

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR283
Target Price	: INR385
Potential Return	: 36%

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Market data

Sensex	:	34,006
Sector	:	Transport
Market Cap (INRbn)	:	21.6
Market Cap (USDbn)	:	0.337
O/S Shares (m)	:	76.6
52-wk HI/LO (INR)	:	350/181
Avg Daily Vol ('000)	:	58
Bloomberg	:	TRPC IN

Source: Bloomberg

Valuation

	FY18e	FY19e	FY20e
EPS (INR)	13.8	16.6	21.3
P/E	20.6	17.1	13.3
P/BV	2.9	2.5	2.1
EV/EBITDA	12.9	10.8	8.7
Dividend Yield (%)	0.4	0.4	0.4

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(4)	(0)	1	50
Relative	(3)	(3)	(5)	25

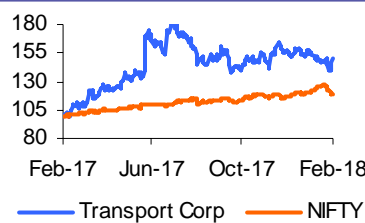
Source: Company, Antique

Shareholding pattern

Promoters	:	66%
Public	:	34%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg, Indexed to 100

3QFY18 RESULT REVIEW

Transport Corporation of India Ltd.

Another blockbuster quarter

Transport Corporation of India Ltd. (TCIL) registered yet another robust quarter with topline growth of 24%YoY, driven by 16%/26%/66% YoY growth in Freight/Supply Chain/Seaways segments respectively. Headline growth was largely led by the volume growth across all segments, while there was some contribution of pricing growth (in relation to recent diesel price increase). Growth has been driven by higher business from existing customers and market share gains. Higher topline, a 100bps YoY improvement in margin and higher other income drove EBITDA/PAT growth of 40%/65% YoY respectively. Management highlighted that the government announcement on granting infrastructure status to logistic industry and implementation of E-way bill are long-term positive steps towards making logistic industry into a formal economy. We expect improvement in freight business RoCE, besides business mix change also driving improvement for consolidated margin and ROCE. Over the past years, the company has delivered steady financial performance and diversified its presence from plain road freight service operations to higher end segments like Supply Chain Solutions (SCS), 3PL, multimodal movement and express distribution (demerged). We have upgraded our estimates by 7%/4% to reflect better than expected revenue/margin performance. We rollover to FY20 valuations and value the stock at price target of INR 385 based on 18x FY20 EPS. We believe the stock is attractively priced (relative to peers) at the current valuation of 17x FY19E/13x FY20E EPS. BUY.

Robust quarter with topline growth of 24% YoY

Amid the uncertainties related to GST and E-way bill rollout, TCIL registered yet another robust quarter with topline/EBITDA/ PAT growth of 24%/40%/65% YoY. EBITDA margin improved 110bps YoY to 9.5% (vs. 9.6% QoQ), driving EBITDA growth of 40% YoY. Topline grew 24% YoY, driven by 16%/26%/66% YoY growth in Freight/Supply Chain/Seaways segment - highest quarterly growth in recent past across all the three segments. Management indicated that growth was fueled by continuous focus on value growth verticals like Retail, Auto, Pharma, etc. through its service segments like large-scale warehousing, multimodal rail, and coastal solutions. Lower tax rate (18.6% vs. estimate of 21%) and higher-than-expected other income boosted PAT to INR279m (Antique estimate: INR182m), higher by 65% YoY. TCIL has incurred capex of INR500-600m in 9MFY18 versus full year estimated capex of INR1.1-1.2bn. The company is amid finalizing a new ship costing INR500-600m, which might overflow to next year's capex.

Segment-wise performance:

- SCS segment: Segment registered a robust growth of 26% YoY during Q3 versus 21% YoY reported in Q2FY18. The company continues to have major dependence on the Auto sector. Despite the strong growth, there was a sharp moderation QoQ in capital employed in the segment. The decline in capital employed in the segment partly reflects adverse impact on working capital in relation to GST in Q2FY18 from delayed billing by the customers - which tapered off during current quarter. PBIT margin stood at 5.9% during Q3 vs. 5.2% YoY (6.7% QoQ).
- Freight division: This segment's growth rebounded strongly to ~16% YoY in Q3 versus 4% YoY growth registered in previous quarter. The revenue growth was attributable to a mix of volume growth and price increase in relation to the recent diesel price increases. Growth has been driven by higher business from existing customers and markets share gains. Further, the JV with Concor in Multimodal operations (not a part of standalone financials) continued to remain strong in Q3FY18. The segment registered best quarterly PBIT margin in five years at 3.2% (vs. 2.1% YoY/3.1% QoQ).
- Seaways division: Segment registered a robust growth of 66% YoY, benefiting from increased utilization of the newly-added ship. Seaways margin improved back to 22% vs. 17% QoQ (23.2% YoY). Margin in shipping segment improved on account of decline in GST rate on fuel.

Quarterly performance

Actual vs estimated performance

(INRm)	Actual	Estimated	Var (%)	Consensus	Var (%)
Net sales	5,553	5,172	7.4	5,105	8.8
EBITDA	526	455	15.6	472	11.5
EBITDA margin (%)	9.5	8.8	68bps	9.2	23bps
Adj net income	279	182	53.5	206	35.5
FDEPS (Rs)	3.6	2.4	53.5	2.7	35.5

Source: Company, Antique

Quarterly snapshot

(INRm)	3QFY18	3QFY17	YoY (%)	2QFY18	QoQ (%)
Net sales	5,553	4,467	24.3	5,203	6.7
Expenditure	5,027	4,092	22.9	4,703	6.9
EBITDA	526	376	40.1	500	5.2
Other income	72	52	39.5	71	1.4
Interest	79	68	16.4	74	6.8
Depreciation	176	152	15.8	175	0.8
PBT	343	207	65.5	322	6.4
Tax	64	38	67.3	67	(5.1)
PAT	279	169	65.1	255	9.4
EBITDA margin (%)	9.5	8.4	107bps	9.6	-14bps
EPS (INR)	3.6	2.2	65.1	3.3	9.4

Source: Company, Antique

Sales mix (INR mn)

	3QFY18	3QFY17	YoY (%)	2QFY18	QoQ (%)
Freight Division	2,586	2,237	15.6	2,305	12.2
Supply Chain Solutions Division	2,364	1,876	26.0	2,339	1.1
Seaways division	661	398	66.0	579	14.1
Energy Division	7	9	(22.8)	32	(77.5)
Unallocable & Corporate	62	48	28.6	63	(1.4)
Less Inter Segment Revenue	54	48	11.0	43	25.5
Total Sales	5,625	4,519	24.5	5,274	6.7

Source: Company, Antique

PBIT Margin %

	3QFY18	3QFY17	YoY (%)	2QFY18	QoQ (%)
Freight	3.2	2.1	112bps	3.1	16bps
Supply Chain Solutions	5.9	5.2	70bps	6.7	-77bps
Seaways	22.0	23.2	-122bps	17.0	498bps

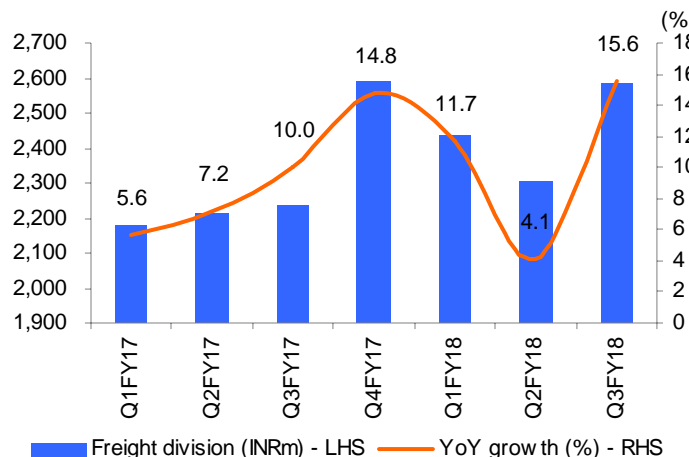
Source: Company, Antique

Change in estimates

Key parameters	FY18E			FY19E			FY20E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	22,388	22,901	2.3	26,061	26,664	2.3	-	31,562	-
EBITDA (Rs mn)	1,930	2,024	4.9	2,318	2,414	4.1	-	2,961	-
EBITDA margin (%)	8.6	8.8	22bps	8.9	9.1	16bps	-	9.4	-
Net profit (Rs mn)	984	1,054	7.1	1,223	1,270	3.9	-	1,634	-
EPS (Rs)	12.8	13.8	7.1	16.0	16.6	3.9	-	21.3	-

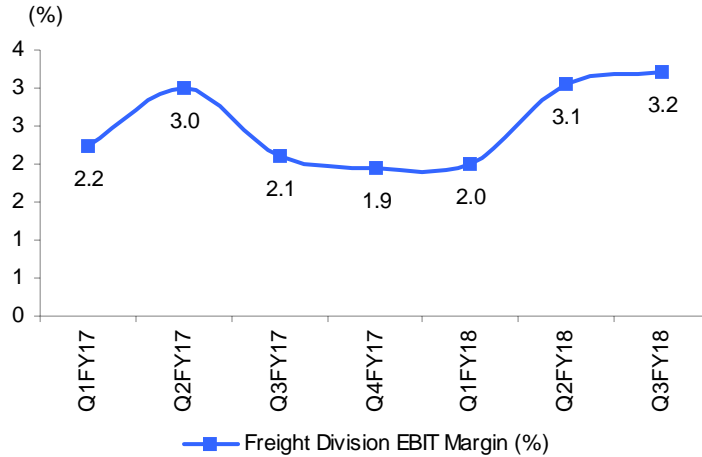
Source: Company, Antique

Freight division sales and growth trend



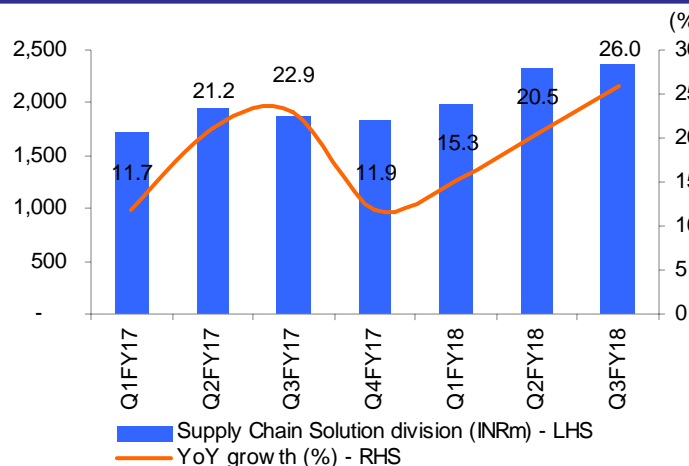
Source: Company, Antique

Freight division EBIT margin trend



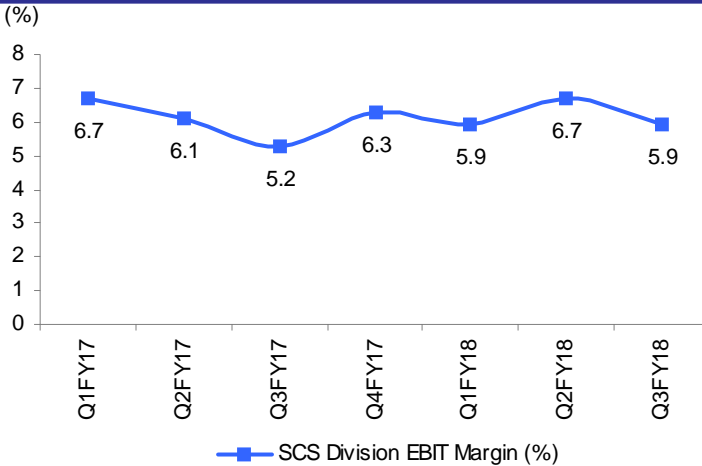
Source: Company, Antique

SCS division sales and growth trend



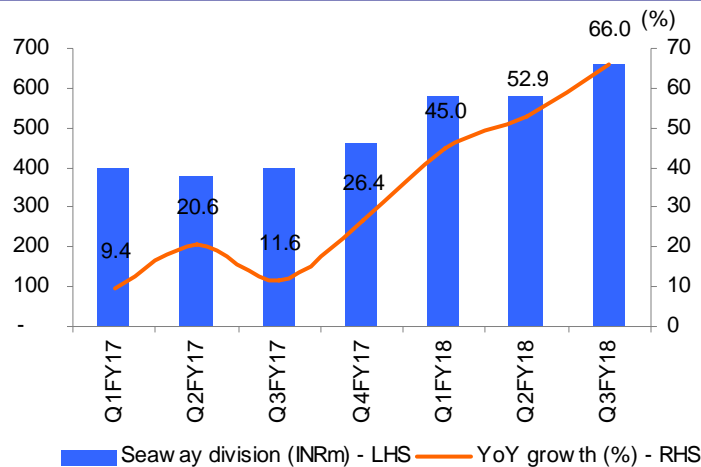
Source: Company, Antique

SCS division EBIT margin trend



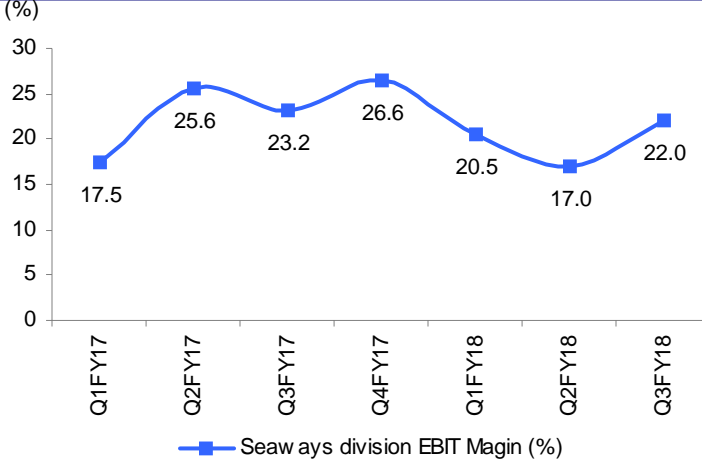
Source: Company, Antique

Seaway division sales and growth trend



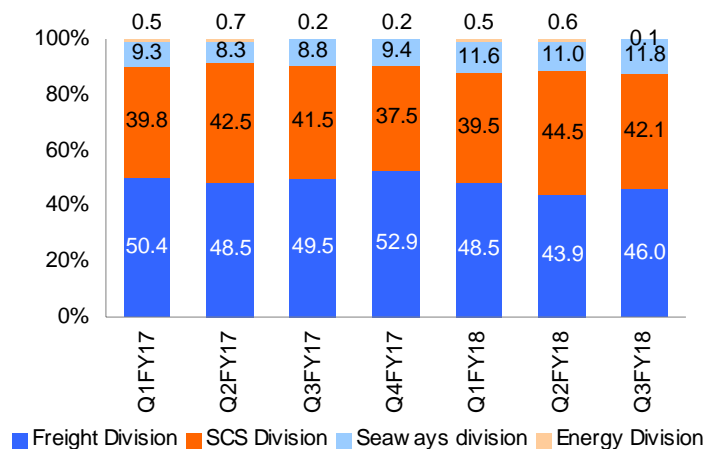
Source: Company, Antique

Seaway division EBIT margin trend



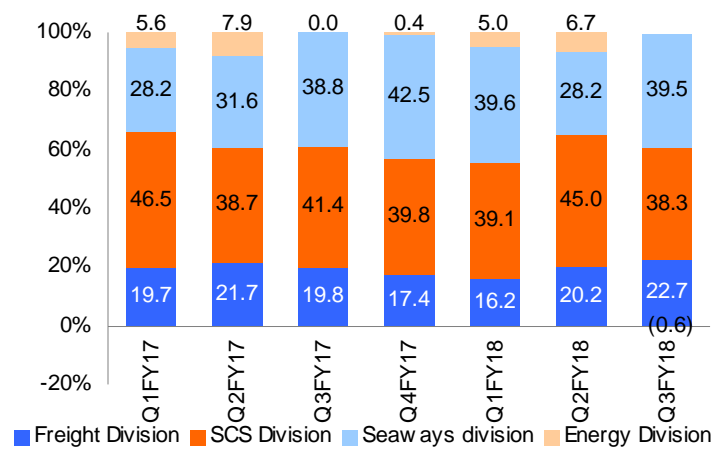
Source: Company, Antique

Sales Mix (%)



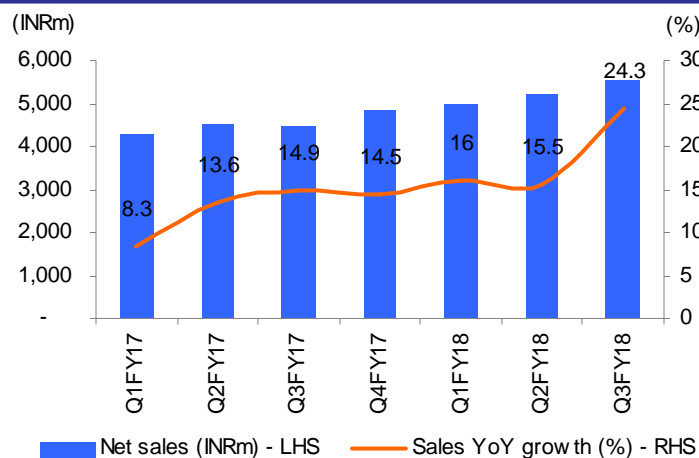
Source: Company, Antique

EBIT Mix (%)



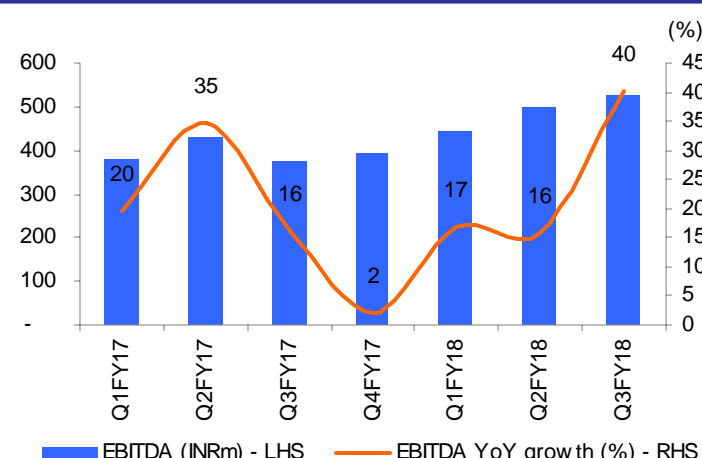
Source: Company, Antique

Total sales and sales growth trend



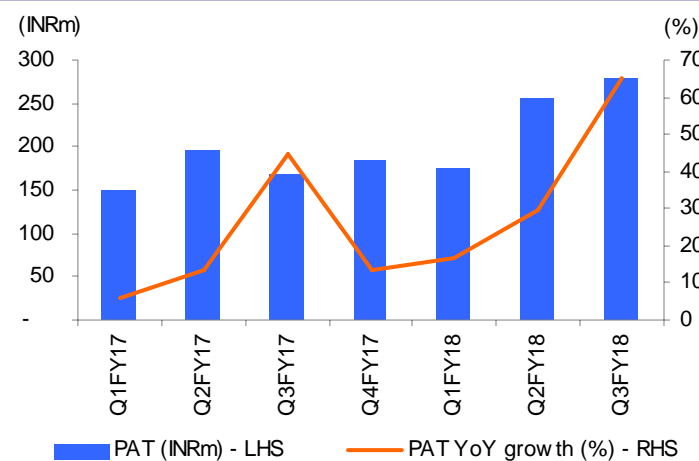
Source: Company, Antique

EBITDA and EBITDA growth trend



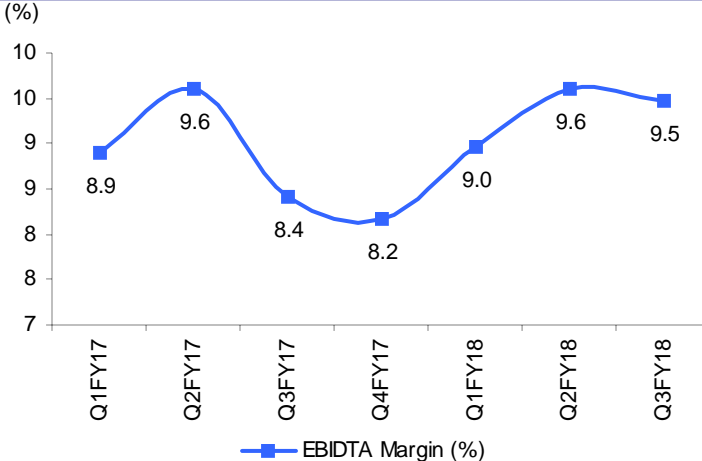
Source: Company, Antique

PAT and PAT growth trend



Source: Company, Antique

EBITDA margin trend



Source: Company, Antique

Financials (Consolidated)

Profit and loss account (INRm)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
Net Revenue	17,270	19,425	22,901	26,664	31,562
Op. Expenses	15,976	17,805	20,877	24,250	28,601
EBITDA	1,294	1,620	2,024	2,414	2,961
Depreciation	521	592	707	833	939
EBIT	773	1,028	1,317	1,581	2,022
Other income	78	122	152	160	166
Interest Exp.	250	301	335	361	380
Reported PBT	601	849	1,135	1,380	1,808
Tax	154	191	255	308	396
Reported PAT	447	658	879	1,072	1,412
Minority Int./Profit (loss) From Asso.	119	155	175	197	221
Net Profit	565	813	1,054	1,270	1,634
Adjusted PAT	565	813	1,054	1,270	1,634
Adjusted EPS (INR)	7.4	10.6	13.8	16.6	21.3

Balance sheet (INRm)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
Share Capital	152	153	153	153	153
Reserves & Surplus	5,598	6,312	7,268	8,439	9,974
Networth	5,750	6,466	7,421	8,592	10,127
Debt	3,542	4,213	4,713	4,913	5,213
Minority Interest	39	43	43	43	43
Net deferred Tax liabilities	323	395	395	395	395
Capital Employed	9,654	11,116	12,571	13,942	15,777
Net Fixed Assets	5,447	5,985	6,378	6,545	6,606
Goodwill	-	-	-	-	-
Investments	760	866	1,041	1,239	1,460
Non Current Investments	760	866	1,041	1,239	1,460
Current Assets, Loans & Adv.	4,377	5,443	6,360	7,534	9,303
Inventory	18	25	25	25	25
Debtors	3,253	3,584	4,078	4,748	5,621
Cash & Bank balance	105	187	583	1,056	1,919
Loans & advances and others	1,001	1,647	1,674	1,704	1,738
Current Liabilities & Prov.	930	1,179	1,208	1,375	1,591
Liabilities	867	1,126	1,155	1,322	1,538
Provisions	64	53	53	53	53
Net Current Assets	3,447	4,264	5,152	6,158	7,711
Application of Funds	9,654	11,116	12,571	13,942	15,777

Per share data

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
No. of shares (m)	77	77	77	77	77
Diluted no. of shares (m)	77	77	77	77	77
BVPS (INR)	75.1	84.4	96.9	112.2	132.2
CEPS (INR)	12.6	16.3	20.7	24.9	30.7
DPS (INR)	1.5	1.1	1.1	1.1	1.1

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
PBT	1,164	1,004	1,309	1,577	2,029
Depreciation & amortisation	521	592	707	833	939
Interest expense	250	301	335	361	380
(Inc)/Dec in working capital	(502)	(10)	(491)	(533)	(691)
Tax paid	(318)	(285)	(255)	(308)	(396)
Less: Interest/Divi. Income Received	(16)	(16)	(152)	(160)	(166)
Other operating Cash Flow	(13)	(1)	-	-	-
CF from operating activities	1,087	1,585	1,453	1,770	2,096
Capital expenditure	(1,035)	(1,153)	(1,100)	(1,000)	(1,000)
Inc/(Dec) in investments	7	(656)	(175)	(197)	(221)
Add: Interest/Div. Income Received	14	12	152	160	166
CF from investing activities	(1,013)	(1,797)	(1,123)	(1,038)	(1,055)
Inc/(Dec) in share capital	16	25	-	-	-
Inc/(Dec) in debt	351	649	500	200	300
Dividend Paid	(485)	(406)	(433)	(460)	(478)
Others	-	25	-	-	-
CF from financing activities	(118)	294	67	(260)	(178)
Net cash flow	(44)	81	397	473	863
Opening balance	150	105	187	583	1,056
Closing balance	105	187	583	1,056	1,919

Growth indicators (%)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
Revenue(%)	-1.8	12.5	17.9	16.4	18.4
EBITDA(%)	-8.5	25.2	24.9	19.2	22.7
Adj PAT(%)	2.7	43.8	29.7	20.5	28.7
Adj EPS(%)	2.7	43.8	29.7	20.5	28.7

Valuation (x)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
P/E	38.3	26.7	20.6	17.1	13.3
P/BV	3.8	3.4	2.9	2.5	2.1
EV/EBITDA	19.4	15.9	12.9	10.8	8.7
EV/Sales	1.5	1.3	1.1	1.0	0.8
Dividend Yield (%)	0.5	0.4	0.4	0.4	0.4

Financial ratios

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
RoE (%)	9.3	13.3	15.2	15.9	17.5
RoCE (%)	8.7	11.1	12.4	13.1	14.7
Asset/T.O (x)	1.9	2.0	2.1	2.2	2.3
Net Debt/Equity (x)	0.60	0.62	0.56	0.45	0.33
EBIT/Interest (x)	3.4	3.8	4.4	4.8	5.8

Margins (%)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
EBITDA Margin(%)	7.5	8.3	8.8	9.1	9.4
EBIT Margin(%)	4.5	5.3	5.8	5.9	6.4
PAT Margin(%)	3.3	4.2	4.6	4.8	5.2

Source: Company Antique

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