



Container,
Rail and
Cold Chain
Logistics
Company.



Annual Report 2009-10



Chairman's Statement



Performance in FY 2010

FY 2010 has been a year of consolidation for our various businesses. Our consolidated revenues grew by 14% from Rs.4.63 billion in the preceding year to Rs.5.29 billion in FY 2010.

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

- 58% increase in Income of Gateway Rail Freight Limited from container rail operations with the deployment of container rakes on the Indian Railways network.
- 174 % increase in Profit after tax of Snowman Frozen Foods Limited from Cold Chain Logistics.
- Consolidated Group Profit after tax was Rs.791.4 million (Previous year: Rs. 795.8 million).

a) CFS business:

Despite the challenging global economic environment, our CFS business maintained its throughput at 303,963 TEUs during FY 2010 (FY 2009 - 324,407 TEUs). Our network of CFSs at JNPT, Chennai and Visakhapatnam showed resilience in their 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 18 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.

During the year, the Company and GRFL have entered into a share subscription and shareholders agreement with Blackstone GPV Capital Partners (Mauritius) V-H Limited ("Blackstone"), pursuant to which, GRFL will raise funds to the extent of Rs. 3 billion by issue of Compulsorily Convertible Preference shares to Blackstone, which, on conversion, will entitle Blackstone to acquire between 37.27% and 49.90% of the share capital of GRFL.

c) Cold Chain Logistics business:

Snowman Frozen Foods Ltd. (SFFL) is the only organized Pan India Cold Chain Logistics player in this growing business. We are in the process of expanding the cold stores network at key locations and the refrigerated transport fleet across the country. The operations of the company have been revitalized and achieved significant growth in profitability in FY 2010. During the year, the Company and SFFL have entered into a share subscription agreement with International



Finance Corporation (“IFC”) pursuant to which IFC has invested Rs. 248.90 million in SFFL by subscription to SFFL’s equity shares. GDL, SFFL, IFC, Mitsubishi Corporation (“MC”), Mitsubishi Logistics Corporation and Nichirei Logistics Group Inc. have also entered into a shareholders agreement and related agreements governing the management of the Company and the rights of the shareholders.

Future

EXIM Container traffic in Indian ports has shown impressive growth of 14 % per annum over the past decade. Despite the challenging 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 expand/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 continues to be challenging. Recession in many of India’s major trade partners and volatile currencies 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 show robust growth, 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.

Dividend

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 2010 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 | |
| 5. Mr. Shabbir Hassanbhai | |

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 - 110 062.

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

DIRECTORS' REPORT

Your Directors have pleasure in presenting their report for the year ended 31st March 2010.

A. Financial Results

Sl. No	Particulars	2009-10 (Rs. Million)	2008-09 (Rs. Million)
1	Income from Operations and Other Income	1,669.70	2,092.86
2	Profit before Interest, Depreciation and taxes	881.68	1,229.80
3	Interest	13.43	7.03
4	Depreciation	149.82	149.53
5	Profit before Exceptional items & taxation	718.43	1,073.24
6	Provision for taxes	(53.66)	135.67
7	Profit after tax	772.09	937.57
8	Profit brought forward from previous year	1,560.34	1,163.17
9	Dividend	377.41	381.73
10	Tax on Dividend	64.14	64.87
11	Transfer to General Reserve	77.21	93.80
12	Profit carried to Balance Sheet	1,813.67	1,560.34

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. 323.46 million for the financial year 2009-10. Your Directors recommend Final Dividend of Rs.0.50 per equity share, amounting to Rs. 53.95 million for the financial year 2009-10. The Dividend Distribution Tax borne by the Company on the Interim and Final Dividends amounts to Rs. 64.14 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 performance

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

d) Outlook

Rebound in economic activity is expected to result in an increase in traffic at major Indian ports during 2010-11. 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 income from operations & other income during 2009-10 was Rs. 1,669.70 million (2008-09: Rs. 2,092.86 million). The Profit after tax for 2009-10 was Rs.772.09 million (2008-09: Rs.937.57 million).

Finance:

During the year, HDFC Bank Limited enhanced the credit facilities of Rs. 750 million sanctioned to the Company, to Rs. 900 million, by increasing the non-funded facilities to Rs. 550 million to the Company. The Company has given guarantees in respect of outstanding loans of Rs.1,940.43 million of subsidiary company Gateway Rail Freight Ltd. as on 31st March, 2010.

The income from interest on fixed deposits with banks and investments was Rs.10.54 million in the current year as against Rs.36.86 million in 2008-09, as the available funds were deployed for capital expenditure during 2009-10.

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 153 as on 31st March 2010, compared to 150 employees as on 31st March 2009.

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)**

The Company has 100% equity shareholding in GEIPL, which is engaged in the business of running a CFS at Visakhapatnam. GEIPL's Income grew by 26% to Rs 94.76 million from Rs. 74.98 million in 2008-09. Profit after tax for the financial year 2009-10 was Rs.20.86 million as against profit of Rs.9.13 million for 2008-09.

❑ **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 for the year 2009-10 was Rs. 272.94 million as against Rs. 294.05 million in 2008-09. Profit after tax for the financial year 2009-10 was Rs 104.60 million as against Rs.112.26 million for 2008-09.

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

During the year, the Company increased its shareholding in GRFL to 94.29% from 89.18% in 2008-09. GRFL is engaged in the business of operating container trains and rail linked ICDs in Northern India. Income grew by 58% to Rs.2,906.40 million in 2009-10 from Rs. 1,837.84 million in 2008-09. Loss for the financial year 2009-10 was Rs. 134.73 million as against Rs. 262.94 million in 2008-09. The loss is after providing for depreciation / amortisation Rs. 254.67 million (2008-09: Rs. 212.34 million) on rakes, trailers and railway registration fees and interest on loans Rs.181.10 million (2008-09: 192.48 million).

During the year, the Company and GRFL have entered into a share subscription and shareholders agreement with Blackstone GPV Capital Partners (Mauritius) V-H Limited ("Blackstone"), pursuant to which, GRFL will raise funds to the extent of Rs. 3 billion by issue of Compulsorily Convertible Preference shares to Blackstone, which, on conversion, will entitle Blackstone to acquire between 37.27% and 49.90% of the share capital of GRFL.

❑ **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 2009-10 was Rs. 1.09 million as against Rs.0.85 million for 2008-09.

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

During the year, the Company and SFFL have entered into a share subscription agreement with International Finance Corporation ("IFC") pursuant to which IFC has invested Rs. 248.90 million in SFFL by subscription to SFFL's equity shares. GDL, SFFL, IFC, Mitsubishi Corporation ("MC"), Mitsubishi Logistics Corporation and Nichirei Logistics Group Inc. have also entered into a shareholders agreement and related agreements governing the management of the Company and the rights of the shareholders. GDL has further acquired 16.29% shareholding in SFFL from MC.

As on 31st March, 2010, GDL holds 52.19% 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 6% to Rs 369.02 million in 2009-10 from Rs. 347.87 million in 2008-09. Profit after tax for 2009-10 was Rs. 41.36 million as against Rs.15.09 million for 2008-09. The Company is in the process of refurbishing its operations and has plans to expand its cold stores to new locations.

E. Employees Stock Option scheme (ESOP)

Sr. No.	Particulars	ESOP-I (2005-2006)	ESOP-II (2006-2007)	ESOP-III (2007-2008)	ESOP-IV (2009-2010)
a.	Options granted	Options for 264,798 Equity shares	Options for 377,562 Equity shares	Options for 306,875 Equity shares	Options for 345,000 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	20% discount on the closing market price prior to the date of the meeting of the Remuneration and ESOP Committee Rs. 99.92 per equity share
c.	Options vested (net of exercised options)	65,436	102,050	29,841	-
d.	Options exercised	33,800	152,137	158,301	-
e.	Total number of shares arising from exercise of options	33,800	152,137	158,301	-
f.	Options lapsed	165,562	123,375	39,249	4,000
g.	Variation of terms of options	-	-	-	-
h.	Amount realized by exercise of options	Rs.5.04 million	Rs.16.62 million	Rs.14.71 million	-
i.	Total number of options in force as on 31-3-2010	Options for 65,436 Equity shares	Options for 102,050 Equity shares	Options for 109,325 Equity shares	Options for 341,000 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	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	Options for 20,000 Equity shares
	c) Mr. A.K. Bhattacharjee, Vice-President (Operations)	-	-	Options for 20,000 Equity shares	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	Options for 20,000 Equity shares
	b) Mr. Subhash Maini, Deputy General Manager (Operations)	-	-	Options for 20,000 Equity shares	Options for 20,000 Equity shares
	c) Mr. Himangsu Roy, Senior Manager (Operations)	-	-	Options for 20,000 Equity shares	Options for 20,000 Equity shares