFL is developing a terminal at Faridabad to cater to the needs of trade at NCR. GRFL owns and operates 15 container trains and 235 road trailers covering various domestic / EXIM routes across the country. GRFL also operates dedicated refrigerated container train services between NCR and Navi Mumbai.

c) Cold Chain Logistics business:

Snowman Frozen Foods Ltd., which is a joint venture company with Mitsubishi Corporation, Mitsubishi Logistics Corporation and Nichirei Logistics Group Inc., Japan, is the only organized Pan India Cold Chain Logistics player in this growing business. We are in the process of consolidating the cold stores network and the refrigerated transport fleet across the country. The operations of the company have been revitalized and achieved profitability in FY 2009. The company is in the process of expanding capacity at its key locations.

Future

EXIM Container traffic in Indian ports has shown impressive growth of 14 % per annum over the past decade. Despite the unfavorable global economic environment, the medium term prospects for EXIM trade from India are bright. Various initiatives from the Government for Public-Private

Partnership (PPP) in setting up logistics infrastructure will provide us with opportunities to consolidate and grow our CFS business.

Container traffic on Indian Railways network continues to show high growth due to increase in containerization of bulk movement of cargo offering potential for savings in cost and time. Government has taken initiatives to set up dedicated freight corridors, which will boost rail traffic. We will augment our container train fleet, expand operations at our Inland Container Depots (ICD) near Gurgaon, and commence operations at new ICDs near Ludhiana and Faridabad, to become a dominant player in the container rail business.

Demand for cold chain logistics services encompassing cold stores and refrigerated transport has increased due to increase in consumption of perishable products and due to the supply chain requirements of retail chains. Our cold chain logistics business provides services to large FMCG companies and organized retail chains. We are setting up new cold stores and also increasing capacity at key locations and increasing the reach of our refrigerated transport services.

The global economic environment has been unfavorable since the later half of FY 2009. Recession in many of India's major trade partners, fall in commodity prices and unfavorable environment for raising finance has impacted India's growth and EXIM trade unfavorably. India faces additional challenges due to inadequate infrastructure and smaller scale of operations. Despite these challenges, the Indian economy is expected to grow by 7% reflecting the inherent strengths of Indian economy.

We look to the future with some optimism as we expect favorable results from the various initiatives we have taken to expand and add new lines to our businesses.

Our network of CFSs, ICDs, cold stores, container trains, fleet of trailers and strategic alliances & joint ventures, have provided GDL a pan-India integrated logistics infrastructure which we will leverage for strong growth in future.

Buy Back of Shares & Dividends

The Company completed Buyback of equity shares from open market, by acquiring 7.88 million shares for an aggregate amount of Rs 640 million.

The Company has paid interim dividends totaling Rs.3 per equity share and the Board has recommended final dividend of Rs.0.50 per equity share, taking the total dividend for FY 2009 to Rs 3.50 per equity share of face value Rs.10 per share.

Acknowledgement

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

I acknowledge with sincere thanks the continuing contributions made by the various stakeholders, my fellow Directors, our partners in various businesses, our customers who patronize our facilities, our dedicated employees and our esteemed shareholders.

Gopinath Pillai

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BOARD OF DIRECTORS

1.	Mr. Gopinath Pillai	Chairman
2.	Mr. Prem Kishan Gupta	Deputy Chairman & Managing Director
3.	Mr. Shabbir Hassanbhai	
4.	Mr. Karan Singh Thakral	
5.	Mr. Sat Pal Khattar	
6.	Mr. Kirpa Ram Vij	
7.	Mr. K.J.M. Shetty	
8.	Mr. M.P. Pinto	
9.	Mr. Saroosh Dinshaw	
10.	Mr. Arun Agarwal	

COMMITTEES OF THE BOARD OF DIRECTORS

A) AUDIT AND INVESTORS RELATIONS COMMITTEE

1.	Mr. K.J.M. Shetty	Chairman of the Committee
2.	Mr. M.P. Pinto	
3.	Mr. Saroosh Dinshaw	
4.	Mr. Gopinath Pillai	

B) REMUNERATION AND ESOP COMMITTEE

1.	Mr. M.P. Pinto	Chairman of the Committee
2.	Mr. Sat Pal Khattar	
3.	Mr. Karan Singh Thakral	
4.	Mr. Kirpa Ram Vij	
5.	Mr. Saroosh Dinshaw	

REGISTERED OFFICE

Sector 6, Dronagiri, Taluka Uran, District Raigad, Navi Mumbai - 400 707

CONTAINER FREIGHT STATION (CFS)

a) Sector 6, Dronagiri, Taluka Uran, District Raigad, Navi Mumbai - 400 707

b) Punjab State Container & Warehousing Corpn. Ltd.
Plot No. 2, Sector-2, Dronagiri Node, Uran, Navi Mumbai - 400 707

SUBSIDIARIES

Gateway East India Private Limited, Visakhapatnam-530 003

Gateway Distriparks (South) Private Limited, New Manali, Chennai - 600 103

Gateway Rail Freight Limited, New Delhi -110 048.

Gateway Distriparks (Kerala) Ltd., Kochi - 682 003.

Snowman Frozen Foods Ltd., Bangalore - 560 043.

BANKERS

1. HDFC Bank Limited
2. ICICI Bank Limited
3. DBS Bank Limited

INTERNAL AUDITORS

Sahni Natarajan & Bahl, Chartered Accountants, Mumbai

AUDITORS

Price Waterhouse, Chartered Accountants, Mumbai

REGISTRAR AND TRANSFER AGENTS

Link Intime India Private Limited

GATEWAY DISTRIPARKS LTD

DIRECTORS' REPORT

Your Directors have pleasure in presenting their report for the year ended 31st March 2009.

A. Financial Results

Sl. No	Particulars	2008-09 (Rs. Million)	2007-08 (Rs. Million)
1	Income from Operations and Other Income	**2,092.86**	1,758.47
2	Profit before Interest, Depreciation and taxes	**1,229.80**	1,001.74
3	Interest	**7.03**	0.62
4	Depreciation	**149.53**	133.47
5	Profit before Exceptional items & taxation	**1,073.24**	867.65
6	Provision for taxes	**135.67**	115.52
7	Profit after tax	**937.57**	752.13
8	Profit brought forward from previous year	**1,163.17**	959.65
9	Dividend	**381.73**	404.56
10	Tax on Dividend	**64.87**	68.75
11	Transfer to General Reserve	**93.80**	75.30
12	Profit carried to Balance Sheet	**1,560.34**	1,163.17

B. Dividend

The Company has paid two Interim dividends of Rs. 1.50 per equity share each, totaling Rs. 3 per share amounting to Rs. 327.87 million for the financial year 2008-09. Your Directors recommend Final Dividend of Rs.0.50 per equity share, amounting to Rs.53.86 million for the financial year 2008-09. The Dividend Distribution Tax borne by the Company on the Interim and Final Dividends amounts to Rs. 64.87 million.

C. Management Discussion & Analysis:

a) Industry structure and developments

In the past decade, containerised movement of export import cargo grew by 14% per annum, compared to the overall growth in Export Import trade of 8% per annum. Containerised cargo represents 30% of India's Export Import Trade, compared to the global average of over 70%.

JNPT accounted for more than 50% of the total containerized traffic handled out of India, by handling around 4 million Teus. The country's second biggest container port at Chennai handled over 1 million TEUs.

b) Opportunities and threats

Growth of containerisation in both Export - Import and domestic trade, private sector participation in ports and movement of containers by rail, liberalization of Government policies and increase in the country's foreign trade present the company with opportunities for expansion and increase in profitability. During the past few years, the Company has taken several initiatives for growth and expansion. The company taken over Punjab State Container and Warehousing Corporation Limited's CFS at JNPT under an Operations and Management agreement for a period of 15 years from February 2007. The CFS has been revitalised and renovated, adding to the Company's capacity at JNPT, which is India's premier container port. The Company continues to prune costs and augment its equipment for handling and transporting containers, which are operated by contractors. The Company is in the process of setting up a CFS at the fast growing port of Kochi in a joint venture with Chakiat Agencies Private Ltd. The Company's rail subsidiary, Gateway Rail Freight Limited (GRFL) has expanded its business relating to operating container trains on the Indian railways network. GRFL has put in place a fleet of railway rakes / trailers and ICDs to provide end-to-end solution to customers across the country. The Company's cold chain logistics subsidiary Snowman Frozen Foods Ltd. continues to be a premier player in this emerging business.

Competition from existing and new entrants and managing the geographical / capacity expansion present the company with new challenges.

c) Segment-wise / Product-wise performanc

The Company's entire business is from CFS & ICD operations. There are no other primary / secondary segments in the Company's business.

d) Outlook

There has been a significant downturn in global trade during later half of 2008-09. We expect a recovery in Exim trade in later half of 2009-10. The expanded capacity of CFS at JNPT, increase in the business of rail movement of containers and growth in the emerging cold chain logistics business are expected to have positive impact on the Company's business and profitability.

e) Risks and concerns

Increase in fuel costs could result in increase in Company's major costs of transport and handling. Increase in container traffic vis-à-vis creation of capacity at the ports could lead to congestion at ports which would result in decline / delay in the throughput handled by the Company. The revenues of the Company are concentrated on the container volumes handled by major shipping lines and consolidators, who use its CFSs at various locations.

f) Internal Control systems and adequacy

The Company makes use of IT enabled solutions in its operations, accounting and for communication within its facilities and with customers and vendors. Financial and Operating guidelines are put in place to regulate the internal management. The Company's accounts and operations are subject to internal audit and review by the Audit Committee of the Board of Directors.

g) Financial / Operational performance

Operations:

The Company's income from operations & other income grew by 19% from Rs. 1,758.47 million in 2007-2008 to Rs.2,092.86 million in 2008-2009. The company maintained its throughput at 247,618 Teus in 2008-09 (2007-08: 251,728 TEUs). The Profit before tax increased from Rs.867.65 million in 2007-08 to Rs.1,073.24 million in 2008-09 after providing for interest Rs.7.03 million (2007-08: Rs.0.62 million) and depreciation Rs.149.53 million (2007-08: Rs.133.47 million).

Finance:

During the year, HDFC Bank Limited sanctioned credit facilities comprising of term loan Rs.250 million, overdraft facility Rs.100 million and non-funded facilities Rs.400 million to the Company. The Company has availed Rs.100 million from the term loan facility sanctioned by HDFC Bank Limited. The Company has given guarantees in respect of loans Rs.1,939.11 million availed by subsidiary company Gateway Rail Freight Ltd.

During the year, the Company has bought back 7.88 million shares for an aggregate amount of Rs.640 million.

The income from interest on fixed deposits with banks and investments reduced from Rs.89.41

million in 2007-08 to Rs.36.86 million in 2008-09, as the available funds were deployed for buyback of shares and capital expenditure during 2008-09.

h) Human Resources

The Company continued to have cordial and harmonious relations with its employees. Human relations policies were reviewed and upgraded in line with the Company's plans for geographical expansion. Initiatives on training and development of human resources were undertaken. The Company had staff strength of 150 as on 31st March 2009, compared to 136 employees as on 31st March 2008.

i) Cautionary statement

Statements made in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might vary materially from those either expressed or implied.

D. Subsidiaries:

- **GATEWAY EAST INDIA PRIVATE LIMITED (GEIPL)**

  During the year, the Company increased its shareholding in GEIPL to 100% from 74% in 2007-08. GEIPL is engaged in the business of running a CFS at Visakhapatnam. GEIPL's Income grew by 60% to Rs 74.98 million in 2008-09 from Rs. 46.73 million in 2007-08. Profit after tax for the financial year 2008-09 was Rs.9.13 million as against loss of Rs.4.00 million for 2007-08.

- **GATEWAY DISTRIPARKS (SOUTH) PRIVATE LIMITED (GDSPL)**

  The Company has 100% equity shareholding in GDSPL, which is engaged in the business of running a CFS at Chennai. GDSPL's Income grew by 20% to Rs 294.05 million in 2008-09 from Rs. 245.67 million in 2007-08. Profit after tax for the financial year 2008-09 was Rs.112.26 million as against Rs.87.76 million for 2007-08.

- **GATEWAY RAIL FREIGHT LIMITED (GRFL)**

  During the year, the Company increased its shareholding in GRFL to 89.18% from 82.97% in 2007-08. GRFL is engaged in the business of operating container trains and rail linked ICD at Garhi Harsaru. Income grew by 252% to Rs 1,837.84 million in 2008-09 from Rs. 521.97 million in 2007-08. Loss for the financial year 2008-09 was Rs.262.94 million as against Rs. 82.72 million in 2007-08. The loss is after providing for depreciation / amortisation Rs.212.34 million (2007-08: Rs. 82.73 million) on rakes, trailers and railway registration fees and interest on loans Rs.192.48 million (2007-08: 15.84 million). GRFL plans to construct Rail linked Inland Container Depot (ICD) on the plots of land acquired at Sahnewal in Punjab and at Faridabad in Haryana and deploy its rolling stock of rakes to carry containers for both domestic and export import trade on Indian Railways network.

- **GATEWAY DISTRIPARKS (KERALA) LIMITED (GDKL)**

  The Company has 60% equity shareholding in GDKL, which is in the process of setting up a CFS at Kochi. Chakiat Agencies Pvt. Ltd. hold 40% shareholding in this Joint venture company. GDKL has entered into a Joint venture with a CFS at Cochin to handle export import of containers at the fast growing port of Kochi. Loss for the financial year 2008-09 was Rs.0.85 million as against loss of Rs. 1.03 million for 2007-08.

- **SNOWMAN FROZEN FOODS LIMITED (SFFL)**

  The Company together with a third party has acquired 50.1% shareholding in SFFL, which operates cold stores and fleet of refrigerated trucks at the various major cities across the country. SFFL has pan India presence and provides total cold chain logistics solutions to its customers for products like seafood, dairy products, ice cream, fruits & vegetables, retail and food services. SFFL's Income grew by 15% to Rs 347.87 million in 2008-09 from Rs. 301.38 million in 2007-08. Profit after tax for the financial year 2008-09 was Rs.15.09 million as against Rs.0.19 million for 2007-08. The Company is in the process of refurbishing its operations and has plans to expand its cold stores to new locations. Mitsubishi Corporation, Mitsubishi Logistics Corporation and Nichirei Logistics Group of Japan are the other major shareholders in this joint venture company.

The Company is in the process of confirming and reconciling receivables from Consignment parties (provision for loss – Rs.6.39 million), sundry debtors – Rs.104.15 million (provision for doubtful debts – Rs.36.16 million) and for pilot project for fruits & vegetable supply chain - Rs.5.25 million. The provisions made are considered to be adequate to cover any short recoveries of these receivables.

E. Employees Stock Option scheme (ESOP)

Sr. No.	Particulars	ESOP-I (2005-2006)	ESOP-II (2006-2007)	ESOP-III (2007-2008)
a.	Options granted (excluding cancelled options)	Options for 132,798 Equity shares	Options for 261,312 Equity shares	Options for 280,625 Equity shares
b.	Pricing Formula	20% discount on the closing market price prior to the date of the meeting of the Remuneration and ESOP Committee Rs.130.92 per equity share (after adjustment for issue of bonus shares)	20% discount on the closing market price prior to the date of the meeting of the Remuneration and ESOP Committee Rs. 109.25 per equity share (after adjustment for issue of bonus shares)	20% discount on the closing market price prior to the date of the meeting of the Remuneration and ESOP Committee Rs. 92.92 per equity share
c.	Options vested	132,798	195,581	112,250
d.	Options exercised	33,800	118,875	-
e.	Total number of shares arising from exercise of options	33,800	118,875	-
f.	Options lapsed	-	-	-
g.	Variation of terms of options	-	-	-
h.	Amount realized by exercise of options	Rs.5.04 million	Rs.11.34 million	-
i.	Total number of options in force as on 31-3-2009	Options for 98,998 Equity shares	Options for 142,437 Equity shares	Options for 280,625 Equity shares
j.	Employee-wise details of options granted (excluding cancelled options)			
	i. Senior managerial personnel			
	a) Mr. R. Kumar, Deputy Chief Executive Officer and Chief Finance Officer cum Company Secretary	Options for 40,000 Equity shares	Options for 40,000 Equity shares	Options for 50,000 Equity shares
	b) Mr. Jacob Thomas, Vice-President (Operations)	Options for 16,000 Equity shares	Options for 16,000 Equity shares	Options for 20,000 Equity shares
	c) Mr. A.K. Bhattacharjee, Vice-President (Operations)	-	-	Options for 20,000 Equity shares
	ii. Any other employee who received a grant in any one year of option amounting to 5% or more of options granted during that year (excluding cancelled options)			
	a) Mr. Kartik Aiyer, General Manager (Finance & Accounts)	Options for 16,000 Equity shares	Options for 16,000 Equity shares	Options for 20,000 Equity shares
	b) Mr. Subhash Maini, Deputy General Manager (Operations)	-	-	Options for 20,000 Equity shares
	c) Mr. Himangsu Roy, Senior Manager (Operations)	-	-	Options for 20,000 Equity shares