

Q3FY17 Result Update

Accumulate

Industry	Logistics
CMP (Rs)	184
FY18E Target Price (Rs)	205
52 Week H/L (Rs)	225/120
Volumes (BSE+NSE)*	86,030
Shares O/S (mn)	76.6
Market Cap (Rs bn)	12.8
Free Float (%)	33.9
Bloomberg Code	TRPC IN
Reuters Code	TCIL.NS

* Three Month Average

Share Holding Pattern (30/12/2016)

Particulars	Shares (mn)	Holding (%)
Promoters	50.6	66.1
FII's	1.7	2.2
DII's	4.8	6.2
Others	19.5	25.5
Total	76.6	100.0

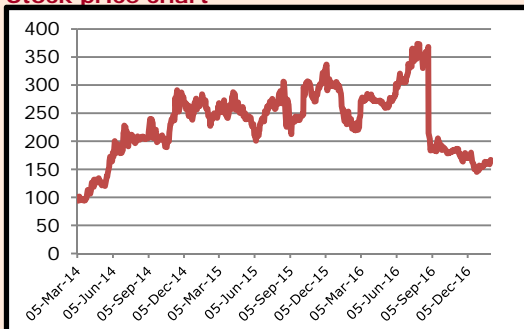
Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY16	FY17E	FY18E
Sales	18,621	21,064	24,025
EBITDA	1,315	1,664	2,018
EBITDA Margin	7.1%	7.9%	8.4%
Net Profit excl XPS Division*	560	733	1047
Reported Net Profit	816	733	1,047
EPS (Rs)*	7.3	9.6	13.7
EV/EBITDA (x)*	12.9	10.1	7.5
P/E (x)*	25.2	19.2	13.5
RoE*	10.1%	13.0%	14.5%

*FY16 numbers have been recast to exclude XPS division

Stock price chart



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Transport Corporation of India's (TCIL) reported standalone revenues of Rs 4.46bn, a y-o-y growth of 14.9% (after adjusting for the revenue loss of XPS division). We find that growth across key divisions of Freight and Supply Chain Solutions has accelerated during the quarter. The various divisions (standalone) performed thus :

- Transport division : 10.0% growth y-o-y vs. 7.2% y-o-y growth in Q2FY17
- Supply Chains Solution division : 24.7% growth y-o-y vs. 21.2% y-o-y growth in Q2FY17
- Seaways division : 12.8% y-o-y growth vs. 20.6% growth in Q2FY17

EBITDA margins have been flat y-o-y. EBIT margin of the various divisions is as under:

- 40 bps improvement y-o-y in Transport division to 2.1%
- 60 bps decline y-o-y in the Supply Chain Solutions division to 5.2%
- 300 bps decline y-o-y in Seaways division to 23.2%

Net profit growth was 44.7% to Rs 169mn, after adjusting for revenue loss of XPS Division.

Improvement in demand environment visible across divisions

- Growth in transport division has accelerated from 5.6% in Q1FY17 to 10% in Q3FY17
- Growth in supply chain solutions division has accelerated from 11.7% in Q1FY17 to 24.7% in Q3FY17
- Growth in seaways division has accelerated from 9.4% in Q1FY17 to 12.8% in Q3FY17

We believe revenue and EBITDA margin guidance will be exceeded for FY17

Overall topline growth guidance was of 10-12%. We estimate topline growth will be 13% y-o-y (excluding the demerged XPS division). EBITDA margin guidance was of at least flattish growth. We estimate that there will be a 80 bps improvement in EBITDA margins.

Growth in Supply Chain driven by good demand across autos

The total automobile industry grew by 10.63% April-November 2016. December was a washout due to demonetisation.

ROCE of at least 15% 2-3 years down the line is a management expectation

Capex of Rs Rs 1.2-1.5bn per year at least for the next 10 years

The management is confident of maintaining D/E equity ratio at less than 1 going forward also. Capex this year will be ~Rs 1.4 bn to be used for purchase of 1 ship and a few trucks.

Outlook and Valuations

TCI XPS division (express cargo) has already got demerged and is already listed as a separate entity. TCIL trades at a P/E of 19.2 and 13.5 FY17E and FY18E earnings respectively. We value TCIL at 15x FY18E EPS. On that basis, we assign a fair price of Rs 205 to TCIL. We therefore recommend an Accumulate rating.

Segmental Performance (Standalone)

Particulars (Rs mn)	Q3FY17	Q3FY16	Y-o-Y change	Q2FY17	Q-o-Q change	9MFY17	9MFY16	Y-o-Y change
Revenue (Rs mn)								
Transport	2,237	2,034	10.0%	2,181	2.5%	6633	6164	7.6%
XPS*	NA	1,668	NA	NA	NA	NA	4853	NA
Supply Chain Solutions	1,876	1,505	24.7%	1,721	9.0%	5538	4647	19.2%
Seaways Division	398	353	12.8%	400	-0.6%	1177	1033	14.0%
Total	4,510	5,559	-18.9%	4,303	4.8%	13,347	16,696	-20.1%
EBIT (Rs mn)								
Transport	47	34	37.0%	49	-3.7%	162.30	113.60	42.9%
XPS*	NA	121	NA	NA	NA	NA	335.10	NA
Supply Chain Solutions	98	87	13.1%	115	-14.7%	332.40	267.50	24.3%
Seaways Division	92	92	-0.1%	70	31.7%	259.00	208.70	24.1%
Total	238	335	-29.0%	234	1.5%	754	925	-18.5%
EBIT Margins								
Transport	2.1%	1.7%	+40 bps	2.2%	-10 bps	2.4%	1.8%	+60 bps
XPS*	NA	7.3%	NA	NA	NA	NA	6.9%	NA
Supply Chain Solutions	5.2%	5.8%	-60 bps	6.7%	-150 bps	6.0%	5.8%	+20 bps
Seaways Division	23.2%	26.2%	-300bps	17.5%	+570bps	22.0%	20.2%	+180bps

Note : * XPS division has been demerged as on 14 June, 2016, effective from 31 March, 2016

Q3FY17 Results Highlights (Standalone)

Particulars (Rs mn)	Q3FY17	Q3FY16	Y-o-Y change	Q2FY17	Q-o-Q change	9MFY17	9MFY16	Y-o-Y change
Operating income	4,467	3,887	14.9%	4,504	-0.8%	13,246	11,800	12.2%
Less: Expenditures								
Operating cost	3,623	3,110	16.5%	3,590	0.9%	10,638	9,475	12.3%
Staff costs	253	258	-2.2%	251	0.7%	755	721	4.8%
Other operating costs	216	195	10.8%	231	-6.7%	664	642	3.4%
EBITDA	376	324	16.0%	433	-13.1%	1,189	963	23.4%
EBITDA margin	8.4%	8.3%	+8 bps	9.60%	-119 bps	9.0%	8.2%	+80 bps
Other income	52	1	7285.7%	19	176.5%	94	106	-11.4%
Depreciation	152	123	23.5%	137	11.2%	430	360	19.3%
EBIT	275	201	36.7%	314	-12.4%	853	708	20.4%
Interest	68	58	17.1%	68	-0.7%	211	172	22.4%
Profit before tax	207	143	44.7%	246	-15.7%	642	536	19.7%
Tax	38	26	44.7%	49	-21.6%	125	103	21.2%
Profit after tax	169	117	44.7%	197	-14.2%	517	434	19.4%
PAT from XPS Division	0	90	NA	0	NA	0	217	NA
Reported net profit	169	207	-18.4%	197	-14.2%	517	651	-20.5%
EPS (Rs)	2.2	2.7	-18.4%	2.6	-14.2%	6.8	8.5	-20.5%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Income from operations	22,265	24,167	18,621	21,064	24,025
<i>Growth</i>	4.4%	8.5%	-22.9%	13.1%	14.1%
Less: Expenditures					
Operating costs	18,070	19,477	15,258	16,830	19,099
Staff costs	1,172	1,305	931	1,285	1,465
Other operating & admin costs	1,343	1,454	1,117	1,285	1,441
EBITDA	1,681	1,931	1,315	1,664	2,018
<i>EBITDA Margin</i>	7.5%	8.0%	7.1%	7.9%	8.4%
Other income	91	91	77	63	72
Depreciation	468	545	437	505	511
EBIT	1,304	1,477	955	1,223	1,579
Interest	311	333	257	280	234
Profit before tax	993	1,144	698	942	1,345
Tax	275	326	134	207	296
Profit after tax	718	818	564	735	1,049
Extraordinary item	-2	-2	0	0	0
Minority interest	-1	-2	-4	-2	-2
Adjusted net profit	716	815	560	733	1,047
<i>Growth</i>	3%	13.9	-31.3	30.9	42.8
Profit from demerged XPS division	0	0	256	0	0
Reported Net Profit	716	815	816	733	1,047
<i>Growth</i>	3.0%	13.6%	0.3%	-10.1%	42.8%
EPS (Rs)	9.4	10.7	7.3	9.6	13.7

Note : FY16 EPS is without the XPS Division

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Share capital	146	151	152	152	152
Reserves and surplus	4,638	5,936	4,857	6,092	8,065
Shareholders' funds	4,784	6,087	3,779	6,244	8,217
Borrowed funds	2,895	2,836	2,764	3,264	1,764
Minority interest	31	35	39	37	35
Deferred tax liability (Net)	332	293	282	306	306
Total Liabilities	8,042	9,251	6,864	9,851	10,322
Net fixed assets	4,354	5,137	4,348	5,730	5,344
Goodwill on consolidation	2	2	2	2	2
Investments	80	72	72	72	72
Current assets, loans & advances	5,445	6,045	4,977	5,727	6,766
Less: Current liabilities & provisions	1,838	2,005	1,515	1,680	1,862
Net current assets	3,606	4,039	2,442	4,047	4,904
Total Assets	8,042	9,251	6,864	9,851	10,322

FY16 numbers adjusted to exclude XPS Division

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Profit before tax and appropriations	993	1,142	698	942	1,345
Adjustments for	0	0	0	0	0
Depreciation	468	545	437	505	511
Change in WC	1,433	1,139	2,380	845	981
Others	-1,567	-1,572	-1,765	-1,215	-1,598
CF from operations	1,327	1,254	1,750	1,077	1,240
Capex	-676	-1,329	932	-1,250	-125
Change in investments	-63	8	0	0	0
Others	0	-123	-139	49	0
CF from investing	-740	-1,444	793	-1,201	-125
Change in equity	0	598	1	0	0
Change in debt	-199	-59	328	100	-1,500
Dividend and others	-513	-356	-2,952	170	689
CF from investing	-711	183	-2,624	270	-811
Net change in cash	-124	-7	-81	146	303
Opening cash balance	552	428	421	340	486
Closing cash balance	428	421	340	486	789

Key Ratios (Consolidated)

Y/E March	FY14	FY15	FY16	FY17E	FY18E
Profitability					
ROE*	15.9%	15.0%	10.1%	13.0%	14.5%
ROCE*	16.6%	17.1%	10.7%	13.3%	15.7%
Margins					
EBITDA*	7.5%	8.0%	7.1%	7.9%	8.4%
Net Profit*	3.2%	3.4%	4.4%	3.5%	4.4%
Leverage and Coverage					
Interest Coverage*	23.9%	22.6%	26.9%	22.9%	14.8%
Debt/Equity*	0.6	0.5	0.6	0.5	0.2
Per Share					
EPS (Rs)*	9.3	10.6	7.3	9.6	13.7
Book Value Per Share (Rs)*	62.5	79.5	65.4	81.5	107.3
Valuation					
P/E*	19.7	17.3	25.2	19.2	13.5
P/BV*	2.9	2.3	2.8	2.3	1.7
EV/Sales*	0.7	0.7	0.9	0.8	0.6
EV/EBITDA*	9.9	8.5	12.9	10.1	7.5

*FY16 numbers adjusted for the demerged XPS division

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