

## Gati Ltd (GATLIM)

₹ 135

### Subdued quarter; re-rating hinges on FCCB issue

- Consolidated revenue for Q4FY17 de-grew 3% YoY (down 2% QoQ) to ₹ 415 crore (vs. our estimate of ₹ 436 crore). Standalone growth, which was earlier fuelled by e-commerce revenues, de-grew 4% YoY (first time since FY14) to ₹ 122.4 crore. The YoY de-growth of 21% in e-commerce revenues (₹ 50 crore in Q4FY17) was to an extent moderated by 27% YoY growth in fuel sales (₹ 57.5 crore in Q4FY17). Revenues from KWE and Kausar continue to remain weak with de-growth of 8%, 13% to ₹ 265 crore, ₹ 10.4 crore, respectively
- Though there was a decline in revenues, operating and other expenses grew 2% and 6%, respectively, impacting EBITDA, which nearly halved (down 27% QoQ) to ₹ 21.4 crore (I-direct estimate: ₹ 32.7 crore). Subsequently, EBITDA margins declined 370 bps to 5.1% (down 177 bps QoQ) vs. our estimate of 7.5%
- Depreciation expenses were at ₹ 1 crore vs. a quarterly run rate of ₹ 10 crore on the back of MTM adjustment of ₹ 6.9 crore. The gain was partly offset by lower other income (down 34% YoY) and higher interest expenses (up 10% YoY). Resultant PAT declined 40% YoY to ₹ 9.3 crore (I-direct estimate: ₹ 8.3 crore). However, PAT (excluding benefits of forex gain) was significantly lower at ₹ 2.4 crore
- For FY17, consolidated revenues grew by a mere 1% YoY to ₹ 1691 crore vs. ₹ 1667 crore in FY16. Standalone revenues grew 4% YoY but KWE and Kausar de-grew 3% and 11%, respectively. EBITDA de-grew 15% YoY to ₹ 112 crore vs. ₹ 130.8 crore in FY16. The increase in operational expenses (up 3% YoY) resulted in margin erosion of 123 bps YoY to 6.6% in FY17 compared to 7.8% in FY16. The subdued operational performance accompanied by lower other income (down 11% YoY) further dented PAT, which de-grew 20% YoY to ₹ 29.5 crore compared to ₹ 36.8 crore in FY16

#### Decline in standalone adding to woes to already subdued KWE...

Consolidated revenues for Gati during the year were adversely impacted by the subdued performance in its KWE division, which de-grew 3% YoY (contributing 67% to consolidated revenues). In addition to the same, standalone revenues that used to earlier contribute growth on the back of e-com growth, tapered during the current year, posting modest growth of 4% YoY, slowest since FY13. E-commerce revenues continue to remain impacted by DIPP guidelines. Furthermore, the management expects pricing pressure in e-com to prevail on the back of e-tailing companies turning discount averse and profit focused. With the investments in Browntape, Gati now plans provide e-fulfilment service to vendors associated with these e-tailing companies. The ramp up in revenues from new offerings (expected from Q1FY18) would be closely monitored.

#### GST certain; organised players at vantage point...

Following the few steps remaining to finalise the rates of tax for different goods and services under GST, implementation of the same is on track to roll out from July 1, 2017. The implementation is expected to trigger a shift from unorganised to organised market, benefiting Gati. In addition to the same, we believe the FCCB issue, which is expected to be resolved in the near term would enable Gati bring in fresh investors. We expect FY16-25E revenue to grow at a CAGR of 11% and maintain **BUY** recommendation on the stock maintaining a target price of ₹ 150.

Rating matrix	
Rating	Buy
Target	₹ 150
Target Period	12 months
Potential Upside	11%

What's changed?	
Target	Unchanged
EPS FY18E	Changed from ₹ 4.2 to ₹ 3.8
EPS FY19E	Changed from ₹ 5.5 to ₹ 5.3
Rating	Unchanged

Quarterly performance					
₹ Crore	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)
Revenue	414.9	428.0	-3.1	424.9	-2.3
EBITDA	21.4	37.9	(43.6)	29.4	(27.3)
EBITDA (%)	5.1	8.8	-370 bps	6.9	-177 bps
PAT	9.3	15.5	(40.2)	5.0	86.5

Key financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	1,667	#N/A	1,911	2,183
EBITDA	131	#N/A	125	151
Net Profit	36.8	#N/A	33.3	46.9
EPS (₹)	4.2	#N/A	3.8	5.3

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E (x)	32.2	40.3	35.7	25.4
Target P/E (x)	35.5	44.6	39.5	28.1
EV/EBITDA (x)	12.4	14.0	12.7	10.3
P / BV (x)	2.1	2.1	2.0	1.9
RONW (%)	6.6	5.2	5.7	7.6
ROCE (%)	11.4	9.7	11.1	13.1

Stock data	
Particular	Amount
Market Capitalization (₹ Crore)	1,190.7
Total Debt (FY16) (₹ Crore)	517.0
Cash (FY16) (₹ Crore)	73.4
EV (₹ Crore)	1,634.3
52 week H/L	190 / 107
Equity Capital (₹ Crore)	17.6
Face Value (₹)	2.0

Peer Comparison				
	1M	3M	6M	12M
Patel Integrated	0.2	6.9	8.3	(0.6)
Transport Corp.	9.1	33.9	35.7	77.2
Blue Dart Exp.	(9.4)	7.5	(8.9)	(13.4)
Gati	(4.9)	9.5	4.4	18.4

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### Variance analysis

₹ Crore	Q4FY17	Q4FY17E	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	Comments
Revenue	414.9	435.9	428.0	-3.1	424.9	-2.3	Revenues impacted by de-growth of 8% in KWE and 13% in Kausar. Standalone revenues also de-grew 4%
Cost of Sales	73.4	69.7	54.6	34.5	68.3	7.4	
Operating Expenses	239.7	252.8	255.5	-6.2	243.0	-1.4	
Employee Benefit Expenses	41.3	43.6	43.3	-4.6	48.2	-14.3	
Other Expenditure	39.2	37.0	36.8	6.4	35.9	9.2	
Total Expense	393.6	403.2	390.2	0.9	395.5	-0.5	
EBITDA	21.4	32.7	37.9	-43.6	29.4	-27.3	
EBITDA Margin (%)	5.1	7.5	8.8	-370 bps	6.9	-177 bps	Margins were impacted due to lower contribution from air segment
Depreciation	1.1	12.7	9.8	-89.3	13.3	-92.1	
Interest	9.9	9.4	9.0	9.9	9.9	-0.7	
Other Income	3.4	3.2	5.2	-34.2	3.2	7.9	
PBT	13.9	13.8	24.3	-42.9	9.3	49.1	
Total Tax	3.2	2.8	4.3	-23.8	2.8	15.3	
Adj PAT (excl. Minority Int)	9.3	8.3	15.5	-40.2	5.0	86.5	

Key Metrics	Q4FY17	Q4FY16	YoY (%)	Q3FY17	QoQ (%)	
Standalone	122	127	-3.9	131	-6.4	Fuel sales grew 24%. E-commerce revenues were at ₹ 50 crore (down 21% YoY)
KWE	265	287	-7.7	276	-4.0	Continue to remain sluggish on the back of lower air segment revenues
Kausar	10	12	-13.3	11	-2.8	
Ship	-	-	NA	-	-	

Source: Company, ICICIdirect.com Research

### Change in estimates

(₹ Crore)	FY18E				FY19E				Comments
	FY17	Old	New	% Change	Old	New	% Change		
Revenue	1,691.0	1,911.3	1,911.3	0.0	2,183.4	2,183.4	0.0	Maintained our revenue growth estimates	
EBITDA	111.9	145.4	125.2	-13.9	173.5	151.0	-13.0		
EBITDA Margin (%)	6.6	7.6	6.6	-106 bps	7.9	6.9	-103 bps	Margins to remain subdued with negative bias	
PAT	29.5	33.9	33.3	-1.7	48.4	46.9	-3.2		
EPS (₹)	3.3	3.8	3.8	-1.8	5.5	5.3	-3.1	Resultant changes in PAT	

Source: Company, ICICIdirect.com Research

### Assumptions

	Current		Earlier		Comments
	Phase 1	Phase 2	Phase 1	Phase 2	
Revenue Growth (%)	11.1	13.6	11.1	13.6	Maintain estimates
Present Value FCFE	642.7	330.9	642.7	330.9	FCFE value Phase 1 (FY15-20) & Phase 2 (FY20-25)
Cost of Equity	14.6	13.2	14.6	13.2	

Source: Company, ICICIdirect.com Research

## Company Analysis

### Outcome of FCCB eagerly awaited...

Gati had raised \$22.18 million on December 12, 2011 by issuing zero coupon unsecured foreign currency convertible bonds (FCCB) (FV: \$1000) redeemed by December 13, 2016. Unless redeemed, the conversion price of ₹ 39, with a structured reset clause could result in equity dilution of 26%. Gati is seeking permission for repaying these FCCBs, which would be keenly moderated. We believe any clarity on this pending issue would re-rate the stock.

### Execution of "Vision 2020" remains key...

Gati posted a second consecutive quarter of disappointing results. Revenue from KWE (major contributor to topline) continues to remain subdued. FY16 was impacted by absence of rail service revenues. However, for FY17, the management has indicated softness in air business, which constitutes ~10% of KWE revenues. The growth rates continue to be lower-than-expected for KWE, which remains a concern. In addition to the same, lower e-com revenues makes the revenue growth visibility bleak for FY18. Higher investments to expand the network and delivery capabilities would continue to impact margins in the near term. "Vision 2020" earmarks an ambitious mission of ramping up its operations towards delivering "a million packages a day" by 2020. We believe though the targets for "Vision 2020" appears far-sighted, the route to the same would be keenly watched and reviewed.

### Gati e-connect revenues hit by slowdown in world of e-tailing

In terms of GMV, value of goods sold in the online retail market in India stagnated between May 2015 and 2016. The monthly GMV across big e-commerce companies maintained a run rate of \$10 billion (bn) in May 2016 vs. \$9 bn in May 2015. However, the Indian e-tailing industry is valued at \$17 bn and is growing at 35% CAGR, fuelled by increasing internet and mobile usage as well as online shopping. Logistics cost in e-tailing is estimated at 7-9%. With increasing tendency to focus on core competent areas of the business, e-tailing companies are increasingly de-verticalising complex logistic services from their core activities. Subsequently, over the past two years, Gati's e-commerce revenues, E-connect have grown at a CAGR of 140%.

The segment revenue now contributes ~45% to standalone revenue vs. 16% in FY14. Gati has scaled up its delivery capacity to 65000 packages per month in Q3FY17 compared to 37000 packages in FY15. Apart from last mile delivery, it also provides e-fulfilment services to e-commerce companies. The company has consolidated its warehousing units, by closing two warehouses at Delhi and consolidating the same with a large one. Further, it also has warehouses in Hyderabad and Mumbai with a total handling capacity of 25000 packages per day. Two additional centres at Chennai & Jaipur have been planned, which totals 1.8 mn sq ft. These fulfilment centres specially cater to e-commerce player's warehouse outsourcing requirements. Keeping these investments on track the company was candid to accept that the earlier assumed growth of a triple digit in the segment would be difficult to achieve. However, higher double digit growth is still manageable. The tapering discounting available from e-commerce companies would impact volumes. Following the same, we have reduced our earlier estimations for e-commerce segment. We taper our estimates for e-com revenues to a CAGR of 20% (vs. earlier 25%) over 2016-2025E.

### **Goods and Services Tax (GST) – Soon to be reality**

Introduction of GST remains a much awaited reform, which will simplify tax complications and would benefit consumers, producers and the government. With numerous benefits at both firm/consumer and economy level GST is expected to add over 1% to GDP. Implementation of GST will lead to a simplified tax structure with a majority of taxes pooled under one uniform rate, thereby bringing more efficient tax administration and reduction tax seepages. Due to multiple taxation firms had resorted to setting up multiple warehouses in different states. This was adding up to the firms costs, as they were unable to take advantage of economies of scale from using larger but fewer warehouses. Implementation of GST will overhaul and compress the entire transportation setup.

It is estimated that under the GST system, tax will be levied on stock transfers and full credit will be given on inter-state transactions. The outcome of the same will enable the manufacturer to plan the warehousing and decisions on the basis of operational and logistics efficiency. The current supply chain arrangements would be realigned making certain proximity to manufacturing locale or consumption markets, resulting into diverse hub-and-spoke models. Post GST the demand for warehousing is expected to grow at an annual rate of 9% from current 918 mn sq ft to 1440 mn sq ft. Gati with its widespread reach and warehousing capabilities is well positioned to seize these opportunities. Implementation of GST will lead to consolidation of widely spread warehouses. In contrast, free movement of goods and services would necessitate tightened logistics networks. Gati provides integrated and seamless transportation and routing of goods through its reach of ~21000 pin codes, 16 major hubs and 50 additional warehouses stretched across multiple locations.

### **Gati –Preferred partner for logistics solutions**

Gati's wide range of services panning through freight forwarding, warehousing, packaging, last mile delivery and reverse logistics caters to a 360° presence in supply chain for customer requirements. We believe these supply chain activities, if managed by a single player across the supply chain, tend to bring in value proposition in terms of cost efficiency and superior quality. We expect Gati to be the market leader in contract logistics, as it has capabilities in warehousing, managed transport and value added service all along the supply chain in variety of industries. Gati's "multi-modal" and "multi-service" expertise positions it as the most favoured player for contract logistics. Gati currently operates a fleet size of 5000, 220 reefer trucks through 78 warehouses. The current asset base is managed by Gati KWE, which commands a market share of 80% and 50% in greater than 10 kg and 5-10 kg weight segment, respectively. It also has ~15% market share in air logistics, which is managed by an assured space across multiple air carriers. We consider the network to be next best after Blue Dart as the latter also hold appreciable market share.

**Exhibit 1: "Multi modal" & "Multi-service" offerings of Gati**



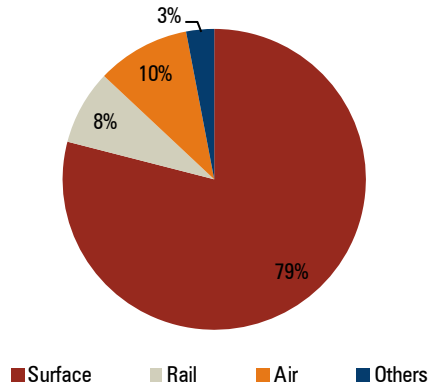
Source: Industry, ICICIdirect.com Research

On the back of widespread network managed by multi-modal capabilities and leadership in surface, and incremental revenues from ramp up of volumes at e-fulfilment centres we expect the Gati KWE revenues to grow at a CAGR of 12% in FY16-20E. However, the same has moderated to 11% CAGR in FY20E-25E.

**Gati – Preferred logistics partner due to market leadership**

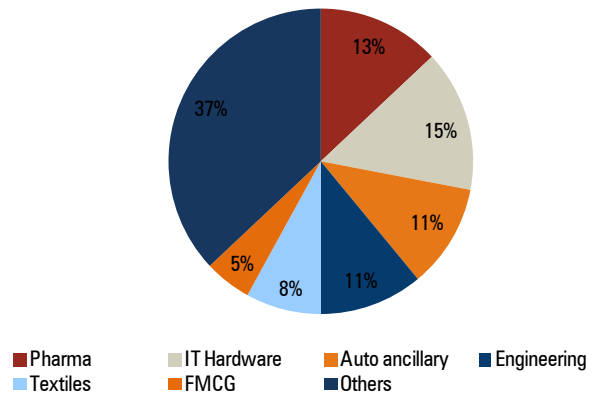
Gati continues to maintain its market leadership in the express distribution industry. The express distribution market is currently valued at ₹ 17500 billion, which is further broadly distributed of documents and non-documents segments. Gati remains the market leader in the non documents market with ~19% market share. It creates a moat around its business model by providing one stop solutions for all logistic requirements from warehousing, freight forwarding, supply chain solutions, temperature controlled solutions, B2C couriers and fulfilment centres. Having coverage of over 21000 pin codes and 653 districts, the company claims a reach of 99.3% of the Indian geography. The express distribution derives ~79% of the revenues from surface movement. Sector per se, former parent’s (TCI) association with majority of the Auto OEMs resulted in majority of the revenues for the company. However, over a period of time with higher market penetration this dependence was de-risked followed by a diversified current customer profile.

**Exhibit 2: Mode of transport contribution**



Source: Company, ICICIdirect.com, Research

**Exhibit 3: Industry wise contribution**



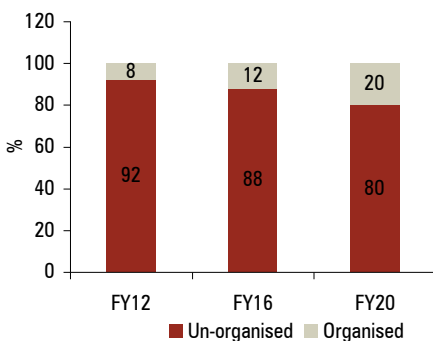
Source: Company, ICICIdirect.com, Research

Gati caters to logistics requirements for eight of the top 10 auto companies (Ford, Tata, Hero, Suzuki, etc.), top seven of electronic companies (Samsung, Canon, Ricoh, etc.), five of the top seven pharmaceutical companies (Cipla, Novartis, Torrent, etc.) and three of the top five FMCG companies (HUL, Dabur, Godrej, etc). Through surface logistics, the company also carries out transportation of temperature controlled products. With the company catering to the needs of diversified industries the company's growth rate can be associated to the performance of these industries, which further extrapolate to the GDP growth rate. Gati derives 75% of its business from institution clients and the remaining 25% from the retail segment. It provides a credit period of ~60 days to the institution clients. These agreements includes "Diesel surcharge" clause. The clause benchmarks "Diesel price hike index" wherein the billing is adjusted with a variation in the same and thus customers pay the additional cost calculated by the specified "Diesel price hike index". As the majority of the business flows from institutions with whom Gati has formal agreements, it provides enhanced revenue visibility and lower tonnage volatility.

**Gati Kausar –Prolonged growth strategy**

With less than 10% of perishable produces utilising the temperature controlled facility, India, falls under the category of low cold chain adaptation countries thereby providing tremendous scope for growth in the segment. In terms of volume, the cold chain industry in India estimated at around 30 million tonnes of warehousing capacity and nearly 7000-8000 reefer vehicles. With a mere 7% of the organised segment in cold chain warehousing and ~15% in temperature controlled transportation, the growth in the segment is well supported by overall market growth of 15% and 20% growth in the temperature controlled services. Gati Kausar is currently into cold storage trucking business through its current fleet size of ~200 refrigerated trucks. It caters to variety of industries across quick service restaurants (QSRs), pharmaceuticals, retail and agri-food sectors. In Q2FY15, Gati Kausar raised ₹ 150 crore from Mandala Capital, which was structured as ₹ 30 crore in equity and the remaining ₹ 120 crore in debt. Leveraging on the demand from the current trucking clientage, Gati Kausar plans to set up 10 cold storage warehouses, comprising a capacity of ~43000 pallets, for which the land parcels and initial outlay is designed. We expect the revenues to start contributing from Q4FY16. Incremental addition of reefer trucks and warehousing capabilities will provide supplementary revenues to Gati Kausar, following which we expect Gati Kausar's revenues to grow 40% in 2015E-20E, with moderation to 16% CAGR over 2020E-25E.

**Exhibit 4: Industry-wise cold storage industry**



Source: KPMG, ICICIdirect.com Research

## Valuation

The logistics industry in India grew at a CAGR of ~17% over 2009-14. The growth is further pegged at 1.2x of the GDP growth rate. Gati's standalone revenues grew at 6% CQGR over 10 quarters, primarily due to increase in E-commerce revenues from ₹ 8 crore to ₹ 63 crore. Gati with its leading market share and widespread reach across Indian geographies provides one-stop logistics service. With the support from parent (KWE) support, Gati is further expected to expand its market share from the high unorganised market in the industry. The theme around e-tailing, cold chain and implementation of GST would accrue in a phased manner and could result a multiplier effect on the sector's fundamentals, thereby providing multiple re-rating. As the advantages will be in a phased manner, we have employed the two phase free cash flow to the firm (FCFF) model over FY16-25E for our discounted cash flow methodology.

We believe Gati will undergo these two phases of transformation, which will transform the company to a matured player in the supply chain mechanism. The first phase will be the high growth phase over FY16-20E, where revenues will grow at a CAGR of 16% mainly due to higher volumes from e-tailing segment, additional revenues generated from fulfilment services and cold chain warehousing and improvement in realization on back of value added services. Higher utilisation levels and better infrastructure management will bring in improvement in return ratios, thereby improving the cash flow generation. In the next phase, we have built in stable growth period (FY20E-25E), wherein we believe the company will achieve a normalised growth rate of ~13% CAGR. Thereafter, it will grow at a terminal growth rate of ~4%. Finally, with a risk free rate of 7.5% and beta of 0.95 together with a market risk premium of 7.5% we arrive at a cost of equity of 12.5%. For FCFF valuation, we have assumed a post tax WACC of 12.7%. With the back of the envelope calculation, we arrive at a target price of ₹ 150 and recommend BUY.

### Exhibit 5: DCF valuation

PV of High growth period	642.7
PV of Stable growth period	330.89
PV of Terminal value	711.8
Less: Debt	(517.02)
Add: Cash & Investment	138.08
Targeted Market Capitalization	1,306.37
No. of shares	8.73
Target Price (₹)	150

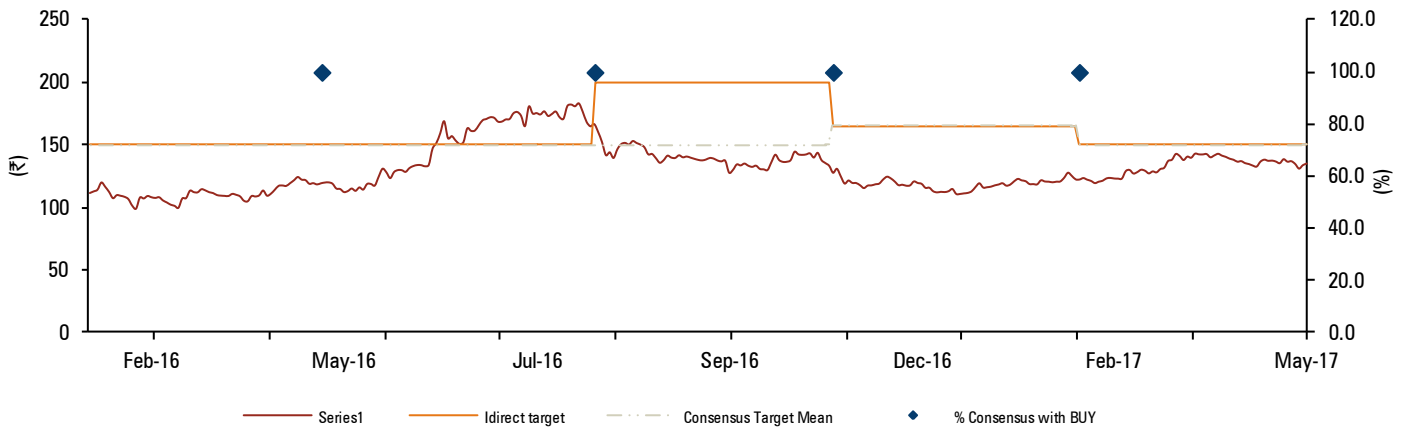
Source: Company, ICICIdirect.com Research

### Exhibit 6: Sensitivity to DCF valuation

		WACC				
		10.0%	11.0%	12.0%	13.0%	14.0%
Terminal Growth Rate	2%	138.4	135.9	133.7	131.5	129.5
	3%	145.7	143.3	141.0	138.9	136.9
	4%	154.8	152.3	<b>150.0</b>	147.9	145.9
	5%	166.0	163.6	161.3	159.2	157.2
	6%	180.6	178.1	175.9	173.7	171.7

Source: Company, ICICIdirect.com Research

### Recommended history vs. consensus



Source: Bloomberg, Company, ICICIdirect.com Research

### Key events

Date	Event
Dec-11	Issues FCCBs for proceeds amount of \$22.18 million
Feb-12	Kintetsu World Express (KWE) acquires Gati's EDSC Business
Feb-12	Sells partial stake in Gati Ship to Bernhard Schulte GmbH & Co KG
May-13	Sells complete stake in Gati Ship to Riba Constructions Pvt Ltd
Sep-13	Starts reporting e-commerce revenues with ₹ 4 crore quarterly run rate
Oct-14	Sale of minority stake in Gati Kausar to Mandala Capital; stock hits 52-week high
Dec-14	E-commerce revenues grow 79% QoQ to ₹42 crore
Jul-15	Repts Q1FY16 results with 5% growth in revenues & E-commerce revenues at ₹ 45 crore
Oct-15	Reports Q2FY16 results lower than estimates. Standalone grew 16% YoY
Jan-16	Reports Q3FY16 results with 1% de-growth in revenues, E-commerce revenues at ₹ 53 crore. Margins at 8.1%
Apr-16	Reports Q4FY16 results higher than estimates. FY16 revenue grew by 1%; Standalone grew 12% YoY
Jun-16	Reports Q1FY17 results. Revenue grew by 2%; standalone grew by 9%. E-commerce grew by 29%
Nov-16	Reports Q2FY17 results. Revenues grew by 5%. E-com revenues grew by 3% YoY. Announced strategic investments in Browntape with investments to the extent of ₹ 18.5 crore
May-17	Reports Q4FY17 results. Revenues de-grew by 3% YoY. E-com revenues de-grew by 21% YoY. Browntape revenues to start contributing from Q1FY18

Source: Company, ICICIdirect.com Research

### Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	TCI Finance Ltd	31-Dec-16	0.08	6.8	-0.3
2	Neera & Childrens Trust	31-Dec-16	0.06	5.6	0.0
3	New Horizon Opportunities Master Fund	31-Dec-16	0.06	5.0	0.0
4	Kintetsu World Express Inc	31-Dec-16	0.05	4.3	0.0
5	Agarwal (Mahendra Kumar) HUF	4-Jan-17	0.05	4.2	0.2
6	Manish Agarwal Benefit Trust	31-Dec-16	0.05	4.0	0.1
7	Agarwal (Mahendra Kumar)	31-Dec-16	0.04	3.8	0.0
8	Dhruv Agarwal Benefit Trust	31-Dec-16	0.04	3.8	0.0
9	Mahendra Investment Advisors Pvt. Ltd.	31-Dec-16	0.04	3.7	0.0
10	Parikh (Amal Niranjana)	31-Dec-16	0.02	2.0	0.0

Source: Reuters, ICICIdirect.com Research

### Shareholding Pattern

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Promoter	41.0	40.8	39.5	38.9	37.1
FII	8.3	8.5	8.3	8.0	8.2
DII	5.3	5.2	5.3	5.3	5.3
Others	45.4	45.5	47.0	47.8	49.4

### Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Agarwal (Mahendra Kumar) HUF	0.38	0.21	TCI Finance Ltd	-0.50	-0.30
Manish Agarwal Benefit Trust	0.20	0.12	Jubilee Commercial & Trading Pvt. Ltd.	-0.07	-0.04
Van Eck Associates Corporation	0.01	0.00	Dimensional Fund Advisors, L.P.	-0.03	-0.02
			Reddy (P S)	-0.02	-0.01

Source: Reuters, ICICIdirect.com Research



## Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY 16	FY 17E	FY 18E	FY 19E	
Revenue	1,667.0	1,691.0	1,911.3	2,183.4	
Growth (%)	1.1	1.4	13.0	14.2	
Cost of Sales	216.3	264.6	277.1	316.6	
Employee Costs	179.7	184.2	233.1	279.7	
Operating Expenses	996.0	983.4	1,110.7	1,245.9	
Op. Expenditure	144.3	146.9	165.1	190.2	
EBITDA	130.8	111.9	125.2	151.0	
Growth (%)	(6.2)	(14.5)	12.0	20.5	
Depreciation	38.3	34.8	38.5	40.7	
EBIT	92.5	77.1	86.7	110.2	
Interest	42.5	39.9	39.8	38.4	
Other Income	14.8	13.1	16.5	17.4	
PBT	64.8	50.2	63.4	89.3	
Growth (%)	(17.9)	(22.5)	26.3	40.7	
Tax	15.6	13.0	19.0	26.8	
Reported PAT	49.2	37.3	44.4	62.5	
Exceptional Items	-	-	-	-	
Minority Interest	(12.4)	(7.8)	(11.1)	(15.6)	
Reported PAT (adjusted MI)	36.8	29.5	33.3	46.9	
Growth (%)	(11.1)	(19.9)	12.9	40.7	
EPS	4.2	3.3	3.8	5.3	

Source: Company, ICICIdirect.com Research

Balance sheet		₹ Crore			
(Year-end March)	FY 16	FY 17	FY 18E	FY 19E	
Source of Funds					
Equity Capital	17.5	17.6	17.6	17.6	
Reserves & Surplus	546.0	556.3	579.2	615.7	
Shareholder's Fund	563.5	573.9	596.9	633.4	
Secured Loan	318.2	306.8	291.5	276.9	
Unsecured Loan	198.8	136.4	150.1	149.3	
Total Loan Funds	517.0	443.2	441.5	426.2	
Deferred Tax Liability	9.7	11.2	11.2	11.2	
Minority Interest	88.7	88.4	90.1	92.0	
Source of Funds	1178.9	1116.7	1139.7	1162.7	
Application of Funds					
Gross Block	397.4	467.4	517.4	547.4	
Less: Acc. Depreciation	105.0	139.8	178.3	219.0	
Net Block	292.4	281.2	339.2	328.4	
Capital WIP	19.9	50.0	50.0	50.0	
Total Fixed Assets	312.4	331.2	389.2	378.4	
Goodwill	446.9	446.9	446.9	446.9	
Investments	64.7	70.2	73.7	77.4	
Inventories	5.1	6.6	5.2	6.0	
Debtors	291.2	268.6	288.0	329.0	
Cash	73.4	63.0	41.4	65.8	
Loan & Advance, Other CA	260.0	244.9	247.3	249.8	
Total Current assets	629.7	583.1	582.0	650.6	
Creditors	85.0	66.8	79.5	90.8	
Other Current Liabilities	53.6	110.8	121.8	134.0	
Provisions	136.2	137.0	150.7	165.8	
Total CL and Provisions	274.8	314.6	352.1	390.6	
Net Working Capital	355.0	268.5	230.0	260.0	
Miscellaneous expense	-	-	-	-	
Application of Funds	1,178.9	1,116.7	1,139.7	1,162.7	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY 16	FY 17E	FY 18E	FY 19E	
Profit after Tax	49.2	37.3	44.4	62.5	
Less: Dividend Paid	12.8	10.3	10.3	10.3	
Add: Depreciation	38.3	34.8	38.5	40.7	
Add: Others	-	-	-	-	
Cash Profit	74.7	61.7	72.6	92.9	
Increase/(Decrease) in CL	41.8	39.9	37.4	38.6	
(Increase)/Decrease in CA	(82.3)	36.2	(20.4)	(44.2)	
CF from Operating Activities	34.6	140.4	88.8	81.9	
(Add) / Dec in Fixed Assets	(54.2)	(53.5)	(96.5)	(30.0)	
Goodwill	-	-	-	-	
(Inc)/Dec in Investments	-	(5.5)	(3.5)	(3.7)	
CF from Investing Activities	(54.2)	(59.0)	(100.1)	(33.7)	
Inc/(Dec) in Loan Funds	44.3	(73.8)	(1.7)	(15.3)	
Inc/(Dec) in Sh. Cap. & Res.	0.1	0.1	-	-	
Others	(11.4)	(18.1)	(8.6)	(8.5)	
CF from financing activities	33.0	(91.8)	(10.3)	(23.9)	
Change in cash Eq.	13.5	(10.4)	(21.5)	24.4	
Op. Cash and cash Eq.	59.9	73.4	63.0	41.4	
Cl. Cash and cash Eq.	73.4	63.0	41.4	65.8	

Source: Company, ICICIdirect.com Research

Key ratios		FY 16				FY 17				FY 18E				FY 19E			
(Year-end March)		FY 16				FY 17				FY 18E				FY 19E			
Per share data (₹)																	
Book Value		64.3	65.1	67.7	71.8												
EPS		4.2	3.3	3.8	5.3												
Cash EPS		8.6	7.3	8.1	9.9												
DPS		1.0	1.0	1.0	1.0												
Profitability & Operating Ratios																	
EBITDA Margin (%)		7.8	6.6	6.6	6.9												
PAT Margin (%)		2.2	1.7	1.7	2.1												
Fixed Asset Turnover (x)		1.4	1.5	1.7	1.9												
Inventory Turnover (Days)		0.9	1.3	1.0	1.0												
Debtor (Days)		61.1	60.4	55.0	55.0												
Current Liabilities (Days)		139.9	104.7	104.7	104.7												
Return Ratios (%)																	
RoE		6.6	5.2	5.7	7.6												
RoCE		11.4	9.7	11.1	13.1												
RoIC		8.5	7.6	8.1	9.5												
Valuation Ratios (x)																	
PE		32.2	40.3	35.7	25.4												
Price to Book Value		2.1	2.1	2.0	1.9												
EV/EBITDA		12.4	14.0	12.7	10.3												
EV/Sales		1.0	0.9	0.8	0.7												
Leverage & Solvency Ratios																	
Debt to equity (x)		0.9	0.8	0.7	0.7												
Interest Coverage (x)		4.0	3.7	4.1	5.0												
Debt to EBITDA (x)		4.0	4.0	3.5	2.8												
Current Ratio		2.3	1.9	1.7	1.7												
Quick ratio		2.3	1.8	1.6	1.7												

Source: Company, ICICIdirect.com Research

## ICICIdirect.com coverage universe (Logistics)

Sector / Company	CMP		Rating	M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)			FY17P	FY18E	FY19E	FY17P	FY18E	FY19E	FY17P	FY18E	FY19E	FY17P	FY18E	FY19E	FY17P	FY18E	FY19E
Container Corporation	1,190	1,170	BUY	23,201	39.8	46.3	65.1	29.9	25.7	18.3	22.4	17.1	13.9	7.4	9.3	11.1	8.9	9.6	12.4
Transport Corp (TRACOR)	250	190	HOLD	1,824	8.3	10.3	12.9	22.2	17.9	14.2	9.6	7.9	6.8	12.8	15.0	16.1	8.9	10.2	11.7
BlueDart	4,677	5,500	BUY	11,113	88.5	74.2	101.2	48.0	57.3	42.0	28.1	31.6	25.3	39.2	30.0	35.1	43.3	31.5	29.1
Gati Ltd.	135	150	BUY	1,247	3.3	3.8	5.3	40.3	35.7	25.4	14.0	12.7	10.3	9.7	11.1	13.1	5.2	5.7	7.6
Gujarat Pipavav (GPPL)	160	165	BUY	7,928	4.9	5.8	8.0	17.6	14.8	12.3	10.8	9.1	7.6	16.6	19.6	24.0	12.7	14.2	16.6

Source: Company, ICICIdirect.com Research

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