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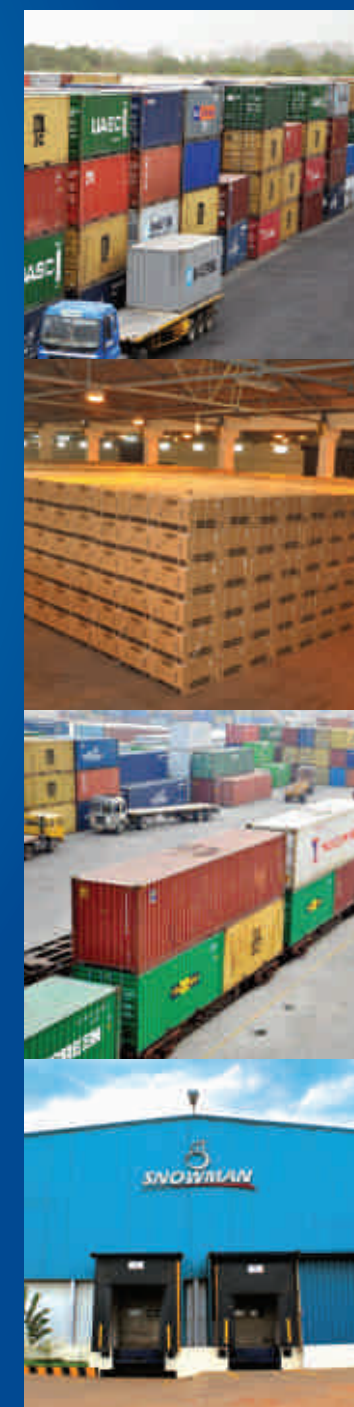
GATEWAY DISTRIPARKS LTD.

ANNUAL REPORT 2011-12



GATEWAY DISTRIPARKS LTD.

2011-12





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 and one at Visakhapatnam with total capacity of over 600,000 TEUs. The new CFS at Kochi has become operational in 2012-13. These CFSs 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 235+ roadtrailers at its rail linked terminals. GatewayRail operates regular container train service from these ICDs/Dry Ports to the maritime ports at NhavaSheva, 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 out of 19 locations in India 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 4400 outlets. Snowman has a pan-India presence that offers comprehensive warehousing, transportation and distribution services. Its extensive infrastructure includes 19 ISO-22000 certified warehouses and more than 100 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

PERFORMANCE IN FY 2012

The FY 2012 results has set a new benchmark for the Group's future growth with all three verticals namely the CFS business, the rail operations and the cold chain logistics showing strong upward trajectory.

The year saw:

- 37% increase in Consolidated Income to Rs 8.36 billion, up from Rs 6.12 billion in FY 2011.
- 11% increase in Throughput of containers handled to 514,561 TEUs, up from 464,759 TEUs in FY 2011.
- 36% increase in Consolidated Group Profit after tax to Rs 1.32 billion, up from Rs 0.97 billion in FY 2011.

a) CFS (CONTAINER FREIGHT STATIONS) BUSINESS:

The CFS business maintained its throughput at 334,088 TEUs during FY 2012 (FY 2011 - 333,422 TEUs). Profit after tax was up 10% to Rs 1.07 billion (FY 2011 - Rs 0.97 billion). All our CFSs' at JNPT, Chennai and Visakhapatnam showed improved performance. We are now in the process of expanding capacity at our operational CFSs'. Our new CFS at Vallarpadam, Kochi will be fully operational in FY 2013.

b) CONTAINER RAIL BUSINESS:

GDL's subsidiary, Gateway Rail Freight Limited (GRFL) operates Container trains and Rail linked terminals with Customs facilities (Dry ports) at Gurgaon and Ludhiana. A new facility at Faridabad to cater to the needs of trade at NCR will become fully operational in FY 2013. GRFL now operates 21 rakes of its own with another 3 rakes which are on short term leases, and 235 road trailers covering EXIM & domestic routes across the country providing first and last mile connectivity. The Company also operates dedicated refrigerated container train services between NCR and Navi Mumbai / ports at Gujarat. GRFL increased its throughput during the year by 37% to 180,473 TEUs, up from 131,337 TEUs in FY 2011. GRFL's profit after tax for FY 2012 was Rs 22745 million (FY 2011 - Loss Rs 39.9 million). The management has been further strengthened during the year with the appointment of a CEO with extensive knowledge of the logistics business.

c) COLD CHAIN LOGISTICS BUSINESS:

Snowman Logistics Limited (SLL) is an organized pan-India Cold Supply Chain Logistics player connecting more than 100 cities and distributing to more than 4400 outlets, and is today the trusted market leader for food supply chain management. SLL is expanding its cold stores' network at key locations and the refrigerated transport fleet across the country. The Company's income increased by 32% to Rs 642 million up from Rs 475.9 million in FY 2011. Snowman's profit after tax for FY 2012 was Rs 63.60 million, marginally lower than the year before due to prior years' tax adjustments.

FUTURE

During the year, India's export grew by 21% to USD 303 billion. The Government has set an ambitious export target of USD 500 billion by 2014. EXIM Container traffic in Indian ports has grown by 10% per annum in the past decade to 7.77 million TEUs in FY 2012. The country's premier container port JNPT recorded throughput of 4.32 million TEUs during the year (FY 2011- 4.27 million TEUs). The container traffic at Chennai was 1.56 million TEUs during the year (FY 2011- 1.52 million TEUs). The prospects for EXIM trade from India continue to be bright. The Indian Shipping Ministry has an ambitious maritime plan to triple the country's port capacity by 2020. GDL will continue to look for opportunities to expand its CFS business to keep in step with the growth of the container business.

The potential for moving containers by rail is good because it is faster, cheaper, safer and more efficient than moving by road. Cargo movement in containers on Indian Railways network has recorded a growth of 20% per annum in the past few years. The Government has taken initiatives 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 and Ludhiana and commence full operations at our new ICD near 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. The cold chain logistics business provides services to large FMCG companies and organized retail chains. Plans are being implemented to increase capacity of the cold stores from around 18,000 pallets currently, to over 46,000 pallets by FY 2014 and for increasing the size and reach of our refrigerated transport services to cater to the increased demand. The Company is in the process of availing loans from IFC and HDFC Bank to fund its expansion plans.

The main challenges for India are inadequate infrastructure, smaller scale of operations compared to many other countries and an uncertain global economic environment. Despite these challenges, we are optimistic that the Indian economy will show strong economic growth due to its inherent strengths.

We have laid a strong foundation for an integrated network of CFSs, ICDs, cold stores, container trains and trailer fleet using strategic alliances & joint ventures, combined with strong customer orientation and reliable services. We will continue to leverage GDL's pan-India integrated logistics infrastructure for strong growth in future.

DIVIDEND

The Company has paid interim dividends totaling Rs 6/- per equity share of face value Rs.10/- per share for FY 2012 (FY 2011 – Rs. 6/- per share). We have not recommended final dividend for FY 2012.

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, our customers, employees and shareholders for their valued contributions and continued support.

On a personal note, I thank the President and the Government of India for conferring on me the 'Padma Shri award 2012' for distinguished service to trade and industry. Last year another member of the Board, Mr Sat Pal Khattar was awarded the 'Padma Shri' and our Advisor to the Gateway Rail Board, Mr S.B. Ghosh Dastidar was awarded the 'Padma Bhushan'. We are grateful for the honours bestowed and are conscious that awards are not laurels to rest upon, and hope to continue to contribute for the growth of the GDL Group.

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. Sat Pal Khattar
5. Mr. Kirpa Ram Vij
6. Mr. K.J.M. Shetty
7. Mr. M.P. Pinto
8. Mr. Saroosh Dinshaw
9. Mr. Arun Agarwal
10. Mr. Ishaan Gupta

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. Kirpa Ram Vij
4. Mr. Saroosh Dinshaw



BOARD OF DIRECTORS OF SUBSIDIARY COMPANIES

Gateway Rail Freight Limited:

1. Mr. Prem Kishan Gupta – Chairman & Managing Director
2. Mr. Gopinath Pillai
3. Mr. Sat Pal Khattar
4. Mr. Shabbir Hassanbhai
5. Mr. Arun Agarwal
6. Mr. Mathew Cyriac
7. Mr. Richard B. Saldanha
8. Mr. Gurdeep Singh

Snowman Logistics Ltd:

1. Mr. Gopinath Pillai – Chairman
2. Mr. Keiichi Nakagaki – Vice Chairman
3. Mr. Prem Kishan Gupta
4. Mr. Shabbir Hassanbhai
5. Mr. Saroosh Dinshaw
6. Mr. Ravi Kannan

Gateway Distriparks (Kerala) Limited :

1. Mr M.P. Pinto – Chairman
2. Mr Gopinath Pillai
3. Mr Prem Kishan Gupta
4. Mr P. Narayan
5. Mr Raghu Jairam

Gateway East India Private Limited and Gateway Distriparks (South) Private Limited are wholly owned subsidiaries.

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-530 012

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

Gateway Rail Freight Limited, New Delhi -110 017.

Gateway Distriparks (Kerala) Ltd., Kochi - 682 504.

Snowman Logistics Ltd., Bangalore - 560049.

BANKERS

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

AUDITORS

Price Waterhouse, Chartered Accountants.

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 2012.

(a) Consolidated Financial Results

Sl. No	Particulars	2011-12 (Rs. In millions)	2010-11 (Rs. In millions)
1	Income from Operations and Other Income	8,358.08	6,119.61
2	Profit before Finance Cost, Depreciation and taxes	2,627.78	1,730.92
3	Finance cost	135.22	187.26
4	Depreciation & Amortisation	628.09	502.44
5	Profit before Exceptional items & taxation	1,864.47	1,041.22
6	Provision for taxes	508.24	44.07
7	Minority Interest	35.90	29.63
8	Profit after tax and minority interest	1,320.33	967.52
9	Surplus brought forward from previous year	1,876.62	1,749.69
10	Dividend	649.42	648.11
11	Tax on Dividend	105.35	107.64
12	Transfer to General Reserve	82.02	84.84
13	Surplus carried to Balance Sheet	2,360.16	1,876.62

(b) Dividend

The Company has paid two interim dividends totaling Rs. 6/- per equity share amounting to Rs 649.42 million for the financial year 2011-12. The Dividend Distribution Tax borne by the Company on the interim dividends amounts to Rs 105.35 million. The Board does not recommend final dividend for the financial year 2011-12.

(c) Management Discussion & Analysis

(i) Industry structure and developments

In the past decade, containerized movement of EXIM cargo grew by 14% per annum. Containerized cargo represents 30% of India's EXIM 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 4.32 million TEUs. The country's second biggest container port at Chennai handled around 1.56 million TEUs.

(ii) Opportunities and threats

Growth of containerization in both EXIM 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 has taken over Punjab State Container & 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's CFS at the fast growing port of Kochi, in a joint venture with Chakiat Agencies Pvt. Ltd. will be operational in FY 2012-13. 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 Logistics 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.

(iii) Segment-wise / Product-wise performance

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

(iv) Outlook

Strong economic performance and growth in EXIM trade are expected to result in an increase in traffic at major Indian ports during the next few years. The growth in port volumes and resulting increased throughput at our CFSs, 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.

(v) Risks and concerns

Increase in fuel costs could result in an increase in the 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.

(vi) 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.

(vii) Financial / Operational performance

Total income of the Company (stand alone) from operations & other income during 2011-12 was Rs 2,348.13 million (2010-11: Rs 1,915.03 million). The profit before tax for 2011-12 was Rs 1,187.32 million (2010-11: Rs 857.12 million). The profit after tax for 2011-12 was Rs 820.11 million (2010-11: Rs 848.34 million). After dividend Rs 649.42 million, tax on dividend distribution Rs 105.35 million and transfer of Rs 82.02 million to General Reserves, the surplus carried forward in the Statement of Profit & Loss is Rs 1,804.74 million.

Together with its subsidiary companies in the CFS business at Chennai, Visakhapatnam and Kochi, the total income from operations for FY 2011-12 was Rs 3,100.02 million (2010-11: Rs 2,419.12 million) and profit after tax for FY 2011-12 was Rs 1,065.24 million (2010-11: Rs 972.84 million).

(viii) Finance

The Company has outstanding loan for financing transport/handling equipments Rs 124.37 million with HDFC Bank Limited as on March 31, 2012. The Company has been sanctioned cash credit/overdraft facilities/buyers credit of Rs 250 million and non-funded facilities to Rs 750 million by HDFC Bank Limited. The Company has given guarantees in respect of outstanding loans of Rs 909.25 million of subsidiary Company Gateway Rail Freight Ltd. as on 31st March, 2012. The income from interest on fixed deposits with banks and investments was Rs 82.54 million in the current year (2010-11: Rs 29.63 million).

(ix) 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 has staff strength on March 31, 2012 of 159 employees (March 31, 2011: 153 employees).

(x) 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) Employees Stock Option scheme (ESOP)

Sl. No	Particulars	ESOP-I (2005-2006)	ESOP-II (2006-2007)	ESOP-III (2007-2008)	ESOP-IV (2009-2010)	ESOP-V (2010-2011)
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	Options for 363,000 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	20% discount on the closing market price prior to the date of the meeting of the Remuneration and ESOP Committee Rs. 95.72 per equity share
c.	Options vested (net of lapsed options)	33,800	214,735	267,064	233,200	—
d.	Options exercised	33,800	213,422	264,064	206,160	—
e.	Total number of shares arising from exercise of options	33,800	213,422	264,064	206,160	—
f.	Options lapsed	230,998	162,827	39,811	12,500	4,000
g.	Variation of terms of options	—	—	—	—	—
h.	Amount realized by exercise of options	Rs. 5.04 million	Rs.23.32 million	Rs. 24.54 million	Rs.20.60 million	—
i.	Total number of options in force as on 31-3-2012	—	Options for 1,313 Equity shares	Options for 3,000 Equity shares	Options for 126,340 Equity shares	Options for 359,000 Equity shares

Sl. No	Particulars	ESOP-I (2005-2006)	ESOP-II (2006-2007)	ESOP-III (2007-2008)	ESOP-IV (2009-2010)	ESOP-V (2010-2011)
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	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	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	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	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	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	Options for 20,000 Equity shares
	iii. Identified employees who were granted options during any 1 year equal to or exceeding 1% of issued Capital (excluding outstanding warrants and conversions) of the Company at the time of grant	-	-	-	-	-

Sl. No	Particulars	ESOP-I (2005-2006)	ESOP-II (2006-2007)	ESOP-III (2007-2008)	ESOP-IV (2009-2010)	ESOP-V (2010-2011)
k.	Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 'Earnings per share"	Rs.7.57 per Equity Share				
l.	Difference between employee compensation cost based on intrinsic value & fair value	Employee Compensation costs would increase by Rs. 15.71 million				
	Impact on PAT Rs. million	Decrease in PAT by Rs. 10.61 million				
	Impact on EPS (Rs./ Share)	Basic / Diluted EPS would reduce to Rs.7.44 per share & Rs. 7.43 per Equity share respectively				
m(i)	Weighted Average Exercise Price of options	Rs.98.31 per option for equity Share				
m(ii)	Weighted Average Fair Value of options	Rs. 60.94 per option for equity Share				
n.	Assumptions used to estimate fair value using Black Scholes option pricing model					
	(i) Risk free interest rate	8.50%				
	(ii) Expected life	Upto 36 months				
	(iii)Expected volatility	21.86%				
	(iv) Expected dividend	Rs. 3.90 per Equity share				
	(v) Market Price of share at the time of grant of option	ESOP-I (2005-2006)	ESOP-II (2006-2007)	ESOP-III (2007-2008)	ESOP-IV (2009-2010)	ESOP-V (2010-2011)
		Rs.204.55	Rs.170.70	Rs.116.15	Rs.124.90	Rs.119.65

(e) Directors

Pursuant to the provisions of Section 256 of the Companies Act, 1956, Mr. Gopinath Pillai, Mr. M.P Pinto and Mr. Saroosh Dinshaw, Directors of the Company, retire by rotation at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment. Your Directors recommend their re-appointment.

Mr. Ishaan Gupta, son of Mr. Prem Kishan Gupta, Deputy Chairman & Managing Director of the Company, was appointed as Additional Director in the Board meeting held on 26 May 2012, to hold office till the next Annual General Meeting. Your directors recommend his appointment as a Director.

The term of office of Mr. Prem Kishan Gupta, Managing Director expired on 19 July 2012. The Board of Directors at their meeting held on 26 May 2012 reappointed Mr. Prem Kishan Gupta as Managing Director for a term of 5 years till 19 July 2017. Your Directors recommend reappointment of Mr. Prem Kishan Gupta as Managing Director in the forthcoming AGM.