

Transport Corporation (TRACOR) ₹ 300

Growth maintained; outlook upbeat post-GST!

Rating matrix	
Rating	Buy
Target	₹ 335
Target Period	12 months
Potential Upside	12%

What's changed?	
Target	Changed from ₹ 250 to ₹ 335
EPS FY18E	Changed from ₹ 13.2 to ₹ 13.4
EPS FY19E	Changed from ₹ 18.8 to ₹ 19.1
Rating	Changed from Hold to Buy

Quarterly performance					
	Q1FY18	Q1FY17	YoY (%)	Q4FY17	QoQ (%)
Revenue	496.9	427.4	16.2	481.6	3.2
EBITDA	45.2	38.1	18.7	39.3	14.9
EBITDA (%)	9.1	8.9	19 bps	8.2	93 bps
PAT	17.6	15.1	16.7	18.5	-4.9

Key financials				
₹ Crore	FY16	FY17	FY18E	FY19E
Net Sales	1,727	1,943	2,229	2,558
EBITDA	129.4	162.0	199.5	254.5
Net Profit	87.2	81.7	102.3	146.4
EPS	11.5	10.7	13.4	19.1

Valuation summary				
	FY16	FY17	FY18E	FY19E
P/E (x)	53.7	36.7	28.5	19.2
EV/EBITDA (x)	20.1	16.4	13.0	9.9
P / BV (x)	4.2	3.7	3.3	3.1
RONW (%)	7.8	10.2	11.6	15.9
ROCE (%)	9.2	10.7	13.6	18.4

Stock data	
Particular	Amount
Market Cap. (₹ cr)	2298
Total Debt (FY17) (₹ Crore)	379.5
Cash and Investment (FY17) (₹ Crore)	18.7
EV (₹ Crore)	2,658.8
52 week H/L	144 / 350
Equity Capital (₹ Crore)	15.3
Face Value (₹)	2.0

Price performance				
	1M	3M	6M	12M
Blue Dart Exp.	(13.2)	(11.6)	(3.0)	(26.3)
Gati	(11.2)	(14.9)	(6.4)	(34.5)
Transport Corp.	(7.9)	18.2	64.4	57.5
VRL Logistics	(1.3)	(3.4)	7.8	(0.5)

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Ankit Panchmatia
ankit.panchmatia@icicisecurities.com

- Revenues were at ₹ 497 crore; up 16% YoY, 3% QoQ) vs. estimate of ₹ 476 crore. Freight division grew for a fifth consecutive quarter with 12% YoY growth to ₹ 243.6 crore (49% of overall revenues). Supply chain segment (SCS) grew 8% YoY to ₹ 198.4 crore (40% of overall revenues). Contribution from seaways in overall revenue improved to 12% vs. 9% in Q1FY17, growth of 45% YoY to ₹ 58.1 crore
- Contained operating costs coupled with lower operating expenses resulted in a slight improvement in EBITDA margin, which was at 9.1% (I-direct estimate: 8.7%). Subsequently, EBITDA grew 18.7% YoY to ₹ 45.2 crore (I-direct estimate: ₹ 41.4 crore)
- Benefits of lower other income (₹ 1 crore vs. ₹ 2.3 crore in Q1FY17) coupled with higher interest expenses (up 5% YoY) were partly offset by lower tax expenses (21% vs. normal run-rate of 25%). Resultant PAT grew 17% YoY to ₹ 17.6 crore (I-direct estimate: ₹ 16.9 crore)

Inclusive growth; freight, supply chain, seaways firing on all cylinders...

During FY17, TCI has undergone a number of structural changes in its business model. There was de-merger of XPS division, addition of a container ship & deploying it on western coast, opening of wholly owned subsidiary in Bangladesh viz. TCI Bangladesh, and commencement of cold chain warehouse of 5000 pallets capacity. Refreshed focus has started yielding robust results for the company. Revenues for freight division grew >10% for a third consecutive quarter (vs. previous growth of 5-6%). Moreover, robust growth rates (15%, 45% YoY in Q1FY18) in higher margin divisions like SCS, shipping, respectively, continued. Consistent growth in TCI vis-à-vis competitor's subdued growth indicates TCI gaining market share. As the Indian logistics market is expected to grow at 12% CAGR by 2020, driven by growth in sectors like manufacturing, retail, FMCG and e-commerce sectors, we believe TCI is well positioned to capture the same enabling it to deliver consistent growth rate. We expect revenues to grow at a CAGR of 15% in FY17-19E to ₹ 2558 crore compared to ₹ 1942 crore in FY17.

Integrated player - Seamless execution; TCI at the forefront...

Leveraging on its extensive infrastructure of 1400 company owned offices, 9000 trucks, trailers, reefer vehicles and a branch network of over 1,100 company-owned offices, TCI claims to move ~2.5% of India's GDP by value. With extensive service coverage of ~18000 pin codes positions, it is the largest integrated player in the organised logistics industry. In addition to the surface logistics, TCI in collaboration with Concor also provides regular piecemeal container movements and full rake movements on dedicated routes. It also manages coastal shipping of containers with an owned fleet of five ships and carriage capacity of 37360 DWT. The array of modes provided aptly positions TCI as the most efficient multi-modal logistics service provider.

Improving efficiencies; profitability growth to supersede revenue growth!

Inefficiencies in the logistics sector are expected to fade post GST. Lower border checks/paperwork leading to faster movement of trucks would enable reduction in transit times and costs. TCI with its multi-modal capabilities would remain a preferred partner for all logistics outsourcing requirements. Improving efficiencies leading to expansion in EBITDA margins would lead consolidated FY19E PAT to nearly double to ₹ 146 crore (vs. ₹ 82 crore in FY17). Following the consistent industry leading growth rate we expand our assigned multiple to 15x (vs. 10x earlier) for freight and shipping and 25x (vs. 20x earlier) to supply chain. Subsequently, we have a **BUY** rating with a revised target price of ₹ 335.

Variance analysis

	Q1FY18	Q1FY18E	Q1FY17	YoY (%)	Q4FY17	QoQ (%)	Comments
Revenue	496.9	476.4	427.4	16.2	481.6	3.2	Inclusive growth across all divisions freight, supply chain & seaways was derived
Operating Expenses	398.1	381.1	342.5	16.2	390.3	2.0	
Employee Expenses	28.7	29.0	25.2	13.7	28.0	2.5	
Administrative & Oth Expenses	25.0	24.9	21.7	15.2	24.0	3.8	
Total Expense	451.7	435.0	389.4	16.0	442.3	2.1	
EBITDA	45.2	41.4	38.1	18.7	39.3	14.9	Growth in high margin business resulted expansion in margins
EBITDA Margin (%)	9.1	8.7	8.9	19 bps	8.2	93 bps	
Depreciation	16.0	14.8	14.1	13.9	14.8	7.9	
Interest	7.8	6.6	7.5	5.2	6.4	23.5	
Other Income	0.9	2.6	2.3	-59.5	6.4	-85.3	Lower on account of dividend income not received from subsidiaries
Exceptional Gain/Loss	0.0	0.0	0.0	0.0	0.0	0.0	
PBT	22.3	22.6	18.9	18.0	24.6	-9.3	
Total Tax	4.7	5.6	3.8	0.0	6.0	0.0	
PAT	17.6	16.9	15.1	16.7	18.5	-4.9	PAT growth remain robust

Key Metrics	Q1FY18	Q1FY17	YoY	Q4FY17	QoQ	
Freight Division	243.6	218.1	11.7	259.1	-6.0	Re-stocking on the back of GST resulted in the growth
Supply Chain Solutions	198.4	172.1	15.3	183.6	8.0	
Seaways	58.1	40.0	45.0	46.2	25.6	Higher revenues on account of addition of a ship

Source: Company, ICICIdirect.com Research

Change in estimates

(` Crore)	FY18E				FY19E				Comments
	FY17	Old	New	% Change	Old	New	% Change		
Revenue	1,942.5	2,228.6	2,228.6	0.0	2,557.8	2,557.8	0.0	Numbers adjusted for de-merger of Express division	
EBITDA	162.0	199.5	199.5	0.0	254.5	254.5	0.0		
EBITDA Margin (%)	8.3	9.0	9.0	0 bps	9.9	10.0	0 bps	Maintain our margin estimates	
PAT	81.3	101.2	102.3	1.1	143.9	146.4	1.8		
EPS (`)	16.3	13.2	13.4	1.1	18.8	19.1	1.7		

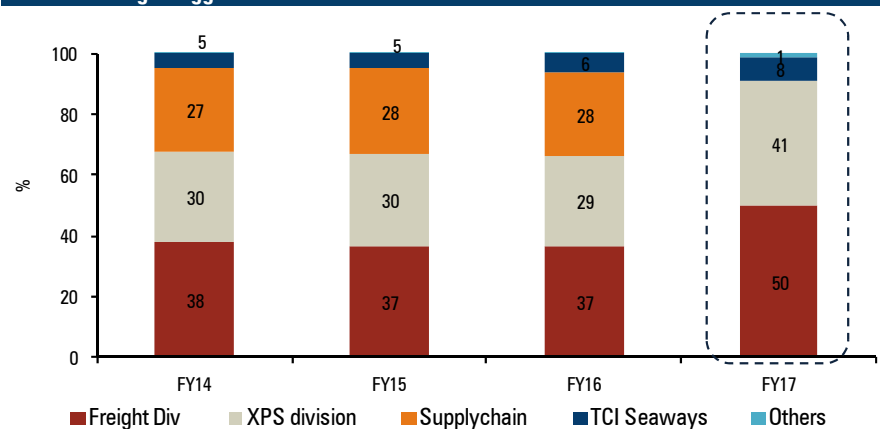
Source: Company, ICICIdirect.com Research

Company Analysis

Freight to become mainstay of overall business...

The de-merger of TCI's express division has resulted in freight business to become the biggest contributor of overall revenues. Revenues for the freight division have grown at a CAGR of 3% in FY10-16. However, due to a consolidated entity, the management was unable to focus on the business leading to lower growth rate. Post de-merger, FY17 revenues of for freight division posted growth of 9% YoY to ₹ 1059 crore compared to ₹ 971 crore in FY16. The growth can be attributed to a mixture of price/volume growth. Although freight contributes half to overall revenues, the EBIT contribution of the same is mere 20%. The FY17 EBIT for freight business segment improved 32% to ₹ 24.2 crore (2.3% margins) compared to ₹ 18.3 crore (2% margins) in FY16. The improvement reflects the management sharpening its focus on improving the profitability of the core business.

Exhibit 1: Freight biggest contributor to revenues...



Source: Company, ICICIdirect.com Research

Indian logistics sector on cusp of change; multi-modal theme stays key...

The logistics sector is expected to witness a remarkable turnaround led by rollout of GST, revival in domestic macro, exponential growth in e-commerce, higher infrastructure spending in roads projects, fast tracking of Dedicated Freight Corridor (DFC) and initiatives like Make in India. Further, the Centre has identified 35 clusters, which account for half of total freight movement for building logistics parks to improve the existing transportation and warehousing scenario in the country. The proposed multimodal logistics parks would reduce transportation cost by 10% for industries in the 35 clusters, thereby enabling freight movement on higher sized trucks and rail. Increased freight movement on higher sized trucks and rail will result in reduction in freight vehicles.

Multimodal transport refers to the seamless transport of cargo from one point to another via more than one mode of transport. Multimodal Logistics can be viewed as "the chain that interconnects different links or modes of transport – air, sea, and land into one complete process that ensures an efficient and cost-effective door-to-door movement of cargo under the responsibility of a single transport operator, known as a multimodal transport operator (MTO). The government's new initiative, which includes Dedicated Freight Corridor (DFC), Sagarmala and Bharatmala would further benefit. In addition, shifting warehouses and wholesale markets, which is currently being operated inside the city, to logistics parks would free up urban spaces and further reduce warehousing costs.

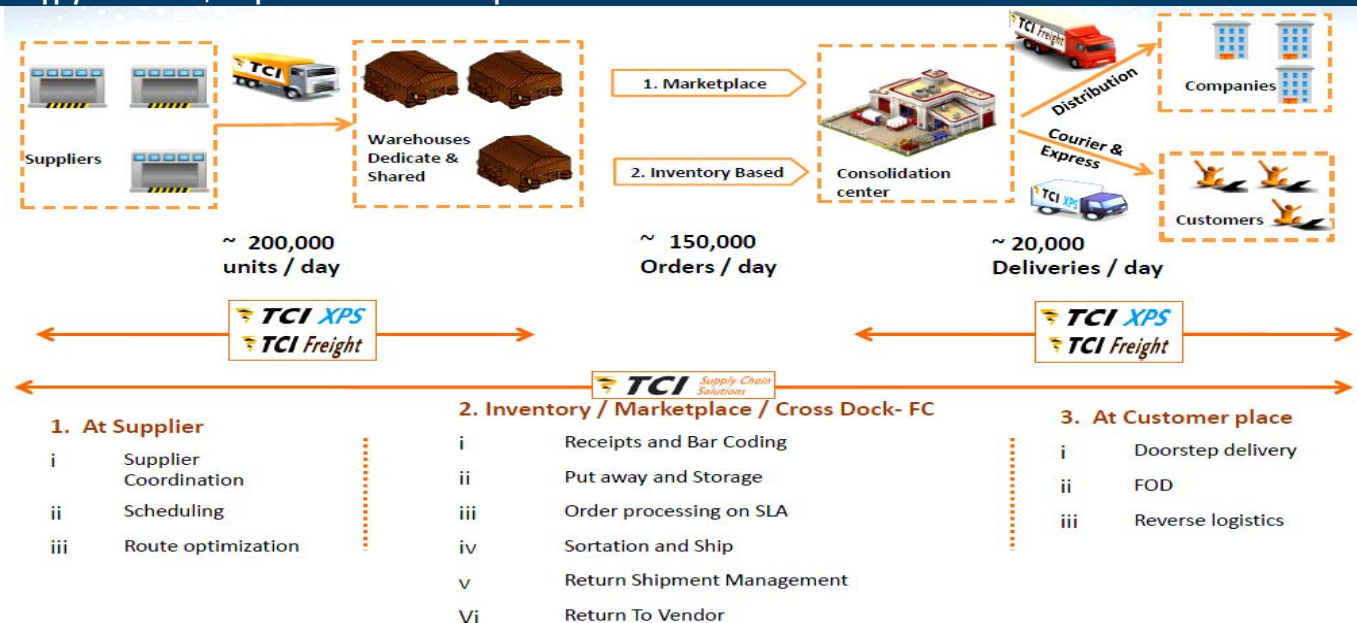
GST to bring in higher efficiencies, improve profitability...

The Indian logistics industry is plagued by multiple levels of state and central taxes. The product is prone to double taxation as taxes already paid on inputs are not adjusted on calculation of taxes on the final product. Further complications are in the form of interstate transactions that are taxed separately, for which no input tax credit is available. GST would simplify these complications and benefit consumers, producers and the government. More than 140 markets have implemented GST in some form or the other. With numerous benefits at both firm/consumer and economy level, GST is expected to add over 1% to the 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 in tax leakages.

Due to multiple taxation, firms had resorted to setting up multiple warehouses in different states. This was adding to firm's 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 to 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 in diverse hub and spoke models. Post GST, demand for warehousing is expected to grow at an annual rate of 9% from current 918 mn sq ft to 1440 mn sq ft.

TCI is one of the largest integrated players with an approximate market share of 15% in the organised logistics industry. With a fleet of nearly 9000 trucks, trailers, reefer vehicles and a branch network of over 1,100 company-owned offices, TCI services ~18000 pin codes in India. Furthermore, the company provides warehousing and e-fulfilment services with an approximate warehousing capacity of 10.5 mn sq ft. In addition to the same, TCI also manages coastal shipping with an owned fleet of four ships. Given the variety of services and multi-modal capabilities, TCI manages to maintain cost efficiencies and competitive positioning compared to other players in the logistics market.

Exhibit 2: Supply chain model; TCI present across all touch points....



Source: Company, ICICIdirect.com Research

Outlook and Valuation

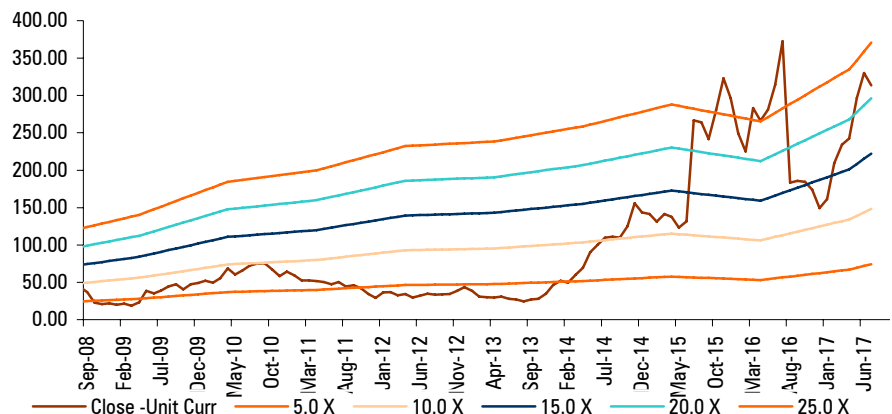
TCI's freight division forms nearly 50% of overall revenues. However, in terms of profitability supply chain and seaways being high margins contributes ~75% of the total profitability.

As we segregate the earnings of each division, we find freight segment earnings continuing to decline amid a worsening economic scenario and lower utilisation levels. The freight segment EPS declined from ₹ 2.3 in FY11 to ₹ 1.7 in FY17. However, going ahead, with a recovery in trade scenario and higher focus on the LTL business, we expect utilisation and realisation levels to improve. Furthermore, passage of GST would enable a moderate recovery in the company's freight business. We roll over our estimates to FY19 and expect revenues for freight division to improve at a CAGR of 10% over FY17-19E. Improvement in utilisation levels coupled with efficiencies of GST would result in profitability grow faster than revenues. Subsequently, we expect freight division to report an EPS of ₹ 3.2 in FY19E. Growth rates appear optically higher due to lower base impact however as GST would bring in improved efficiencies in the division, we assign a PE to 15x (vs. 10x earlier) FY19E EPS arriving at a fair value of ₹ 48/share (vs. ₹ 32/share earlier) for this business.

Post, de-merger SCS segment now contributes 41% of the remaining business. Supply chain provides inbound/outbound logistics solutions from conceptualisation designing network to implementation across all sectors like auto, retail, telecom, electricals, pharmaceuticals, FMCG and cold chain. The auto sector currently contributes ~75% of its total revenues. Given the boom in auto sector, supply chain revenues grew at 20% CAGR in FY10-17. However, we believe the same will grow at 20% CAGR in FY17-19E. With better synergies flowing in the business due to consolidation of warehouses, the margins of this business are expected to improve 150-200 bps. Consequently, EPS from SCS is expected at ₹ 8 in FY19E. We upgrade our P/E multiple to 25x (vs. 20x earlier) for supply chain, to arrive at a fair price of ₹ 201/share.

TCI's seaways post de-merger contributes 12% to the overall business. Addition of new ships and extending the services to new routes would continue to drive growth in the segment. Going ahead, we expect EPS for TCI seaways at ₹ 5.7 in FY19E. Shipping division plays a crucial role for goods transported to a distance of more than 1000 km. Moreover, with government emphasis on coastal shipping and cost synergies provided in the multi-modal offering, we assign a P/E multiple of 15x (vs. 10x earlier) FY19 EPS to arrive at fair price of ₹ 85 for the segment. Subsequently, on an SOTP basis, we arrive at a target price of ₹ 335 and recommend **BUY**.

Exhibit 4: P/E

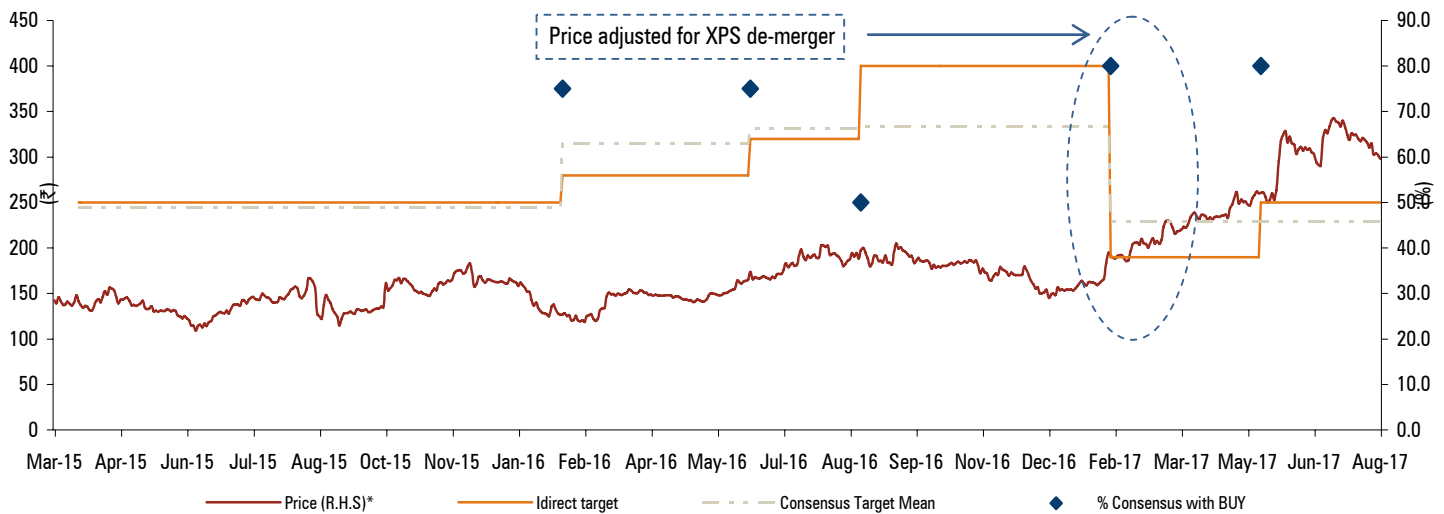


Source: Company, ICICIdirect.com Research

Valuation			
Segment	FY19E EPS (₹)	P/E(x)	Fair Price(₹)
Freight	3.2	15	48
Supply Chain	8.0	25	201
Seaways	5.7	15	85
SOTP			335

Source: Company, ICICIdirect.com Research

Recommendation history vs. Consensus estimate



Source: Bloomberg, Company, ICICIdirect.com Research, * price adjusted for de-merger of Express division

Key events

Date	Event
Aug-08	TCI plans to enter real estate and have pan-India presence
Jan-09	Net profit rises 149% for Q3FY09
Oct-10	Demerger of real estate & warehousing division TCI Developers Ltd
Jun-11	TCI scouts for buys in supply chain business
Jul-11	TCI enters into JV with Concor to provide ocean freight carrier service under the company named Infinite Logistics Solution
May-13	TCI records 24% growth in net profit YoY
Jan-14	Radhakrishna Damani picks up 3.6% stake in TCI
May-14	Strong results (48% YoY growth in net profit) for March 2014 propel further investor interest in the stock
Oct-15	Announces de-merger of express business
Jan-16	Reports Q3FY16 results. Earnings remain muted. EBITDA margins at 8%. Management guidance of 0-5% growth in FY16
May-16	Reports Q4FY16 results. De-merger of XPS expected in August. EBITDA margins stood at 8.8%. Guidance for double digit revenue & PAT growth in FY17

Source: Company, ICICIdirect.com Research

Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S	Position (m)	Change (m)
1	Bhoruka Finance Corporation of India, Ltd.	31-Mar-17	0.21	15.9	0.0
2	Bhoruka International Pvt. Ltd.	24-Apr-17	0.14	10.6	0.0
3	TCI Group	31-Mar-17	0.08	6.4	0.0
4	Agarwal (Dharpal)	31-Mar-17	0.08	5.8	0.0
5	Agarwal (Chander)	31-Mar-17	0.03	2.1	0.0
6	Agarwal (Dharpal) HUF	31-Mar-17	0.03	2.0	0.0
7	Arcee Holding, Ltd.	31-Mar-17	0.03	2.0	0.0
8	IDFC Asset Management Company Private Limited	30-Jun-17	0.03	2.0	0.0
9	Agarwal (Vineet)	31-Mar-17	0.03	2.0	0.0
10	Agarwal (Priyanka)	31-Mar-17	0.03	1.9	0.0

Source: Reuters, ICICIdirect.com Research

Shareholding Pattern

(in %)	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
Promoter	66.1	66.1	66.1	66.1	66.1
FII	2.2	4.9	7.6	7.9	5.4
DII	9.4	9.0	6.2	6.0	8.9
Others	22.4	20.0	20.1	20.1	19.7

Recent Activity

Buys			Sells		
Investor name	Value	Shares	Investor name	Value	Shares
Bang (Sangeet Nirmal)	3.12	0.87	Agarwal (Vineet)	-0.07	-0.02
Canara Robeco Asset Management Company Ltd.	1.33	0.37	Principal PNB Asset Management Company Ltd.	-0.04	-0.02
Bhoruka International Pvt. Ltd.	0.10	0.03	Kumar (Bhaiya Sumit)	-0.05	-0.01
Agarwal (K K)	0.02	0.01	Sethi (Jasjit Singh)	-0.04	-0.01
Mellon Capital Management Corporation	0.01	0.00	Kanagala (Rajkiran Jayaram)	-0.01	0.00

Source: Reuters, ICICIdirect.com Research

Financial summary

Profit and loss statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Revenue	1,727.0	1,942.5	2,228.6	2,557.8	
Growth (%)	-	12.5	14.7	14.8	
Operating expense	1403.41	1581.92	1793.99	2033.43	
Manpower Cost	97.95	106.78	118.11	135.56	
Admin & other expense	96.3	91.8	117.0	134.3	
Total Expense	1,597.6	1,780.5	2,029.1	2,303.3	
EBITDA	129.4	162.0	199.5	254.5	
Growth (%)	-	25.2	23.1	27.6	
Depreciation	52.1	59.2	66.1	73.2	
EBIT	77.3	102.8	133.4	181.3	
Interest	25.1	30.1	29.7	25.2	
Other Income	7.8	12.2	17.0	23.8	
PBT	60.0	84.9	120.8	180.0	
Growth (%)	-	41.5	42.2	49.0	
Tax	15.4	19.1	36.2	54.0	
Reported PAT	44.6	65.8	84.5	126.0	
Growth (%)	-	47.5	28.5	49.0	
Minority Interest	11.9	15.5	17.8	20.4	
Reported PAT	56.5	81.3	102.3	146.4	

Source: Company, ICICIdirect.com Research;

Balance sheet		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Source of Funds					
Equity Capital	15.2	15.3	15.3	15.3	
Preference capital	0.0	0.0	0.0	0.0	
Reserves & Surplus	559.8	631.2	714.4	775.1	
Shareholder's Fund	575.0	646.6	729.8	790.4	
Loan Funds	314.6	379.5	329.5	279.5	
Deferred Tax Liability	32.3	39.5	39.5	39.5	
Minority Interest	4.1	4.3	4.3	4.3	
Source of Funds	926.0	1069.8	1103.0	1113.7	
Application of Funds					
Gross Block	583.6	642.3	680.4	780.1	
Less: Acc. Depreciation	51.2	100.6	166.6	239.8	
Net Block	532.4	541.7	570.7	595.0	
Capital WIP	12.3	56.8	59.7	62.6	
Total Fixed Assets	544.7	598.5	630.3	657.6	
Goodwill on consolidation	0.0	0.0	0.0	0.0	
Non-Current Investments	120.4	156.1	156.3	96.6	
Inventories	1.8	2.5	2.4	2.8	
Debtor	325.3	358.4	366.3	385.4	
Cash	10.5	18.7	36.3	52.0	
Loan & Advance, Other CA	55.9	93.3	103.8	119.1	
Total Current assets	393.5	472.9	508.9	559.4	
Current Liabilities	126.3	152.3	183.2	189.2	
Provisions	6.4	5.3	9.2	10.5	
Total CL and Provisions	132.6	157.6	192.3	199.7	
Net Working Capital	260.9	315.4	316.5	359.7	
Application of Funds	926.0	1,069.8	1,103.0	1,113.7	

Source: Company, ICICIdirect.com Research

Cash flow statement		₹ Crore			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Profit after Tax	44.6	65.8	84.5	126.0	
Add: Depreciation	52.1	59.2	66.1	73.2	
Add: Others	0.0	0.0	0.0	0.0	
Cash Profit	137.2	174.2	216.5	278.3	
Increase/(Decrease) in CL	8.1	45.1	-15.3	-42.6	
(Increase)/Decrease in CA	85.9	-43.1	-4.4	-21.2	
CF from Operating Activities	215.8	157.1	160.6	160.5	
Purchase of Fixed Assets	-98.1	-103.2	-40.9	-102.7	
(Inc)/Dec in Investments	-3.1	-15.6	-0.2	59.8	
Others	-38.4	-100.9	-51.8	-51.8	
CF from Investing Activities	-139.6	-219.7	-92.9	-94.7	
Inc/(Dec) in Loan Funds	35.1	64.9	-50.0	-50.0	
Inc/(Dec) in Sh. Cap. & Res.	-115.7	5.9	0.0	0.0	
Others	0.0	0.0	0.0	0.0	
CF from financing activities	-80.6	70.7	-50.0	-50.0	
Change in cash Eq.	-4.5	8.1	17.6	15.8	
Op. Cash and cash Eq.	15.0	10.5	18.7	36.3	
Cl. Cash and cash Eq.	10.5	18.7	36.3	52.0	

Source: Company, ICICIdirect.com Research

Key ratios		FY16			
(Year-end March)	FY16	FY17	FY18E	FY19E	
Per share data (₹)					
Book Value	75.6	84.4	95.3	103.2	
Cash per share	1.4	2.4	4.7	6.8	
EPS	7.4	10.6	13.4	19.1	
Cash EPS	12.7	16.3	19.6	26.0	
DPS	0.9	1.0	1.0	1.0	
Profitability & Operating Ratios					
EBITDA Margin (%)	7.5	8.3	9.0	10.0	
PAT Margin (%)	2.6	3.4	3.8	4.9	
Fixed Asset Turnover (x)	3.2	3.2	3.5	3.9	
Inventory Turnover (Days)	0.4	0.5	0.4	0.4	
Debtor (Days)	68.8	67.4	60.0	55.0	
Current Liabilities (Days)	28.0	29.6	31.5	28.5	
Return Ratios (%)					
RoE	7.8	10.2	11.6	15.9	
RoCE	9.2	10.7	13.6	18.4	
RoIC	9.0	11.1	15.1	20.7	
Valuation Ratios (x)					
PE	53.7	36.7	28.5	19.2	
Price to Book Value	4.2	3.7	3.3	3.1	
EV/EBITDA	20.1	16.4	13.0	9.9	
EV/Sales	1.5	1.4	1.2	1.0	
Leverage & Solvency Ratios					
Debt to equity (x)	0.5	0.6	0.5	0.4	
Interest Coverage (x)	3.1	3.4	4.5	7.2	
Debt to EBITDA (x)	2.4	2.3	1.7	1.1	
Current Ratio	3.0	3.0	2.6	2.8	
Quick ratio	3.0	3.0	2.6	2.8	

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(₹)			FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
Container Corporation	1,175	1,370	BUY	28,637	43.7	36.9	50.0	27.0	32.0	23.6	18.2	16.2	12.2	9.8	10.5	13.8	9.4	9.2	11.6
Transport Corp (TRACOR)	300	335	BUY	2,298	10.6	13.4	19.1	3.7	3.3	3.1	16.4	13.0	9.9	10.7	13.6	18.4	10.7	13.6	18.4
BlueDart	4,180	5,000	BUY	9,932	60.9	61.3	85.6	70.0	69.5	49.7	29.8	26.6	21.3	32.2	29.9	34.4	32.6	25.6	30.9
Gati Ltd.	120	150	BUY	1,039	3.3	3.8	5.3	36.8	32.6	23.2	13.1	11.9	9.6	9.7	11.1	13.1	5.2	5.7	7.6
Gujarat Pipavav (GPPL)	140	165	HOLD	6,768	5.8	6.0	7.4	16.8	14.8	12.3	10.3	9.1	7.6	19.7	19.6	22.4	13.8	14.2	15.3

Source: Company, ICICIdirect.com Research

RATING RATIONALE

ICICIdirect.com endeavours to provide objective opinions and recommendations. ICICIdirect.com assigns ratings to its stocks according to their notional target price vs. current market price and then categorises them as Strong Buy, Buy, Hold and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Strong Buy: > 15%/20% for large caps/midcaps, respectively, with high conviction;

Buy: > 10%/15% for large caps/midcaps, respectively;

Hold: Up to +/-10%;

Sell: -10% or more;



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICIdirect.com Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

ANALYST CERTIFICATION

We /I, Bharat Chhoda, MBA and Ankit Panchmatia, MBA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, *inter alia*, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with Sebi Registration Number – INH000000990. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that Bharat Chhoda, MBA and Ankit Panchmatia, MBA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

It is confirmed that Bharat Chhoda, MBA and Ankit Panchmatia, MBA Research Analysts do not serve as an officer, director or employee of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.