

Q1FY19 Result Update
Accumulate

Industry	Logistics
CMP (Rs)	316
FY20E Target Price (Rs)	365
52 Week H/L (Rs)	325/248
Volumes (BSE+NSE)*	86,030
Shares O/S (mn)	76.6
Market Cap (Rs bn)	24.2
Free Float (%)	33.9
Bloomberg Code	TRPC IN
Reuters Code	TCIL.NS

* Three Month Daily Average

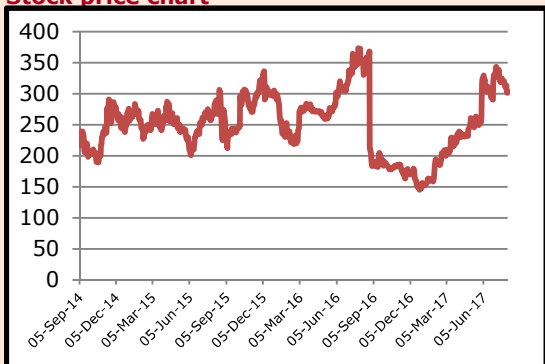
Share Holding Pattern (30/06/2018)

Particulars	Shares (mn)	Holding (%)
Promoters	50.6	66.1
FIIs	1.8	2.3
DIIIs	5.8	7.6
Others	18.4	24.0
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars(Rs mn)	FY18	FY19E	FY20E
Sales	23,461	27,628	32,497
EBITDA	2,127	2,500	3,087
EBITDA Margin	9.1%	9.1%	9.5%
Net Profit	1,244	1,403	1,866
EPS (Rs)	16.2	18.3	24.4
EV/EBITDA (x)	13.2	11.4	9.1
P/E (x)	19.5	17.3	13.0
RoE	17.6%	17.2%	19.7%

Stock price chart


Analyst: Shalini Gupta
 +91- 22- 40287023
 shalini@qsmail.com

Transport Corporation of India (TCIL) reported standalone revenues of Rs 5.8bn, a y-o-y growth of 17.2%. We were expecting 22.5% y-o-y topline growth. We find that y-o-y growth across the divisions has been robust through the last six quarters. The various divisions (standalone) revenues performed as thus :

- Transport division: 14.2% growth y-o-y vs. 15.2% y-o-y growth in Q4FY18
 - Supply Chains Solution division: 19.7% growth y-o-y vs. 32.8% y-o-y growth in Q4FY18
 - Seaways division: 23.1% y-o-y growth vs. 61.0% growth in Q4FY18
- EBITDA margins recorded a 20bps y-o-y decline vs our expectation of 40bps y-o-y improvement. EBIT margins of the various divisions are :
- 50bps increase y-o-y in Transport division to 2.5%
 - 90bps increase y-o-y in the Supply Chain Solutions division to 6.8%
 - 140bps decline y-o-y in Seaways division to 19.1%

Net profit growth was at 60.0% y-o-y to Rs 282mn vs our expectation of 64.3% y-o-y growth. Net profit growth was driven by strong topline and higher other income.

Volumes grew by 14-15% in Q1FY19, rest of the topline growth was a pass-through of diesel prices, which happens with a lag.

Management upbeat on growth

TCIL's areas of strength like autos, FMCG, e-commerce are growing fast. TCIL feels that customers are willing to outsource a higher portion of their business, particularly in the auto space.

Seaways division's growth came off due to high base

The next ship will most likely become operational in Q1FY20.

EBITDA margin declined a bit due to decline in the seaways division margins

The Seaways division faced higher costs because of higher import of spare parts, whose value has gone up due to the appreciating dollar. For FY19, management has guided for an EBITDA margin of 22-23% in this segment.

Higher Other Income during the quarter was due to dividend received from the Joint Ventures, as well as additional rental income from TCI Express.

Capex of Rs 2500mn in FY19

Of this Rs 500mn has already been spent in Q1FY19. For FY19, capex is as : Rs 600mn on hub centres and warehouses, Rs 860mn on trucks & cars, Rs 780mn on ships & containers and Rs 260mn on strengthening the IT backup.

Management Outlook for FY19

- Topline growth to be at 15-20% y-o-y
- PAT growth expected to be at 25-30% y-o-y

Outlook and Valuations

TCIL trades at a P/E of 17.3x and 13.0x FY19E and FY20E earnings respectively. We value TCIL at 15x FY20E EPS. On that basis, we assign a fair price of Rs 365 and recommend an Accumulate rating to TCIL.

Segmental Performance (Standalone)

	Q1FY19	Q1FY18	Y-o-Y Change	Q4FY18	Q-o-Q Change
Revenue (Rs mn)					
Transport	2,783	2,436	14.2%	2,984	-6.7%
Supply Chain Solutions	2,375	1,984	19.7%	2,439	-2.6%
Seaways Division	715	581	23.1%	744	-3.9%
Power Division	23	24	-5.8%	6	312.7%
Unallocable& Corporate	66	9	619.8%	28	133.1%
Less: Intersegment Revenues	64	56	14.4%	56	14.2%
Less: Other Income	82	16	418.2%	93	-10.9%
Total	5,815	4,962	17.2%	6,053	-3.9%
PBT (Rs mn)					
Transport	70	49	42.1%	100	-30.4%
Supply Chain Solutions	162	118	37.9%	190	-14.6%
Seaways Division	136	119	14.7%	229	-40.5%
Power Division	14	15	-6.6%	-1	-1184.6%
Less : Interest	70	84	-13.1%	68	3.4%
Less: Unallocable Expense	21	8	145.2%	11	94.3%
Add: Unallocable Income	-66	-9	619.8%	-28	133.9%
Total	357	223	60.4%	467	-23.5%
EBIT Margins					
Transport	2.5%	2.0%	+50 bps	3.3%	-80 bps
Supply Chain Solutions	6.8%	5.9%	+90 bps	7.8%	-100 bps
Seaways Division	19.1%	20.5%	-140bps	30.8%	-1170bps

Quarterly Financials -Standalone

	Q1FY19	Q1FY18	Y-o-Y Change	Q4FY18	Q-o-Q Change
Operating income	5,815	4,962	17.2%	6,053	-3.9%
Less: Expenditures					
Operating cost	4,715	3,981	18.4%	4,833	-2.4%
Staff costs	333	287	16.3%	330	0.8%
Other operating costs	254	247	3.0%	285	-10.6%
EBITDA	513	448	14.6%	605	-15.1%
EBITDA margin	8.8%	9.0%	-20 bps	10.0%	-120 bps
Other income	82	16	418.2%	93	-10.9%
Depreciation	168	160	5.0%	162	3.8%
EBIT	428	304	40.8%	535	-20.1%
Interest	70	81	-13.1%	68	3.4%
Profit before tax	357	223	60.4%	467	-23.5%
Tax	75	47	61.9%	101	-25.1%
Profit after tax	282	176	60.0%	367	-23.1%
EPS (Rs)	3.7	2.3	60.0%	4.8	-23.1%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Income from operations	17,270	19,427	23,461	27,628	32,497
<i>Growth y-o-y</i>	-28.5%	12.5%	20.8%	17.8%	17.6%
Less: Expenditures					
Operating costs	14,034	15,821	19,068	22,158	25,835
Staff costs	980	1,068	1,245	1,658	1,950
Other operating & admin costs	974	931	1,021	1,312	1,625
EBITDA	1,283	1,607	2,127	2,500	3,087
<i>EBITDA Margin</i>	7.4%	8.3%	9.1%	9.1%	9.5%
Other income	78	122	182	221	260
Depreciation	521	592	687	858	942
EBIT	840	1,137	1,623	1,863	2,405
Interest	239	288	322	391	414
Share in Net Profit of JV	119	155	224	250	300
Profit before tax	719	1,004	1,525	1,722	2,291
Tax	154	191	287	327	435
Profit after tax	565	813	1,238	1,395	1,856
Minority interest	4	6	6	8	10
Adjusted net profit	561	807	1,244	1,403	1,866
<i>Growth y-o-y</i>	-31.0%	43.8%	54.2	12.7	33.0
EPS (Rs)	7.4	10.5	16.2	18.3	24.4

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Share capital	152	153	153	153	153
Reserves and surplus	5,618	6,338	7,465	8,553	10,046
Shareholders' funds	4,540	6,491	7,618	8,706	10,199
Borrowed funds	2,746	3,795	3,953	4,453	4,453
Minority interest	39	43	47	47	47
Deferred tax liability (Net)	299	395	445	445	445
Total Liabilities	7,621	10,724	12,062	13,651	15,143
Net fixed assets	4,810	5,894	6,821	8,267	8,575
Goodwill on consolidation	0	0	0	0	0
Investments	779	899	1,358	950	950
Current assets, loans & advances	4,388	5,526	5,799	6,693	8,276
Less: Current liabilities & provisions	1,336	1,595	1,915	2,260	2,658
Net current assets	2,031	3,931	3,883	4,433	5,618
Total Assets	7,621	10,724	12,062	13,651	15,143

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Profit before tax and appropriations	719	1,004	1,525	1,973	2,661
Adjustments for	0	0	0	0	0
Depreciation	521	592	687	858	942
Change in WC	2,843	267	2,533	1,935	2,369
Others	-2,078	-980	-2,498	-2,559	-3,279
CF from operations	2,005	882	2,247	2,208	2,692
Capex	932	-950	-1,440	-2,500	-1,250
Change in investments	-707	-120	-144	313	0
Others	47	-562	-545	0	0
CF from investing	272	-1,632	-2,129	-2,187	-1,250
Change in equity	1	1	0	0	0
Change in debt	310	649	158	500	0
Dividend and others	-2,892	172	671	-712	-847
CF from investing	-2,581	823	828	-212	-847
Net change in cash	-304	73	945	-191	595
Opening cash balance	421	117	190	1,135	944
Closing cash balance	117	190	1,135	944	1,539

Key Ratios (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Profitability					
ROE	9.6%	13.2%	17.6%	17.2%	19.7%
ROCE	9.1%	11.4%	14.2%	14.5%	16.7%
Margins					
EBITDA	7.4%	8.3%	9.1%	9.1%	9.5%
Net Profit	5.0%	4.2%	5.3%	5.1%	5.7%
Leverage and Coverage					
Interest Coverage	28.5%	25.3%	19.8%	21.0%	17.2%
Debt/Equity	0.5	0.6	0.5	0.5	0.4
Per Share					
EPS (Rs)	7.3	10.5	16.2	18.3	24.4
Book Value Per Share (Rs)	75.3	84.7	99.4	113.7	133.1
Valuation					
P/E	43.1	30.0	19.5	17.3	13.0
P/BV	4.2	3.7	3.2	2.8	2.4
EV/Sales	1.6	1.4	1.2	1.0	0.9
EV/EBITDA	21.2	17.3	13.2	11.4	9.1

Notes :

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