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# Without an Alibaba, fund managers turn to proxy plays

**CHANDAN KISHORE KANT**  
Mumbai, 22 September

Lack of investment opportunities in domestic e-commerce has seen Indian mutual fund (MF) managers turn to proxy entities. In recent months, equity MFs have been nibbling at shares of logistics and packaging companies to cash on the boom seen in Indian e-commerce sites such as Flipkart, Jabong, Snapdeal and Amazon. Unlike America, where e-commerce giants such as Alibaba, Amazon and eBay are listed, none of the top Indian entities have gone public yet.

In the absence of direct plays, fund managers piggyback on companies such as Gati, Blue Dart and Gateway Distriparks, which have delivery tie-ups with leading e-commerce entities. Also, little-known packaging firms such as TCPL and Manjushree Technopak have come on their radar. India's e-commerce segment is presently \$3 billion and is expected to reach \$40 billion in the next five years. "The size of opportunity is large. The exponential rise in the e-commerce market will create opportunity for companies running online payment gateways or logistics, along with several other sectors. There are a good number of companies which will be able to translate that size of opportunity into returns to minority

shareholders like us," said Navneet Munot, chief investment officer, SBI Asset Management Company.

Shares of most e-commerce-related companies have outperformed the markets, with many already seeing their stock prices multiply. "With a large proportion of India's population accessing the internet through smartphones and tablets, e-commerce is clearly an emerging theme. With the growth of e-commerce, the entire ecosystem stands to benefit. Adoption of digital platforms offers growth opportunities across the distribution value chain. Hence, from an investment perspective, this emerging theme cannot be overlooked," said Chintan Haria, fund manager at ICICI Prudential AMC.

The few direct e-commerce investment opportunities available for Indian investors are local search engine firm Just Dial and Info Edge, which operates job and matrimonial portals (*see chart*).

Experts, however, say buying into an e-commerce company or an entity operating in that space without analysing the potential and fundamentals can be risky. "Not every e-commerce model can be a success. Therefore, the sustainability of the business model needs rigorous evaluation," said Haria.

For full report, visit [www.business-standard.com](http://www.business-standard.com)

### ATTRACTING INVESTMENT

Rise in some e-commerce-linked counters so far this year

Company	Current market price (₹/share)	YTD gain (%)
<b>PACKAGING SECTOR</b>		
Mold-Tek Packaging	192.40	427.84
TCPL	255.65	270.50
Manjushree Technopak	420.50	161.58
Kanpur Plastipack	53.00	118.55
<b>LOGISTICS</b>		
Gati	197.05	323.76
Transport Corporation	218.10	155.08
Gateway Distriparks	250.75	81.83
Blue Dart	5,499.50	62.28
<b>OTHERS</b>		
Info Edge	871.30	88.34
Just Dial	1,696.00	17.78

Source: BSE



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AC INVESTOR RK DAMANI BETS BIG ON SECTOR

# Logistics Cos Soar High on E-comm Buzz

Damani scooping up shares of cos likely to gain from e-commerce boom, a turnaround in economy and GST rollout

Rajesh Mascarenhas  
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**Mumbai:** The buzzing e-commerce theme has been beyond the reach of most Dalal Street participants. But, a handful of astute investors have found a way to bet on the logistics sector, which is expected to be a key beneficiary of a possible commerce boom.

Rafhakishan, or RK Damani, a widely-followed investor, has been an active buyer in shares of logistics companies such as Gati, Blue Dart and Transport Corporation in the past few months. Damani's continued interest in the sector came under the spotlight recently on market talk that he had mopped up a sizeable amount of Snowman Logistics on its listing day. Dalal Street is agog with speculation that he has been an active buyer of Snowman shares since the

gained about 30% since its market debut on September 12.

On Monday, some of the optimism surrounding Snowman rubbed off on Gati, Blue Dart and Transport Corporation, which gained 5-7%.

People close to Damani and other analysts said the investor, whom Rakesh Jhunjhunwala considers to be his guru, is betting that the logistics sector will benefit the most from the outsourcing by the growing e-tailers as well as the recovery in India's economy, say analysts. Damani owns the supermarket chain D-Mart.

"RK Damani has created value in a highly competitive retail industry by successfully running the retail chain D-Mart. He has a perfect understanding of the stock market as well as the retail and retail-associated business," said a broker, who is familiar with Damani's investment style. "Damani being the shrewd investor is going to garner rich returns over

### Switching to the Fast Track

Company	CMP (₹)	% Chg on Monday	YTD Return	P/E	Damani's Stake (%)
Gati	197.05	5.00	316.60	49.26	5.77
Transport Corporation	219.15	0.18	140.56	25.07	4.88
Blue Dart Express	5,501.95	5.41	63.53	110.73	5.35
Snowman Logistics	99.35	5.00	111.38*	71.47	NA

\* Over Offer Price; # As on June 30, 2014

Source: ETIG Database

the next 3-5 years from these stocks," he added.

Damani and his investment companies Brightstar Investments and Derive Investments bought 5.77% in Gati, 4.88% in Transport Corporation and 5.35% in Blue Star. Damani's investment in Snowman Logistics is not known so far. "There are a

few reasons why investors are so aggressive on logistics stocks: First, the huge opportunity arising out of the e-commerce boom in the country, second, these stocks are great mediums to play the economic recovery theme and finally introduction of GST which can be a big boost for the logistics industry," said Vinay Khattar,

head of research, Edelweiss Financial Services.

Gati has surged 316% since January to ₹197. TCI has risen 141% so far this year while other logistics stocks such as Aegis, Sical and Allcargo logistics have gained between 100% and 110%.

"Though logistic stocks have run up sharply over the past few months considering the opportunity arising from the e-commerce business, these stocks likely to do well in the coming years," said Pankaj Pandey, head of research, ICICI Securities. "We are overweight on most of the logistics stocks."

Introduction of Goods and Services Tax (GST) will also be a big positive. "GST would drive consolidation in the logistics industry, promote exports, reduce carrying and forwarding agency costs, impact warehouse and depot fixed and variable costs, help slowly eliminate entry tax, octroi, etc.," Viral Shah, analyst, SBI Capital.



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