

Sidharth Agrawal

+91 22 67069940

sidharth.agrawal@investsmartindia.com

Dipti Devdas

+91 22 67069924

dipti.devdas@investsmartindia.com

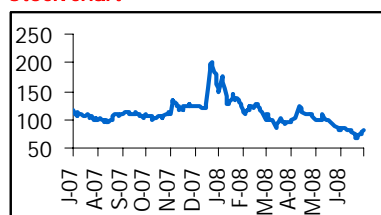
Shareholding (%)

Promoters	48.0
FII's	8.7
MFs	1.3
Others	42.0

Share price performance

52-week high/low (Rs)	216/62		
	1m	-3m	-12m
Abs (%)	-3.4	-20.4	-30.5
Rel* (%)	7.4	-5.1	-21.6

*to Nifty

Stock chart

Speedy delivery!

Gati Limited, one of India's leading providers of express distribution and supply chain services, is on a firm footing to capitalise on the burgeoning logistics industry. With its integrated offerings and massive expansion plans, the company is likely to record a three-year CAGR (FY07-FY10) of 26% and 38% in revenues and earnings, to Rs11,263mn and Rs557mn, respectively. We initiate coverage on the stock with a 'BUY' recommendation with a target price of Rs125.

Key Investment Highlights:

- Strong industry outlook:** The Indian economy is expected to see a robust growth of 7% CAGR during the next few years, resulting in substantial investments in electronics, agriculture, FMCG, textiles, auto and auto components, retail and consumer durables; this, coupled with rising FDI interest in the India growth story, is likely to significantly benefit the Indian logistics industry.
- Retail boom to provide strong impetus to growth:** The massive expansion plans of domestic retail giants such as Reliance, Future group, and Aditya Birla group, are likely to create a strong demand for integrated logistics services offered by 3PL players like Gati.
- Expansion to tap growth opportunities:** Gati's current expansion and modernisation programme (Rs4,500mn), executable by June 2009, would enable it to double its warehousing space, increase fleet of owned trucks in operation, augment shipping operations, and enhance its IT infrastructure. Moreover, entry in transport refrigeration, through the acquisition of Kausar India, would enable Gati to tap the huge potential of this segment in a booming retail market.
- Valuations:** At current market price of Rs80, the stock is trading at 17.3x and 13.7x its FY09E and FY10E EPS respectively. Given the robust outlook for the logistics industry and Gati's aggressive expansion plans pan-India, we initiate coverage on the stock with a 'BUY' recommendation and a target price of Rs125.

Buy
Rs80

July 11, 2008

Market cap

Rs bn 7

US\$ mn 170

Avg 3m daily volume

207,234

Avg 3m daily value

Rs mn 19

Shares outstanding (mn)

90

Reuters/Bloomberg

GATI.BO/GTIC.IN

NSE/BSE

GATI/532345

Sensex

13,470

Nifty

4,049

Year-end	Sales	YoY	EBITDA	YoY	NP	YoY	EPS	YoY	PE	EV/EBITDA	PBR	RoE	RoCE	DPS	Div Yield
March	(Rs m)	(%)	(Rs m)	(%)	(Rs m)	(%)	(Rs)	(%)	(x)	(x)	(x)	(%)	(%)	(Rs)	(%)
FY2007	5,679.7	23.5%	433.8	14.7%	214.3	11.9%	3.0	9.6%	27.1	16.6	3.3	12.3%	10.0%	0.8	1.0%
FY2008E	7,297.8	28.5%	572.0	31.9%	268.5	25.3%	3.8	27.6%	21.2	13.6	2.0	9.4%	9.6%	0.8	1.0%
FY2009E	9,468.9	29.7%	903.1	57.9%	440.2	63.9%	4.6	22.5%	17.3	8.8	1.6	9.5%	13.0%	0.8	1.0%
FY2010 E	11,262.6	18.9%	1121.9	24.2%	557.5	26.6%	5.9	26.6%	13.7	7.4	1.5	10.9%	15.2%	0.8	1.0%

Company Background

Established in 1989, Gati is the market leader in India's express cargo delivery segment, providing a complete range of supply chain solutions. The company has established a strong pan-India presence in over 98% of the delivery centers across India; Gati covers 320,000 kms daily and connects 594 out of 602 districts in India and 220 countries. The company's key corporate customers include Siemens, Hitachi, Titan, Samsung, and Sony.

Gati, the leader in India's express cargo delivery segment, covers 3,20,000 kms daily and connects 594 out of 602 districts in India.

Gati primarily operates in the following lines of business:

- ▲ **Express distribution and supply chain (ED&SC):** This is Gati's core business division, accounting for about 69% of its revenues. This division comprises surface cargo movement (express), logistics and supply chain management (including warehousing), priority (air), international services, freighter and couriers, and trucking solutions, amongst others.

Although Gati manages a fleet of more than 2,000 trucks, it owns only about 200 of them. For the remaining trucks, Gati enters into contractual relationships with vendors, assuring these vendors minimum level of business at pre-negotiated rates. This arrangement enables the company to expand its fleet at a short notice, while reducing the burden of maintaining and managing a large fleet of trucks.

In October 2007, Gati tied up with Air-India to run five dedicated cargo freighters to provide priority and courier services. Since then, it re-launched its courier product under the brand, *AI GATI-ZIPP*. The company expects strong growth in revenues via this strategic tie-up; further scaling up of cargo freighters in the near future would enable the company to map all the five regions of the country.

Surface express constitutes 73% of this division, followed by logistics (warehousing) and freighter services at 10% each. We expect the express line of business to continue contributing a lion's share of the company's revenues. The warehousing and international businesses, albeit small, would be the division's key growth drivers, going ahead.

- ▲ **Coast to Coast (C2C):** Gati owns four container vessels with a combined capacity of 25,835 Deadweight tonnes (DWT). These vessels, with capacity utilization of about 80%, operate mainly on the Chennai-Port Blair-Yangon (Rangoon)-Chennai route. This segment contributes about 11% of Gati's revenues.

With more than 90% of India's foreign trade taking place through sea, the company plans to tap the incoming cargo traffic from various markets in the

The ED&SC segment contributes about 69% to Gati's revenues. This segment would continue contributing a lion's share to the company's total revenues, going forward.

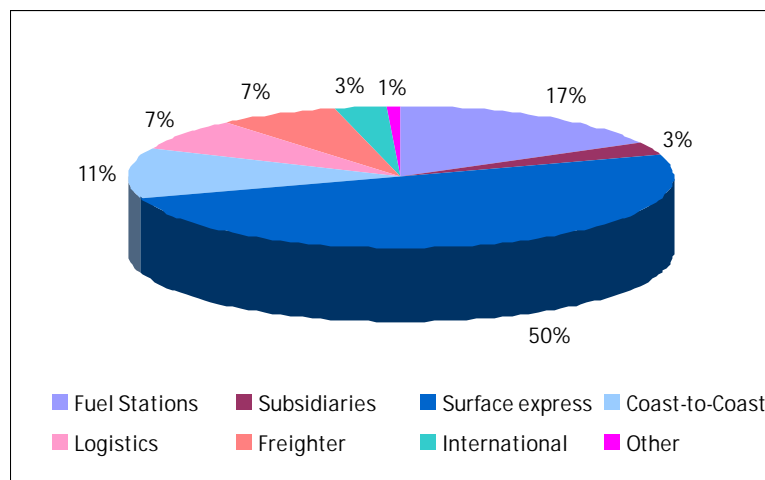
Gati owns four container vessels with a combined capacity of 25,835 DWT. The C2C segment contributes about 11% of Gati's revenues.

Gati Ltd.

Asia Pacific region such as Singapore, Hong Kong, SAARC, Afghanistan, Pakistan, Dubai, Iraq, and Iran.

- ▲ **Fuel Stations (FS):** Gati owns four fuel stations, transferred to it during the division of the erstwhile Transport Corporation in 1996; these stations contributed about 17% of Gati's revenues in FY07. In the past, these stations were imperative to maintain steady diesel supplies in a government-controlled regime.
- ▲ **International Business:** To tap the incoming cargo traffic from various South-Eastern and the Middle-East Asian markets, Gati entered the international markets three years ago. Today, Gati operates out of China, Singapore, Japan, Dubai, Hong Kong, Thailand, Nepal, and Sri Lanka. In FY07, this division accounted for about 3% of the company's revenues (see chart 1).

Chart 1. Product-wise contribution to revenues- FY07



Source: IISL research, company

Investment Positives

Strong industry prospects

India's logistics spend, at 13% of GDP, is way ahead of the 9-10% spent by the U.S. and European countries; the cost is comparatively higher due to infrastructure bottlenecks and India's multilayered tax system. However, we believe that with massive investments in the infrastructure space, tax reforms, and the increasing cost saving potential of 3PL providers for corporates, the Indian logistics industry is at an inflection point.

We believe that with massive investments in the infrastructure space, tax reforms, and the increasing cost saving potential of 3PL providers for corporates, the Indian logistics industry is at an inflection point.

▲ **Capex continues to swell:** During the last few years, substantial investments have been made in sectors like electronics, agriculture, FMCG, textiles, auto and auto components, retail and consumer durables; this, coupled with rising FDI interest in the India growth story, has driven investments in the Indian logistics space. Going ahead too, we believe that the strong expected growth in the end-user industries would lead to higher logistics spending.

▲ **Improvement in infrastructure:** According to a recent World Bank report – 'Road Transport Service Efficiency Study' – the Indian economy is losing between Rs10-25bn annually by way of lost truck operating hours because of hold-ups on highways. Moreover, several taxes have to be paid at the state and regional levels. This results in a large amount of unproductive human intervention, making an otherwise seamless operation fraught with speed breakers.

Nevertheless, the golden quadrilateral road project and the east & west rail corridors are expected to improve efficiency of Indian logistics players by virtue of reduced time for transportation and lower maintenance costs on transport equipment.

▲ **The increasing conduciveness of the tax environment** is also likely to drive growth in the logistics sector. The proposed phase out of CST from April 1, 2010, would enable manufacturers to operate their warehouses on a hub-and-spoke model.

As of now, manufacturers have set up warehouses in each state to reduce their CST burden. The removal of CST would facilitate the transport of cargo to various markets in a region through a centralized warehousing facility; consequently, the demand for 3PL is likely to increase sharply.

▲ **The India outsourcing benefit continues:** India has emerged as a preferred destination among global corporates due to its low-cost manufacturing base. This has spurred global transportation to-and-from India, fuelling growth for the Indian logistics sector. As corporates become increasingly aware of the cost saving potential and value-added services offered by the country's logistics players, the trend of outsourcing these services is only likely to magnify.

The CST phase-out from April 1, 2010, would strongly encourage the hub-and-spoke model for warehouses.

Gati provides value-added, door-to-door transport, and delivery of time-definite shipments including documents, parcels, and merchandise goods to 594 districts in India

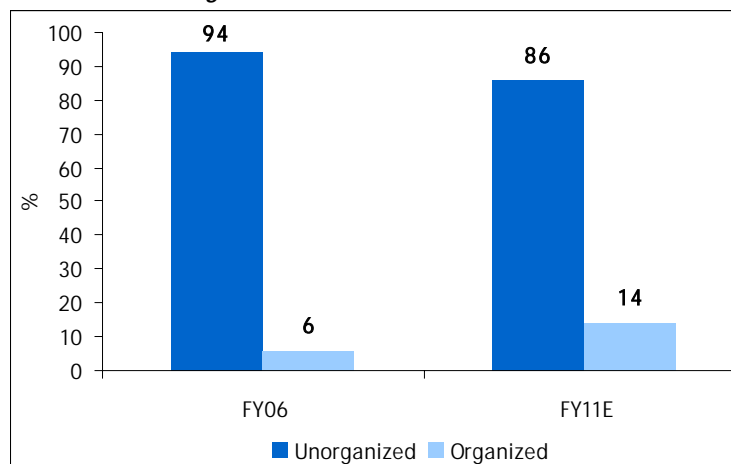
Gati Ltd.

- ▲ **Trucking solutions:** Gati provides value-added, door-to-door transport, and delivery of time-definite shipments including documents, parcels, and merchandise goods to 594 districts in India.

About 65% of the total freight in India is transported through roads. The trucking industry in India is highly fragmented with more than 16,000 players; small operators that own less than five trucks account for about 70% of the fleet, and the operators owning more than 20 trucks are less than 10% of the fleet. The remaining, less than 20% of players operate nationwide, focusing primarily on the bulk segment.

- ▲ **Organized segment to register strong growth:** We believe that in such a growth-conducive scenario, integrated players in the organized segment are likely to eat the market share of unorganized players in the logistics industry (see chart 2). This is because, unlike unorganized players, organized players provide a complete range of supply chain management solutions, i.e., in addition to transportation of goods, such players offer warehousing, inventory management, real-time tracking of goods, and express services. Gati, one of the leading players in the Indian organized express industry, is well-poised to take advantage of the favorable trade factors.

Chart 2. Share of organized sector to rise



Source: IISL research, company

Retail boom to provide strong impetus to growth

The Indian retail sector was estimated at Rs12.8tn in 2006; of this, the share of the organized market stands at about 5%. In the next five years, this organized retail market is poised to grow at nearly 28%, from an estimated Rs679bn in 2006-07 to around Rs2,366bn by 2012 (Source: Crisinfac).

The largest category within the retail pie is food and grocery (F&G), estimated at Rs9.5tn, accounting for around 74% of the total retail sales (organized and unorganized) in 2006. However, F&G accounts for only 18% of the total organized retail market, as the penetration of organized retail in this segment is barely 1%.

In the next five years, the organized retail market is poised to grow at nearly 28%, from an estimated Rs679bn in 2006-07 to around Rs2,366bn by 2012

The market share of the organized express cargo delivery sector would increase, going forward, due to its superior IT and warehousing infrastructure.

Therefore, this vertical offers a huge untapped opportunity for the organized retail sector. Not surprisingly, most large domestic retailers and large conglomerates are eyeing this opportunity (see table 1).

Table 1. Existing and proposed retail outlets of industry players

Player	Format	Current Outlets	Expansion Plans	Expected Year
Reliance Retail	Reliance Fresh	572		
	Reliance Trend Stores	3		
	Reliance Footprint Stores	4		
	Reliance Digital Stores	5		
	Reliance TimeOut	2		
	Reliance iStores	4		
	Reliance Mart	3		
	Reliance Super	8		
	Reliance Wellness Stores	11		
	Reliance Jewels Stores	2		
	Reliance Autozone	1		
Tata	Croma		100	2010
	Westside		70	2010
	Star India Bazaar	3	25	2010
	Tanishq		130	2008
	World of Titan		333	2008
	Landmark		10	2010
Bharti Wal-Mart	Wholesale Stores		15	2015
Indiabulls Group	Indiabulls Mart	35	100	2009
Pantaloon	Big Bazaar	90		
	Food Bazaar	135		
	KB's Fairprice Value Stores	72		
RPG	Spencer's(Fresh, Express, Daily, Super, Hyper)			
Subhiksha	Subhiksha			
Wadhawan Food Retail Pvt. Ltd.	Spinach(Super Local, Express)			
Aditya Birla Group	More (Supermarket)	500		
	Peter England People	80		
Godrej Group	Aadhaar			
Express Retail Services	Big Apple/Big Apple Fresh			
Sahakari Bhandar	Sahakari Bhandar			
Heritage Foods	Fresh@ (Flagship Stores, Daily Stores)			
Videocon Group	Next	400	400	2009
	Planet M	150		
	Bolld			
Shoppers' Stop	Shoppers' Stop	24	41	2013
Dabur India	Newu		350	2010

Source: IISL research, company

Given the perishable nature of most commodities in the F&G vertical, losses can be as high 25-40%, compared to 15% in countries with a significant share of organized retail.

An efficient supply chain management can emerge as the backbone of an organized retail chain.

As part of its reengineering project, Gati initiated its expansion and modernization programme in June 2005. The Rs4,500mn programme would double Gati's warehousing space, increase its shipping operations, augment its fleet size, and enhance its IT infrastructure.

Logistics

Gati Ltd.

Given the perishable nature of most commodities in the F&G vertical, losses can be as high as 25-40%, compared to 15% in countries with a significant share of organized retail.

This vertical faces hurdles on account of poor infrastructure and lack of third-party logistic providers. Further, the absence of cold chains and proper storage, and transportation methods (suitable vehicles and containers) leads to a high wastage and increased transaction and product costs. Moreover, the large number of intermediaries in the system lengthens the supply chain, adding to both wastages and other costs (see table 2).

Table 2. Potential cost savings for organized retail

		Current	Possible
Organized retail penetration	Per cent	1	100
Wastages- volume	Per cent	40	10.5
Wastages- value			
	Per cent of retail price	15	3
	Rs billion (at current retail price)	713	120
Storage and commissions			
	Per cent of retail price	47	38
	Rs billion (at current retail price)	2,227	1,804
Total savings	Rs billion		1,016

Source: Crisinfac

An efficient supply chain management can thus emerge as the backbone of an organized retail chain. Therefore, large players such as the Future Group and Reliance are planning big investments in logistics. Most large players now have robust information technology in place for both front-end (billing counters, etc.) and back-end (ERP for inventory management and vendor control) as an enabler to track orders and preferences faster.

Gati, with its massive expansion plans of Rs4,500mn, towards doubling its warehousing space, expansion of shipping fleet, increasing the owned trucks under operation, and upgrading its IT infrastructure, is likely to emerge as a preferred 3PL player in the coming years. The company's future growth is also likely to be supported by its recent foray in transport refrigeration.

Expansion to tap growth opportunities

As part of its reengineering project, Gati initiated its expansion and modernization programme in June 2005. To be executed over a four-year period, the programme is expected to cost Rs4,500mn. This would be invested in the following manner:

- ✓ The company would invest Rs3,000mn for expanding the warehousing space, doubling it from 1mn sq. ft to 2mn sq. ft; about 0.5mn sq. ft of the same has been developed till date.
- ✓ About Rs1,000mn of the investment would be made towards increasing shipping operations (through purchase of additional ships/replacing

Gati Ltd.

existing ones); till date, about Rs440mn has already been spent on acquiring one ship in January 2008, thereby taking the fleet size to four ships.

- ✓ An investment of Rs300mn would be made towards acquiring trucks; the company plans to scale up its fleet of owned trucks by 150, thereby taking the total to 350 by June 2009.
- ✓ The remaining Rs200mn would be invested towards enhancing IT infrastructure.

▲ Entry into Transport Refrigeration: To tap the thriving cold chain market, Gati, in FY08, acquired 73.72% stake in the Delhi-based refrigerated transport service company, Kausar India Ltd, at a cost of Rs198mn. The acquired company, through its fleet of 99 vehicles, has a capacity to transport 120,000tn refrigerated cargo p.a. Kausar India caters to prestigious clients including Nestle, Amul, Hindustan Unilever, Vadilal, amongst others.

Kausar India executed sales of about Rs187mn in FY07, generating an EBITDA of Rs36mn. We believe that Gati is well-poised to benefit from this explosive growth in transport refrigeration; moreover, acquisition of Kausar provides it a ready, scalable, and attractive business model.

Demand for frozen foods, rising by about 25-30% p.a., has created the need for superior cold chain logistics solutions, or transport refrigeration. With the booming retail market, this segment is assuming critical importance. Transport refrigeration, which includes the entire concept of cold-chain, is currently highly fragmented and unorganized, barring a few players. However, recently, with the entry of organized retailers and corporates in the F&B industry, we expect consolidation to be on the cards. For sustained growth of cold chain logistics solutions, positive government policies including that for the development of roads, highways, and ports, are a must. We believe that the next three-five years would be crucial for the development of this industry.

▲ Funding: Gati has funded the aforesaid expansion plan through a mix of debt (FCCBs – Rs893mn), equity (Rs2,270mn), and internal accruals (Rs1337mn). The company has already setup warehousing capacities in Bangalore, Kolkata, Jaipur, Pune, Indore, and some other Tier II cities. These warehouses are in proximity to industrial townships, business hubs, and coastal areas. The warehouses at Hyderabad, Vapi, Trivandrum, and Pallavaram are nearing completion.

▲ International foray: To tap the incoming cargo traffic from Singapore, Hong Kong, SAARC, Afghanistan, Pakistan, Dubai, Iraq, and Iran, Gati has set up offices in various South-Eastern and Middle-East Asian markets. Additionally, in May 2008, Gati established its regional headquarters in Singapore; the move was undertaken to capitalize on Singapore's strategic location to expand business activities into the fast-growing Asia region and beyond.

To tap the thriving cold chain market, Gati, in FY08, acquired 73.72% stake in the Delhi-based refrigerated transport service company, Kausar India Ltd, at a cost of Rs198mn.

The company has funded its expansion plans through a mix of debt, equity, and internal accruals.

Gati has offices in China, Singapore, Japan, Dubai, Hong Kong, Thailand, Nepal and Sri Lanka.

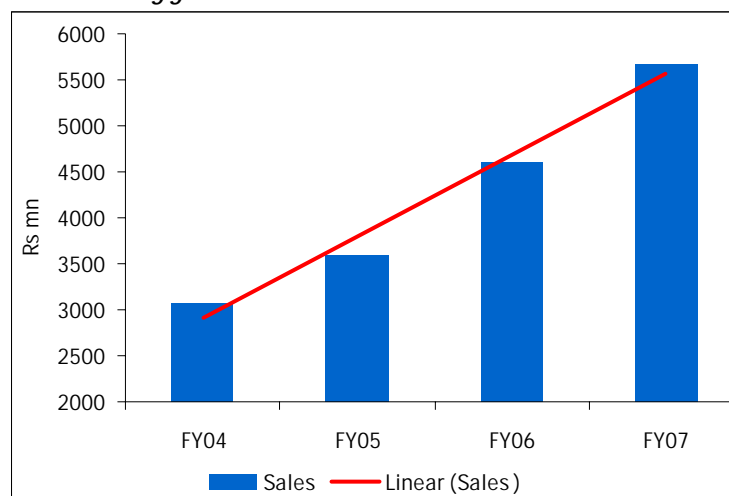
Gati Ltd.

- ▲ We believe that these expansion plans, once fully implemented, would provide strong impetus to Gati's growth momentum. These expansions would strengthen the company's footprint across major business, manufacturing and coastal areas of the country, and enable it to capitalize on emerging opportunities unfolding in the sector.

Financial Performance

- ▲ **Sustainability in sales growth:** In FY07, Gati reported net sales of Rs5,680mn as against Rs4,599mn in FY06, a growth of 23% YoY. Over FY05-07, the company's sales increased at a CAGR of 26% (see chart 3).

Chart 3. Strong growth in Sales



Source: IISL research, company

Over FY05-07, the company's sales increased at a CAGR of 26%, mainly driven by strong performance of the ED&SC business.

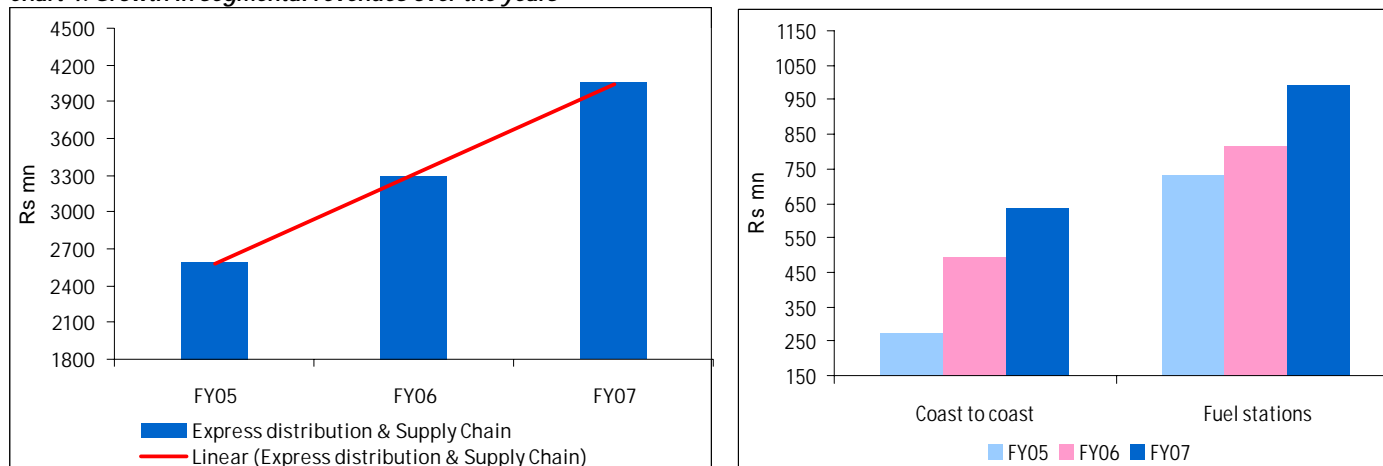
This growth was mainly driven by strong performance of the ED&SC business that experienced a 23% surge in revenues, from Rs3,293mn in FY06 to Rs4,059mn in FY07 (CAGR of 25% over FY05-07).

Even the C2C business, despite operating at a much lower scale (11.2% of revenues), grew at a robust 29% YoY, from Rs494mn in FY06 to Rs636mn in FY07. Revenues in this segment increased at a two-year CAGR of 52%, from Rs274mn in FY05 to Rs636mn in FY07; this increase was mainly driven by the route rationalization measures undertaken by the company in Q3FY05, increasing capacity utilization levels from 60% to 85%.

Revenues in the C2C segment increased at a two-year CAGR of 52%, from Rs274mn in FY05 to Rs636mn in FY07.

The fuel stations business also registered a 21% growth, from Rs815mn in FY06 to Rs989mn in FY07 (see chart 4).

Chart 4. Growth in segmental revenues over the years



Source: IISL research, company

Capacity expansion is likely to translate into a 26% CAGR in sales for Gati, from Rs5,680mn in FY07 to Rs11,263mn in FY10E.

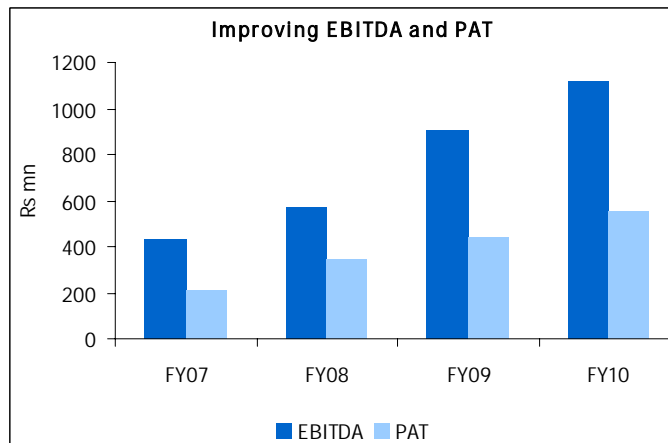
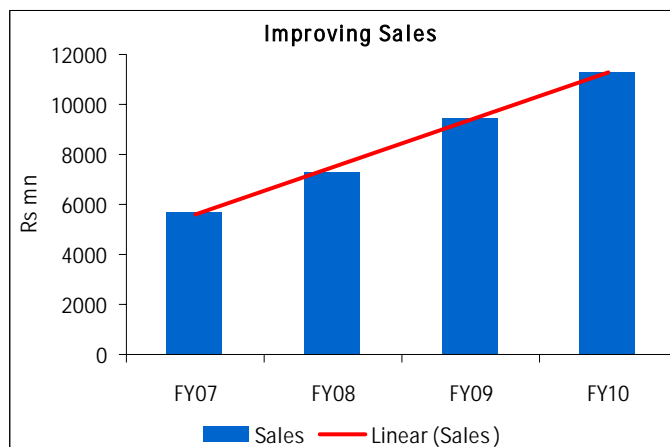
Gati's EBITDA grew by 15% YoY, from Rs378mn in FY06 to Rs434mn in FY07 (CAGR of 30% over FY05-07). During the same period, PAT rose by 12%, from Rs191mn to Rs214mn, and at a CAGR of 22% over FY05-07.

We anticipate Gati's sales to grow at a three-year CAGR of 26%, from Rs5,680mn in FY07 to Rs11,263mn in FY10E. This growth would be driven by:

- ▲ the augmented warehousing capacities,
- ▲ additional ships in operation,
- ▲ robust performance of the cold-chain business,
- ▲ strong pick-up in courier (*AI GATI-ZIPP*), and
- ▲ the budding business in South-East and Middle-East region.

Gati's EBITDA is also likely to increase at a 37% CAGR, from Rs434mn in FY07 to Rs1,122mn in FY10E. During the same period, net profits are expected to increase from Rs214mn to Rs557mn (38% CAGR), resulting in an EPS of Rs5.9 in FY10E from Rs3 in FY07 (see chart 5). We expect the company's RoE to fall to 9.4% in June 2008 from 12.3% in June 2007. This drop can be attributed to the conversion of warrants (Rs1,379mn) and FCCBs (Rs223mn) into equity capital in FY08.

Chart 5. Improving Financial Performance



Source: IISL research, company

Risks & Concerns

The Indian logistics industry suffers from inadequate infrastructure, complex tax laws, and insufficient technological aids. Moreover, any delay in execution plans of retail players could impact Gati's financial profile.

- ▲ The Indian logistics industry suffers from inadequate infrastructure, complex tax laws, and insufficient technological aids. The poor condition of roads translates directly to higher vehicle turnover, which increases operating costs and reduces efficiency.
- ▲ Any delay in execution plans/capex programmes of corporates could have a bearing on Gati's financial profile, given that ED&SC generated 69% of the company's revenues in FY07.

Valuations

We initiate coverage on the stock with a 'BUY' recommendation and a target price of Rs125.

At current market price of Rs80, the stock trades at 17.3x and 13.7x its FY09E and FY10E EPS respectively. Given the robust outlook for the logistics industry and Gati's aggressive expansion plans pan-India, we initiate coverage on the stock with a 'BUY' recommendation and a target price of Rs125.

Financials

Profit & Loss

Rs mn	FY07	FY08E	FY09E	FY10E
Net sales	5,679.7	7,297.8	9,468.9	11,262.6
YoY (%)	23%	28%	30%	19%
Total expenses	5,245.9	6,725.9	8,565.8	10,140.7
Materials	973.9	1,207.6	1,424.8	1,683.4
Manpower cost	607.3	794.9	1,012.5	1,204.3
Oper. , Admin. & Other Exp.	3,664.7	4,723.3	6,128.5	7,253.0
EBIDTA	433.8	572.0	903.1	1121.9
EBIDTA (%)	7.6%	7.8%	9.5%	10.0%
Other income	41.7	43.7	45.7	47.7
PBIDT	475.5	615.7	948.8	1,169.6
Interest	58.7	103.7	152.7	171.7
Gross profit	416.8	512.0	796.1	997.9
Depreciation	112.1	130.1	170.1	205.1
PBT	304.7	381.9	626.0	792.8
(-) Tax	90.4	113.4	185.8	235.3
Tax/ PBT	30%	30%	30%	30%
PAT	214.3	268.5	440.2	557.5
Extraordinary Item	0	71	0	0
Adjusted net profit	214.3	339.0	440.2	557.5

Key Ratios

	FY07	FY08E	FY09E	FY10E
EPS (Rs)	3.0	3.8	4.6	5.9
CEPS (Rs)	4.5	5.2	6.4	8.0
Book value (Rs)	24.1	40.2	48.6	53.6
Dividend per share (Rs)	0.8	0.8	0.8	0.8
Debt-equity (x)	1.1	0.4	0.3	0.2
ROCE	10.0%	9.6%	13%	15%
ROE	12%	9%	10%	11%

Valuations

PE (x)	27.1	21.2	17.3	13.7
Cash PE (x)	17.8	15.3	12.5	10.0
Price/book value (x)	3.3	2.0	1.6	1.5
Dividend yield	1%	1%	1%	1%
Market cap/sales	1.0	1.0	0.8	0.7
EV/sales (x)	1.3	1.1	0.8	0.7
EV/EBDITA (x)	16.6	13.6	8.7	6.8

Balance Sheet

Rs mn	FY07	FY08E	FY09E	FY10E
Equity capital	144.8	179.5	190.2	190.2
Reserves	1,601.8	3,424.9	4,435.5	4,903.9
Net worth	1,746.6	3,604.4	4,625.7	5,094.2
Total borrowings	1,901.8	1,443.8	1,253.8	1,148.8
Deferred tax	60.6	60.6	60.6	60.6
Total liabilities	3,709	5,109	5,940	6,304
Gross block	2,025.1	2,994.2	3,938.3	4,357.3
Less: Acc. depreciation	471.4	601.5	771.6	976.7
Net block	1,553.7	2,392.7	3,166.7	3,380.6
CWIP	719.1	744.1	419.1	295.1
Investments	205.20	205.20	205.20	205.20
Current assets	1,590.7	2,217.3	2,676.1	3,027.5
Inventories	22.1	27.0	31.0	37.0
Sundry debtors	759	912	1,056	1,209
Cash	482.2	848.7	1,037.1	1,097.5
Loans and advances	327.6	429.6	552.0	684.0
Current liabilities	244.1	295.9	352.9	420.9
Provisions	123.6	162.6	182.1	192.0
Net current assets	1,231.0	1,766.9	2,149.2	2,422.7
Total assets	3,709	5,109	5,940	6,304

Cash Flow

Rs mn	FY07	FY08E	FY09E	FY10E
Profit before tax	304.7	381.9	626.0	792.8
Depn and w/o	112.1	130.1	170.1	205.1
Profit/loss on sale	0.08	0.00	0.00	0.00
Net interest	58.70	103.70	152.70	171.70
Others	(2.5)	26.8	(45.7)	(47.7)
Change in working cap	(68.9)	(208.3)	(213.4)	(223.0)
Income tax paid	-100	-91	-171	-225
Operating cash flow	304.5	343.6	518.3	673.5
Capex	(938.4)	(994.1)	(619.1)	(295.1)
Investments	(24.8)	0.0	0.0	0.0
Interest received	25	44	46	48
Investing cash flow	(937.8)	(950.3)	(573.3)	(247.3)
Interest and dividend paid	(140.7)	(171.5)	(236.7)	(260.7)
Fresh equity	(46.3)	1,602.8	670.1	0.0
Debt	1,182.4	(458.0)	(190.0)	(105.0)
Financing cash flow	995.3	973.3	243.4	(365.7)
Exchange Diff.	(13.5)	0.0	0.0	0.0
Net change in cash	348.5	366.6	188.4	60.4
Opening cash	133.7	482.2	848.7	1,037.1
Closing cash	482.2	848.7	1,037.1	1,097.5

IL&FS Investsmart Securities Limited (IISL) and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report or may make sale or purchase or other deals in the securities from time to time or may deal in other securities of the companies/ organizations described in this report

Certification of Research Analyst

We, Sidharth Agrawal & Dipti Devdas, hereby certify that: the views expressed in the attached research report accurately reflect our personal views about Gati Ltd and its securities, and our compensation is not directly or indirectly, related to the specific views or recommendations expressed in the research report.

Disclaimer Clause

This report has been prepared by the Research Department of IL&FS Investsmart Securities Limited (IISL). E*TRADE Financial Corporation holds an indirect equity interest in IISL. E*TRADE and the asterisk logo are registered trademarks of E*TRADE Financial Corporation or its subsidiaries and are used with permission.

The information and opinions contained herein have been compiled or arrived at based upon information obtained in good faith from sources believed to be reliable and Offer Document (Wherever applicable). Such information has not been independently verified and no guarantee, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This report has been produced independently of any company or companies mentioned herein, and forward looking statements, opinions and expectations contained herein are entirely those of IISL and given as part of its normal research activity and not as a Manager or Underwriter of any Offering or as an agent of the subject company (the "Company") or any other person. Accordingly, if any such Company should at any time commence an Offering of securities, any decision to invest in any such Offer or invitation to subscribe for or acquire securities of any such Company must be based wholly on the information contained in the Final Prospectus issued or to be issued by any such Company in connection with any such Offer or invitation and not on the contents hereof. This document is for information purposes only and is provided on an "as is" basis. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. We are not soliciting any action based on this research report.

IISL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of the shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or would subject IISL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any individual in such country, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purpose without prior written approval of IISL.

Foreign currency denominated securities, if any, wherever mentioned are subject to exchange rate fluctuations which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs or GDRs, the values of which are influenced by foreign currencies effectively assume currency risk. Certain transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors.

This research report is for the general information and does not take into account the particular investment objectives, financial situation or needs of any individual customer, and it does not constitute a personalized recommendation of any particular security or investment strategy. Before acting on any advice or recommendation in this research report, a customer should consider whether it is suitable given the customer's particular circumstances and, if necessary, seek professional advice. Certain transactions, including those involving futures, options, and high yield securities, give rise to substantial risk and are not suitable for all investors.

E*TRADE Capital Markets, LLC, E*TRADE Canada Securities Corporation, E*TRADE Securities Limited and E*TRADE Securities (Hong Kong) Limited (together with E*TRADE Financial Corporation and collectively "E*TRADE") do not represent or endorse the accuracy or reliability of any of the information or content of the research report and reliance upon it is at your own risk. E*TRADE expressly disclaims any and all warranties, express or implied, including without limitation warranties of merchantability and fitness for a particular purpose with respect to the research report and any information in it. E*TRADE shall not be liable for any direct, indirect, incidental, punitive or consequential damages of any kind with respect to the research report.

Distribution of this report into the United States, if at all, is intended to be solely to "major U.S. institutional investors" pursuant to Rule 15a-6 under the U.S. Securities Exchange Act, 1934, as amended. All U.S. persons that receive this report, by their acceptance thereof, represent and agree that they are a major U.S. institutional investor and understand the risks associated in executing transactions in securities. U.S. persons wishing to obtain further information or effect transactions in any securities mentioned in the attached report should contact E*TRADE Capital Markets, LLC, 135 East 57th Street, 14th Floor, New York, NY 10022, Telephone Number- 646-840-8730, Fax - 646-840-8701.

Research, analysis, charting, reports, estimates, commentary, information, data, views, opinions, news and other content (collectively, the "Research") if provided to you by E*TRADE Canada Securities Corporation ("E*TRADE Canada") is for informational purposes only. The Research provided herein by E*TRADE Canada has been prepared by IISL, but such research has been prepared independently from E*TRADE Canada and its employees. Accordingly, the Research may not have been, and no representation is made that such Research has been, prepared in accordance with Canadian disclosure requirements. Neither the Research nor the profiles of the third party research providers have been endorsed or approved by E*TRADE Canada, and E*TRADE Canada is not responsible for the content thereof or for any third party products or services. Some Research may contain financial information, but nothing in the Research constitutes a recommendation by E*TRADE Canada to buy, sell or hold any security discussed therein, and the Research neither is, nor should it be construed as, an offer or a solicitation of an offer to buy or sell securities by E*TRADE Canada. E*TRADE Canada does not provide investment advice or recommendations of any kind, nor advice regarding the suitability or profitability of any investment. You are fully responsible for any investment decisions that you make and any profits or losses that may result. Any opinions, views, advice, services or other content provided by a third party are solely those of such third party, and E*TRADE Canada neither endorses nor accepts any liability in respect thereof.

E*TRADE Securities Limited is a company registered in Scotland No. SC103238 with its principal place of business at 42nd Floor, One Canada Square, London E14 5AA, United Kingdom. Registered Office: 24 Great King Street, Edinburgh EH3 6QN, United Kingdom. E*TRADE Securities Limited is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority.

E*TRADE Securities (Hong Kong) Limited is licensed by the Hong Kong Securities & Futures Commission under Central Entity Number: ACT 764. Registered Office: Suite 2401-12 Two Pacific Place, 88 Queensway, Admiralty, Hong Kong.