BUY
TP: Rs 365 | ⮝ 26%

TRANSPORT CORP OF INDIA

| Logistics | 14 March 2019

Scaling up the value chain – initiate with BUY

Transport Corporation of India (TRPC), a leading multi-modal logistics company, is witnessing secular growth across segments and improvement in business mix with a rising share of the high-margin supply chain, seaways and LTL businesses. This has driven a strong EBITDA/EPS CAGR of 28%/48% over FY16-FY18; the outlook over FY19-FY21 remains healthy at 17%/16% CAGR as we expect these trends to sustain. We initiate coverage with BUY and a Mar'20 SOTP-based target price of Rs 365, implying 26% upside.

Sayan Das Sharma
+91 22 6138 9381
sayan.sharma@bobcaps.in

Rohan Korde
+91 22 6138 9317
rohan.korde@bobcaps.in

Moving up the value chain: A growing revenue share of higher margin segments – supply chain (+200bps), seaways (+300bps) and LTL in freight – has helped TRPC move up the logistics value chain, translating into 160bps EBITDA margin expansion over FY16-FY18. We expect the business mix to improve further driven by the supply chain and LTL businesses, catalysing a sustained uptrend in EBITDA margin/ROCE profile (+60bps/130bps over FY19-FY21).

Industry tailwinds to boost supply chain/3PL segment: Leveraging its early-mover advantage, TRPC has established strong credentials in the domestic 3PL industry, especially in the auto vertical. Robust long-term industry prospects (17-18% CAGR) coupled with established positioning bodes well for the company – we build in a 15%/20% CAGR in segmental revenue/EBITDA over FY19-FY21.

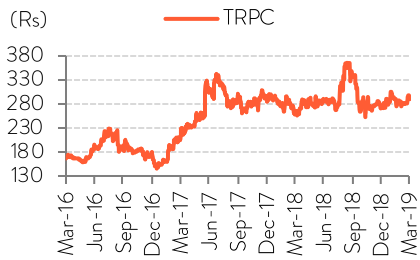
LTL uptick positive for freight segment: The rising LTL share is a major positive due to its >2x margin advantage over FTL and lower receivable days. We expect this to steer a 13%/16% revenue/EBITDA CAGR in freight over FY19-FY21.

Initiate with BUY: Our SOTP valuation comprises target FY21E EV/EBITDA multiples of 6x/10x/7x for the freight/supply chain/seaways businesses, yielding a Mar'20 TP of Rs 365 – an implied one-year forward P/E of 14x.

Ticker/Price	TRPC IN/Rs 291
Market cap	US$ 320.1mn
Shares o/s	77mn
3M ADV	US$ 0.1mn
52wk high/low	Rs 330/Rs 260
Promoter/FPI/DII	67%/4%/8%

Source: NSE

STOCK PERFORMANCE



Source: NSE

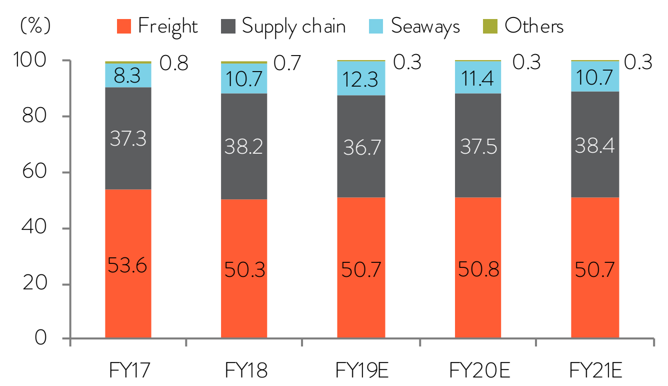
KEY FINANCIALS

Y/E 31 Mar	FY17A	FY18A	FY19E	FY20E	FY21E
Adj. net profit (Rs mn)	813	1,238	1,491	1,752	1,999
Adj. EPS (Rs)	10.6	16.2	19.5	22.9	26.1
Adj. EPS growth (%)	42.8	52.4	20.4	17.5	14.1
Adj. ROAE (%)	13.3	17.6	18.0	18.2	17.9
Adj. P/E (x)	27.4	18.0	14.9	12.7	11.1
EV/EBITDA (x)	15.6	12.2	11.0	9.5	8.2

Source: Company, BOBCAPS Research

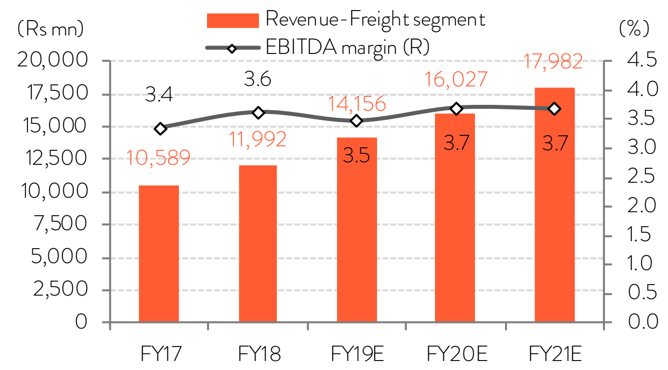
In a nutshell

FIG 1 – SHARE OF VALUE-ADDED SEGMENTS ON THE RISE



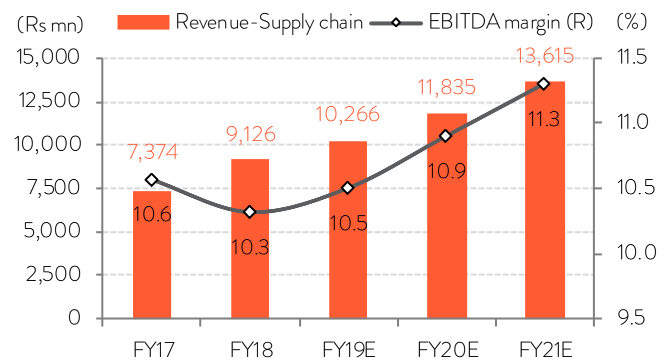
Source: Company, BOBCAPS Research

FIG 2 – RISING SHARE OF LTL EXPECTED TO DRIVE MARGIN EXPANSION IN FREIGHT SEGMENT



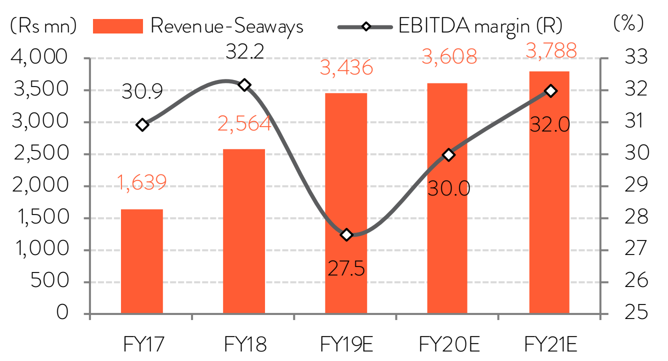
Source: Company, BOBCAPS Research

FIG 3 – SUPPLY CHAIN BUSINESS EXPECTED TO GROW AT 15% CAGR OVER FY19-FY21



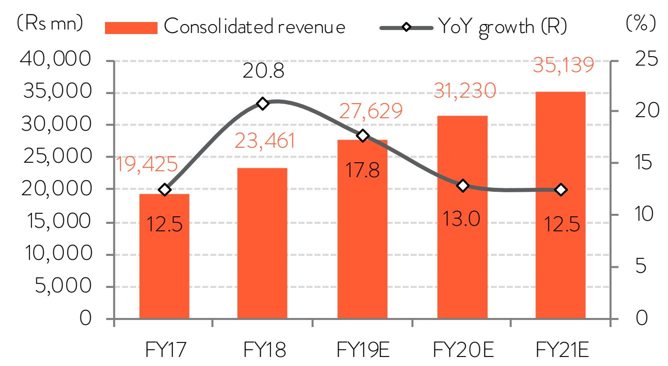
Source: Company, BOBCAPS Research

FIG 4 – SEAWAYS BUSINESS GROWTH TO REMAIN MUTED BUT MARGINS LIKELY TO EXPAND



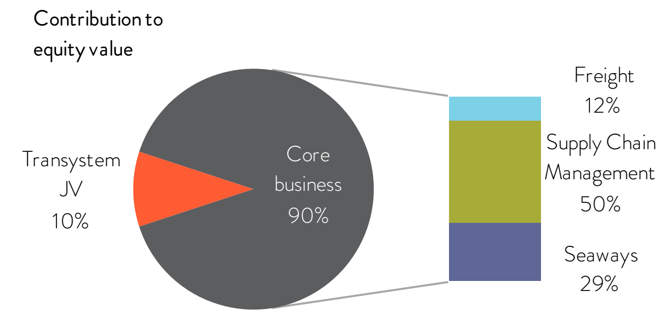
Source: Company, BOBCAPS Research

FIG 5 – CONSOLIDATED REVENUES FORECAST TO GROW AT 12.9% CAGR OVER FY19-FY21



Source: Company, BOBCAPS Research

FIG 6 – SUPPLY CHAIN DIVISION TO BE THE KEY VALUATION DRIVER



Source: Company, BOBCAPS Research

Investment rationale

Scaling up the logistics value chain

Over the past few years, TRPC has been steadily moving up the logistics value chain with a focus on the supply chain and seaways segments, which have higher scope for value-addition than road freight transportation (mainly FTL). A higher revenue share from these businesses – supply chain (36% to 38%) and seaways (8% to 11%) along with LTL over FTL in freight – has helped TRPC clock 160bps EBITDA margin expansion over FY16-FY18, with scope for further gains ahead.

Rising contribution from high-value segments

EBITDA margin/ROCE rose 160bps/450bps over FY16-FY18 on higher supply chain, LTL and seaways contribution

Over FY16-FY18, TRPC's supply chain and seaways segments have posted a 20% and 35% revenue CAGR respectively, while the lower-margin freight segment has registered an 11% CAGR. Benefits of this enhanced business mix are visible from the company's margin and ROCE profile – EBITDA margins have expanded to 9.1% in FY18 from 7.5% in FY16, while ROCE has risen to 12.6% from 8.1%.

Additionally, within the freight segment, the share of high-margin LTL business (8-11% operating margin, vs. 2-4% in FTL) is on the rise, as claimed by the management (the company does not share absolute contribution of LTL in freight division). Consequently, EBITDA margins of the freight business have also expanded to 3.6% from 2.9% in FY16.

The following table depicts that supply chain, coastal shipping, and LTL industry segments typically generates higher EBITDA margin and ROCE than FTL.

FIG 7 – SUPPLY CHAIN, COASTAL SHIPPING, LTL INDUSTRIES ARE MORE PREMIUM THAN FTL

	Full-truck-load (FTL)	Less-than-truck-load (LTL)	Supply Chain Solutions	Coastal Shipping
Est. market size (Rs bn)	6,300	700	450-500	45-50
Industry structure	Fragmented; highly unorganised	Relatively less fragmented	Organised	Organised
Entry barriers	Low	High	Very High	High
Scope for value addition	Low	High	Very High	Moderate
Expected 5-yr CAGR	~5-8%	~10-12%	17-18%	12-14%
Avg. EBITDA margin	2-4%	8-11%	5-15%	25-35%
Avg. ROCE	8-10%	15-16%	25-30%	20-22%
TRPC's revenue contribution (FY16/FY18)	**55%/50%**		**36%/38%**	**8/11%**

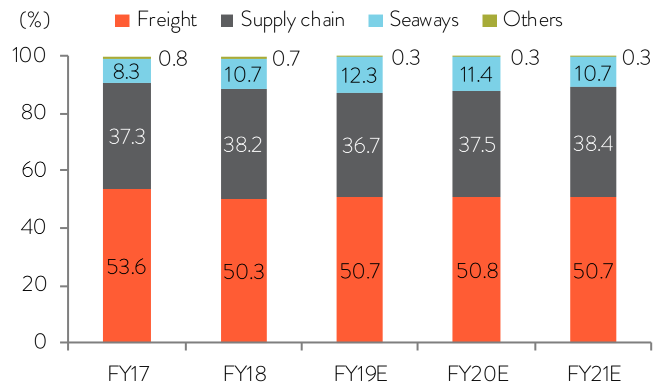
Source: Company, Industry, BOBCAPS Research

Expect sustained margin and ROCE gains ahead

Going forward, we expect similar trends – faster growth in supply chain and rising share of LTL in the freight business – to continue, propelling further improvement in margin and ROCE profile. The supply chain business is forecast to grow at 15.2% CAGR over FY19-FY21, ahead of freight (12.7% CAGR).

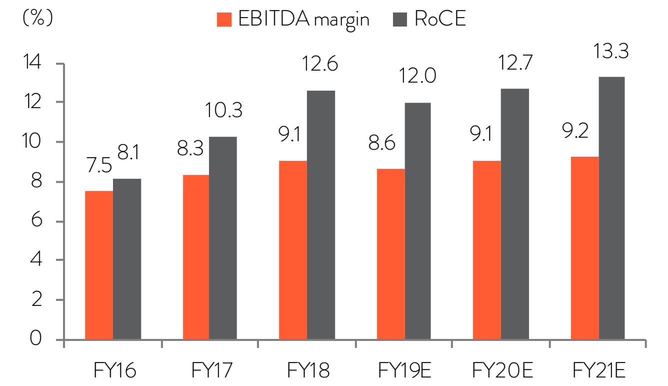
We expect both segments to see EBITDA margin expansion – 80bps to 11.3% for supply chain solutions over FY19-FY21 as new client accounts stabilise, and 20bps to 3.7% for the freight business owing to higher LTL contribution. Although seaways business growth is likely to be tepid at a 5% CAGR, we forecast stronger margins of 32% in FY21 from 27.5% in FY19. Buoyed by these factors, we expect TRPC's consolidated EBITDA margin/ROCE to increase 70bps/100bps over FY19-FY21.

FIG 8 – SHARE OF VALUE-ADDED BUSINESSES GOING UP STEADILY…



Source: Company, BOBCAPS Research

FIG 9 – …DRIVING SUSTAINED UPTREND IN MARGINS AND ROCE



Source: Company, BOBCAPS Research

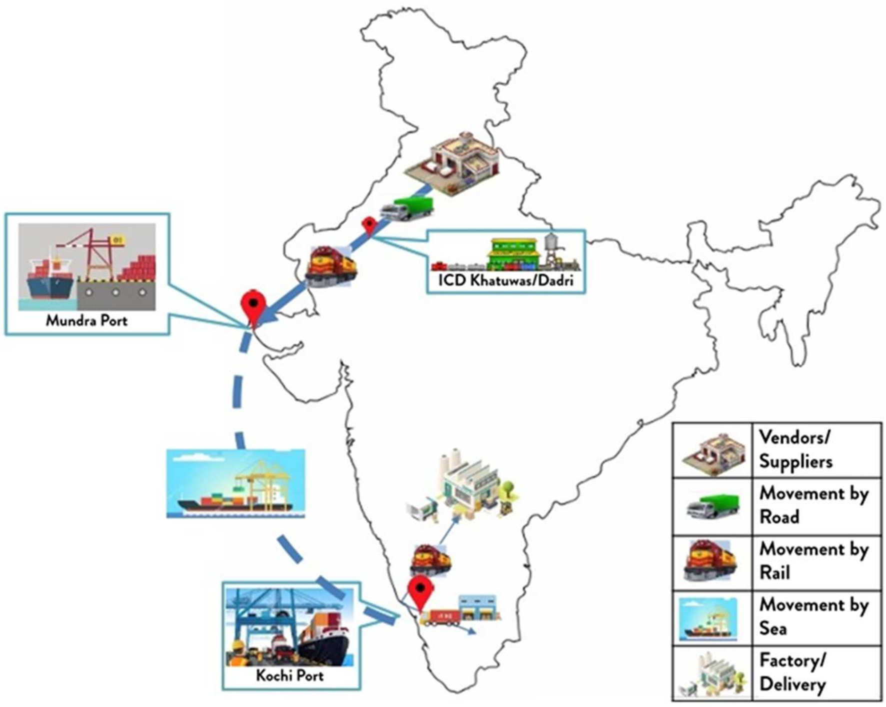
Integrated, multi-modal transport solution provider

With a presence across road freight, coastal shipping and rail, TRPC is one of the few players in India with end-to-end multi-modal transport capabilities and a pan-India reach. This enables the company to offer seamless and efficient movement of goods along with a wide breadth of logistics services.

Flexible multi-modal offerings…

In the road freight segment, TRPC has access to 3,500 trucks and trailers, 700 branches and 25 hubs; in seaways, it has 6 cargo ships with ~64,000dwt (deadweight tonnage) capacity; and also, container rail connectivity through a joint venture with Container Corporation of India (CCRI)– TCI Concor Multimodal Solutions Pvt. Ltd. (subsidiary of TRPC). Multi-modal capabilities along with a wide reach enable the company to offer flexible and optimum transport solutions to clients.

FIG 10 – MULTI-MODAL CAPABILITIES



Source: Company, BOBCAPS Research

...complemented by diversified service solutions

Through its three operating divisions – road freight, supply chain solutions and seaways – TRPC offers a whole gamut of logistics services to customers. This includes (1) FTL, LTL and over-dimensional cargo transportation in the freight business, (2) 3PL services through supply chain division, and (3) coastal shipping, freight forwarding (NVOCC) and project cargo in seaways. This diversified service offering complements its multi-modal capabilities and also places the company favourably to capitalise on opportunities arising in various segments of the Indian logistics industry.

FIG 11 – TRPC BUSINESS SNAPSHOT

(Rs mn)	Services offered	FY18 revenue (share in total)	FY18 EBIT (share in total)	EBIT margin (%)	ROCE (%)
Freight	Full truck load (FTL); less-than truck load (LTL); over-dimensional cargo transport	11,992 (50%)	336 (21%)	2.8	13.6
Supply Chain	Contract logistics/third-party logistics (3PL) services including warehousing, transportation and distribution, value-added services	9,126 (38%)	605 (38%)	6.6	21.6
Seaways	Coastal shipping, non-vessel owned common carrier (NVOCC), and project cargo	2,564 (11%)	591 (37%)	23.1	19.6
Energy & un-allocable	-	179 (1%)	79 (5%)	NM	1.9
Total	**-**	**23,861***	**1,611**	**6.9**	**14.2**

Source: Company, BOBCAPS Research | *Consolidated revenue before inter-segment revenue adjustments; segmental revenue and EBIT include other income

Freight: Growing LTL business augurs well

With a wide fleet and office network, TRPC is one of the largest organised road freight transporters in India. The company's LTL segment has been growing faster than the FTL segment over the past two years, a major positive due to its >2x margins over FTL and lower receivable days. We expect a growing LTL share in the revenue mix to drive a 16% EBITDA CAGR in the freight business over FY19-FY21.

LTL a key margin driver

LTL has 2-3x higher operating margins and lower receivable days vs. FTL

Traditionally a strong player in the FTL segment, TRPC has focused on enhancing the share of LTL by tapping a higher number of SME customers, in recent years. According to the company, this strategy has led to faster growth in LTL over FTL segment over the past two years (albeit it does not yet share specific information pertaining to LTL's contribution to the freight segment). This has translated into a healthy revenue/EBITDA CAGR of 11.1%/23.7% for the freight division over FY16-FY18. This momentum sustained in 9MFY19 as well, with 20.5% YoY revenue growth while EBIT margins expanded by 10bps.

We view the growing mix of LTL business as a key positive given that (1) organised players have a natural advantage in LTL as it requires the presence of distribution hubs and a wider geographic footprint, (2) margins are higher than FTL (8-11% vs. 2-4%), and (3) a more fragmented, smaller clientele leads to lower receivable days than FTL.

Margin and ROCE gap versus peers to narrow

A comparison of EBITDA margins for the three leading road freight operators shows that VRL Logistics (VRLL) scores far above peers with margins ~3x that of DARCL Logistics and ~5x that of TRPC, due to a higher LTL share (~90% of revenue) and majority owned fleet. The difference in margins between DARCL and TRPC can be attributed largely to the owned vs. hired vehicle mix.

Owing to lower margins, TRPC's ROCE is much lower than peers despite a higher asset turn that stems from an asset-light model (however, we note EBITDA margins/ROCE have improved to 3.6%/13.6%in FY18). With TRPC's LTL share rising faster, as reflected in faster revenue/EBITDA growth than peers, the margin and ROCE gap should narrow.

FIG 12 – COMPETITIVE LANDSCAPE OF TRPC'S ROAD FREIGHT* SEGMENT

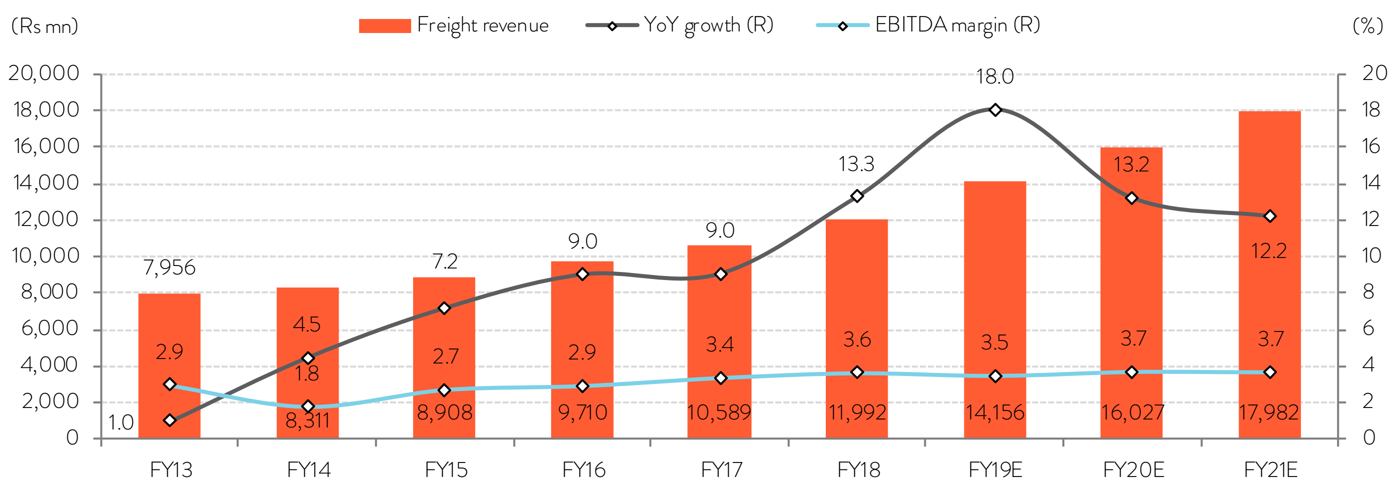
(Rs mn)	TRPC	VRLL	DARCL (unlisted)
Business focus	Higher share of FTL, but share of LTL is increasing steadily	LTL accounts for ~90% of total revenue	Primarily FTL
Fleet details	3,500 vehicles, of which 120 are owned	~4,000 owned vehicles	700 owned, ~10,000 associated vehicles**
Geographic presence	700 offices and 25 strategic hubs across India	950+ branch and franchise offices across India; especially strong presence in West and South India	~200 offices
Revenue CAGR (FY15-FY18) (%)	10.4	5.5	2.7
EBITDA CAGR (FY15-FY18) (%)	21.8	(3.7)	(7.3)
Average EBITDA margin (FY15-FY18) (%)	3.2	13.8	5.1
Average asset turn (FY15-FY18) (x)	4.1	2.8	3.6
Average ROCE (FY15-FY18) (%)	9.8	32.7	15.5

Source: Company, BOBCAPS Research | *Freight business details for TRPC; goods transport business details for VRL, and standalone road freight business for DARCL | **Fleet under operations would be lower

Freight segment expected to grow at 12.7% CAGR

Rising share of LTL and established market positioning should continue to aid growth of the freight segment going ahead. We forecast 12.7%/15.9% CAGR in revenue/EBITDA over FY19-FY21.

FIG 13 – FREIGHT REVENUE AND MARGIN MOMENTUM TO SUSTAIN OVER FY19-FY21



Source: Company, BOBCAPS Research

Supply chain business: Riding on the industry wave

Leveraging its early-mover advantage, TRPC has established strong credentials in the domestic 3PL industry, especially auto. Robust long-term industry prospects (17-18% CAGR) coupled with established positioning are expected to support a 15%/20% CAGR in revenue/EBITDA for the supply chain business over FY19-FY21.

Strong positioning in 3PL industry

Auto the mainstay (~70% revenue contribution); also caters to retail, consumer, chemicals, and e-commerce

As one of the earliest incumbents of the Indian 3PL industry, TRPC has carved a niche for itself over the past two decades. Leveraging its first-mover advantage, it has developed a strong clientele and wide service suite, especially in the auto sector which is the mainstay of the business (~70% contribution to segment revenue). Apart from auto, TRPC also caters to the retail and consumer products, chemicals, and e-commerce industries.

The company currently manages 12mn sq ft of warehousing space spanning the country and has a fleet of 4,000 trucks (1,350 owned). TRPC's strong market positioning is even more impressive considering that it was achieved without any anchor customers, unlike most other companies operating in this space.

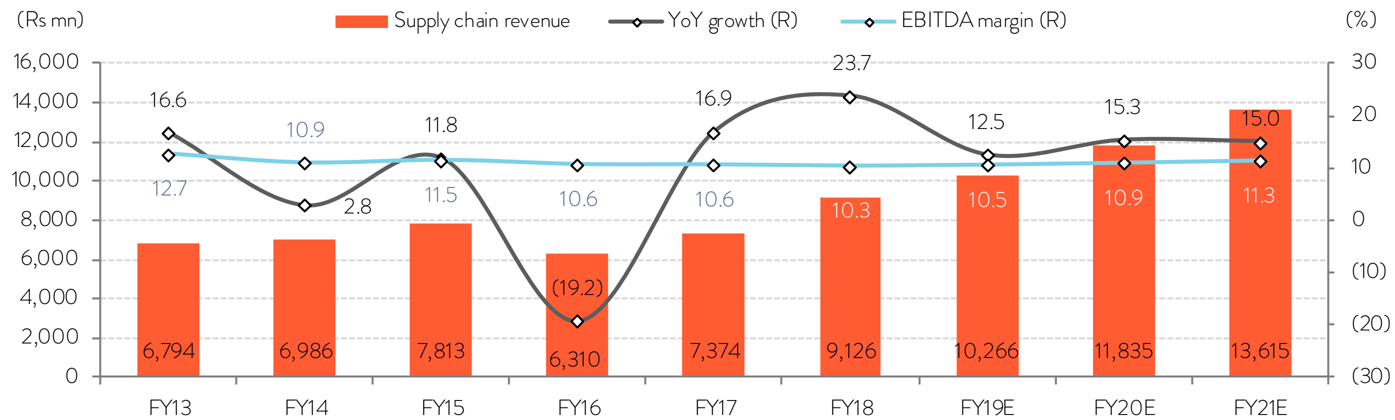
Expect healthy revenue and EBITDA growth ahead

The company's supply chain segment grew at a relatively tepid 6% CAGR over FY11-FY16. However, growth bounced back to a strong 20% CAGR over FY16-FY18 aided by client wins and an increasing trend of outsourcing logistics activities. In 9MFY19, growth moderated slightly to 12.7% YoY, owing to delayed onset of festival seasons and Kerala floods. According to management, the contract pipeline is strong, especially in the FMCG, e-commerce fulfilment and auto space, which should augment volume growth.

Supply chain revenue/ EBITDA projected to grow at 15%/20% over FY19-FY21

We expect TRPC to be a key beneficiary of the expected 3PL industry growth in India (17-18% CAGR; detailed outlook in our industry chapter), owing to its (1) established execution track record in complex supply chain management for auto OEMs; (2) two decades of expertise in the supply chain industry; and (3) pan-India presence. We build in a CAGR of 15% over FY19-FY21 for the segment, lower than the previous two-year period, factoring in some impact from slowdown in the automotive industry. Consequently, we expect segmental EBITDA to grow at 20% CAGR during the same period.

FIG 14 – SUPPLY CHAIN SEGMENT EXPECTED TO GROW AT A 15% CAGR OVER FY19-FY21



Source: Company, BOBCAPS Research

FIG 15 – VERTICAL WISE OPPORTUNITY IN THE 3PL SPACE

Verticals	Est. 3PL market size (Rs bn)		CAGR (%)
	FY18	FY21E	
Auto & auto comps	290-300	450-470	15-16
E-commerce	80-85	180-185	30-31
Consumer durables and FMCG	25-27	50-52	25
Organised retail	35-40	75-80	25-30

Source: CRISIL Research, BOBCAPS Research

Seaways: Right place, right time

With a fleet of six ships – three each operating on the western and eastern coasts – aggregating ~64,000dwt of capacity, TRPC is a prominent player in the Indian coastal shipping industry. It mainly carries container cargo along the western coast between Mundra and Kochi, and bulk cargo on the eastern coast to Port Blair in the Andaman and Nicobar Islands. In our view, TRPC is well placed to be a prime beneficiary of healthy activity in the Indian coastal shipping and inland waterways sector.

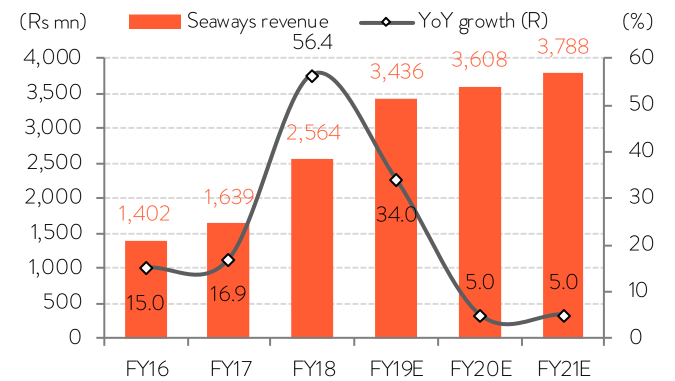
Increasing utilisation to boost margins

Addition of ships drove sturdy revenue/EBITDA CAGR of 35%/40% over FY16-FY18

The seaways segment has posted a healthy revenue/EBITDA CAGR of 35%/40% over FY16-FY18 driven by the addition of one ship which started operating in FY18. Revenue growth in 9MFY19 has also remained strong at 38%, aided by the addition of one ship in Q2FY19 and higher utilisation of the existing fleet (container utilisation stands at 55-60% at present).

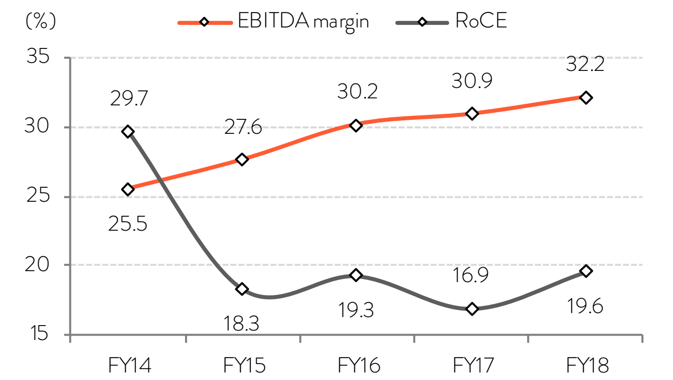
Going ahead, the company plans to add one more ship if internal EBITDA and ROCE targets are met. However, we have not factored in the same and hence expect a relatively sedate CAGR of 5% over FY19-FY21, driven mostly by higher utilisation. We expect EBITDA margins to remain strong at 30-32% aided by operating leverage benefits.

FIG 16 – SEAWAYS REVENUE HAS GROWN SHARPLY AIDED BY SHIP ADDITION



Source: Company, BOBCAPS Research

FIG 17 – HAS GENERATED ROBUST EBITDA MARGIN AND ROCE



Source: Company, BOBCAPS Research

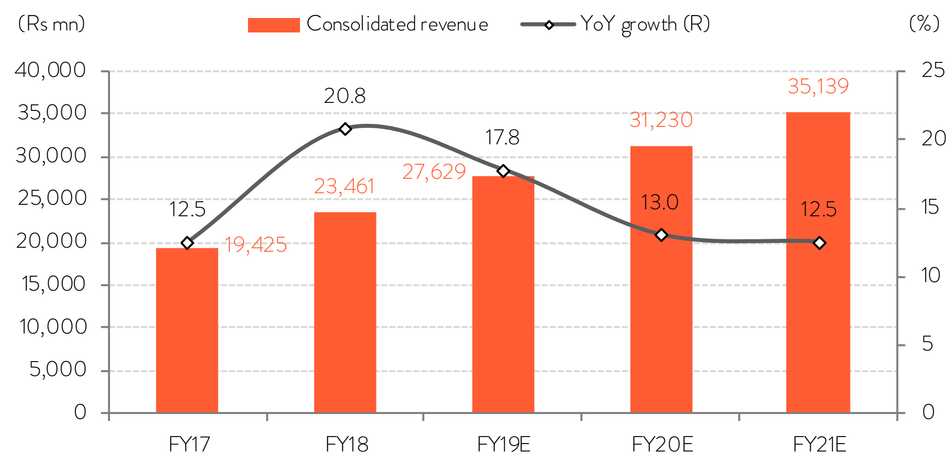
Financial review

Revenue CAGR of 12.8% forecast over FY19-FY21

Supply chain (15.2% CAGR) and freight (12.7% CAGR) to drive consolidated revenue

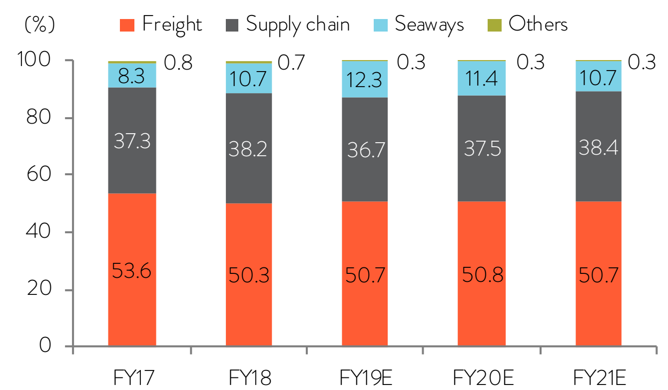
We expect TRPC to log a consolidated revenue CAGR of 12.8% over FY19-FY21, driven by the freight (12.7% CAGR) and supply chain (15.2%) segments, while seaways (5%) grows at a slower pace, assuming no fleet additions. Consequently, the supply chain business is expected to increase its share by 170bps to 38.4%, while freight rises remains flat at 50.7%. Although revenue share of the seaways business is likely to come down, its EBITDA contribution is expected to remain substantial at 37%.

FIG 18 – REVENUE TO GROW AT 12.8% CAGR OVER FY19-FY21E



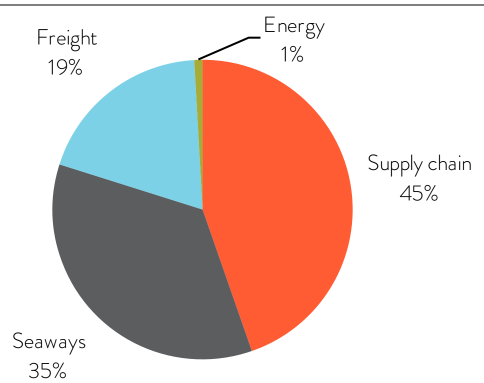
Source: Company, BOBCAPS Research

FIG 19 – REVENUE SHARE OF SUPPLY CHAIN BUSINESSES TO INCREASE



Source: Company, BOBCAPS Research

FIG 20 – SEAWAYS, SUPPLY CHAIN SEGMENTS TO CONTINUE TO ACCOUNT FOR MAJORITY OF EBITDA



Source: Company, BOBCAPS Research

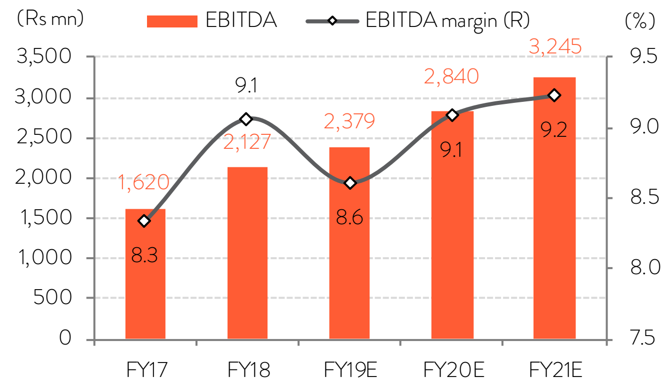
EBITDA margins to expand steadily

Project EBITDA margin expansion of 60bps over FY19-FY21

A temporary blip in FY19 notwithstanding, we expect TRPC's EBITDA margin to expand 60bps over FY19-FY21 to 9.2%. Margin expansion is expected across segments – a rising LTL share is projected to aid higher freight margins of 3.7% in FY21 from 3.5% in FY19, while supply chain solutions and seaways are likely to witness 80bps and 250bps expansion respectively. Accordingly, we project a 16.8% EBITDA CAGR for the company over FY19-FY21. PAT is expected to grow at a slightly lower CAGR of 15.8%.

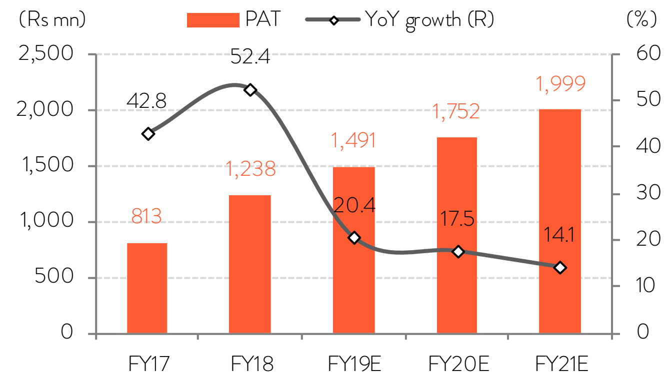
Relatively lower growth in PAT over EBITDA is attributed to slower growth expected in TRPC's joint venture – Transystem Logistics International – with Mitsui of Japan. This JV provides end-to-end logistics services to Toyota Kirloskar Motors (recently started providing services to other Japanese auto OEMs); we forecast in a 7% earnings CAGR over FY19-FY21, factoring in a potential demand slowdown for passenger vehicles.

FIG 21 – EBITDA MARGIN TO EXPAND 60BPS OVER FY19-FY21E



Source: Company, BOBCAPS Research

FIG 22 – PAT ESTIMATED TO GROW AT 15.8% CAGR



Source: Company, BOBCAPS Research

FCFF generation and return ratios to remain healthy

TRPC has generated positive FCFF in six of the seven preceding financial years, owing to healthy operating cash generation and moderate capex. EBITDA margin expansion of 160bps, coupled with higher gross asset turnover (3.4x from 2.5x) has translated into better return ratios over FY16-18 – ROE/ROCE have improved to 17.6%/12.6% in FY18 from 9.5%/8.1% in FY16.

We forecast healthy FCFF generation over FY20-FY21 led by higher EBITDA and a steady working capital cycle. ROCE is also expected to improve to 13.3% in FY21 from 12% in FY19, driven by higher EBIT margins (6.1% from 5.7%).

Valuation methodology

Initiate coverage with BUY and an SOTP-based Mar'20 TP of Rs 365

We have a Mar'20 target price of Rs 365 for TRPC arrived at using the sum-of-the-parts (SOTP) methodology, as follows:

- Freight business valued at 6x FY21E EV/EBITDA, a ~25% discount to VRL Logistics, factoring in a lower margin and ROCE profile;
- Supply chain solutions business valued at 10x FY21E EV/EBITDA, a discount to our implied multiple assigned to Mahindra Logistics (17x) and Future Supply (13x), due to the absence of an anchor customer and a slower track record of growth;
- Seaways segment valued at 7x FY21E EV/EBITDA, based on its margin and ROCE profile; and
- Transystem JV valued at 10x FY21E EPS, a significant discount to other auto-focused 3PL players owing to its privately held status, customer concentration risk and comparatively weak financial performance.

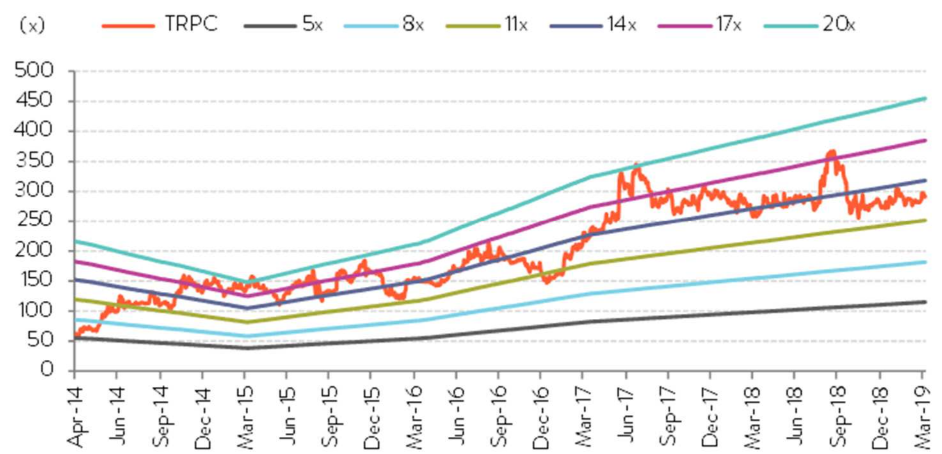
Our target price of Rs 365 carries 26% upside and implies a P/E multiple of 16x/14x on FY20E/FY21E EPS. Initiate with BUY.

FIG 23 – KEY VALUATION ASSUMPTIONS

Segment-wise valuation	(Rs mn)
Freight segment	
FY21E EBITDA	662
EV/EBITDA multiple applied (x)	6.0
Total EV for the segment	**3,971**
Supply chain segment	
FY21E EBITDA	1,538
EV/EBITDA multiple applied (x)	10.0
Total EV for the segment	**15,385**
Seaways segment	
FY21E EBITDA	1,212
EV/EBITDA multiple applied (x)	7.0
Total EV for the segment	**8,486**
Total EV of the consolidated business (ex. JV)	**27,841**
FY20E net debt	3,295
Equity value of the consolidated business (ex. JV)	**24,546**
FY21E EPS of Transystem Logistics	661
P/E multiple applied (x)	10.0
Fair value of Transystem Logistics	6,610
Share of TRPC (%)	49
Valuation attributed to TRPC	3,239
Total equity value including JV	27,785
No. of shares	76.6
Target price	**365**

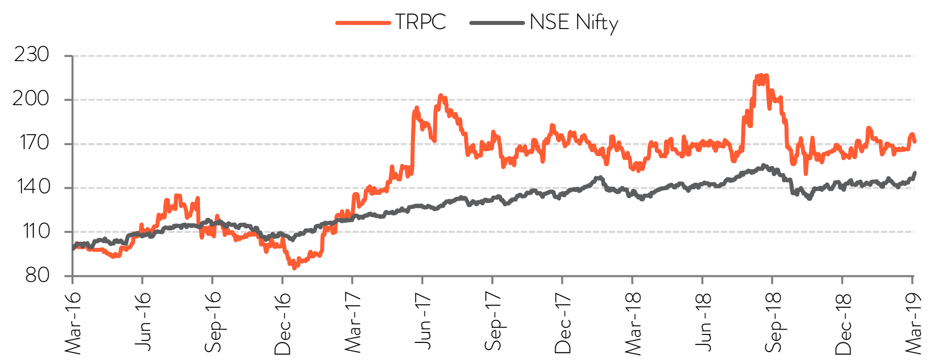
Source: Company, BOBCAPS Research

FIG 24 – ONE-YEAR FORWARD P/E BAND



Source: Bloomberg, BOBCAPS Research

FIG 25 – RELATIVE STOCK PERFORMANCE



Source: NSE

Key risks

- **Sharp rise in crude oil prices:** Given the time lag between fuel price increases and pass-along of the burden to customers, a sharp rally in crude price may intermittently affect margins.

- **Prolonged downturn in auto industry:** Auto OEMs remain the mainstay for the supply chain business with ~70% revenue contribution. This exposes the company's operations to inherent cyclicality of the automotive industry. Owing to a diverse client base – two-wheelers, passenger vehicles, commercial vehicles, tractors and construction equipment; as well as export and aftermarket – TRPC is well poised to combat sectoral headwinds. However, a prolonged downturn in the auto industry can adversely affect operating performance.

- **High client attrition:** While we note that customer churn rates have been low in the past, retention of key client accounts remains critical for sustainability of the supply chain business.

Management overview

FIG 26 – KEY MANAGEMENT PERSONNEL

Name	Brief profile
Mr. D. P. Agarwal Vice Chairman and Managing Director	Mr. D P Agarwal is the Vice-Chairman and Managing Director of TRPC. Mr. Agarwal has been associated with the transport industry for more than 50 years. Mr. Agarwal is also associated with various Chambers of Commerce including CII, FICCI & PHDCCI.
Mr. Vineet Agarwal Managing Director	Mr. Vineet Agarwal is the Managing Director of TRPC. Mr. Agarwal joined TCI in 1996 as the Executive Director after completing his Bachelor of Science in Economics and Industrial Management from Carnegie Mellon University, USA & has held various finance and management roles within the company. Mr Agarwal initiated Transystem Logistics International, a JV between TI and Mitsui & Co, Japan for the complete logistics management of Toyota Kirloskar Motors in India. He has played a key role in orienting the organization to move from being a mere trucking company to evolve as one of Asia's foremost integrated supply chain solutions provider.
Mr. Chander Agarwal Director	Mr. Chander Agarwal is the Director of TRPC. A Bachelor of Science in Business Administration from 1996 to 2001 from Bryant College, Smithfield, RI, Mr. Agarwal joined TRPC as Summer Intern and worked in various departments including operations, Logistics and Marketing etc. Currently he is spearheading Group TRPC's international expansion across Asia, Latin America & Africa. He is also the Managing Director of TCIEXP.
Mr. Ashish Tiwari Group CFO	Mr. Tiwari is the Group CFO of TRPC
Mr. Jasjit Sethi President and CEO – SCS	Mr. Sethi is the President and Chief Executive Officer of TRPC's Supply Chain Solutions division
Mr. IS Sigar CEO – Freight	Mr. Sigar is the Chief Executive Officer of TRPC's Freight division
Mr. R.U. Singh President and CEO – Seaways	Mr. Singh is the President and Chief Executive Officer of TCI Seaways division

Source: Company, BOBCAPS Research

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Total revenue	**19,425**	**23,461**	**27,629**	**31,230**	**35,139**
EBITDA	1,620	2,127	2,379	2,840	3,245
EBIT	1,028	1,441	1,580	1,878	2,141
Net interest income/(expenses)	(301)	(322)	(362)	(386)	(370)
Other income/(expenses)	122	182	310	332	349
Exceptional items	0	0	0	0	0
EBT	849	1,301	1,529	1,823	2,120
Income taxes	(191)	(287)	(321)	(383)	(445)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	155	224	283	312	324
Reported net profit	**813**	**1,238**	**1,491**	**1,752**	**1,999**
Adjustments	0	0	0	0	0
Adjusted net profit	**813**	**1,238**	**1,491**	**1,752**	**1,999**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Accounts payables	357	597	725	815	916
Other current liabilities	1,165	1,245	1,514	1,711	1,925
Provisions	53	55	65	74	83
Debt funds	3,815	3,971	4,771	4,571	4,371
Other liabilities	0	0	0	0	0
Equity capital	153	153	153	153	153
Reserves & surplus	6,355	7,511	8,823	10,258	11,896
Shareholders' fund	6,508	7,664	8,976	10,411	12,049
Total liabilities and equities	**11,900**	**13,533**	**16,051**	**17,582**	**19,344**
Cash and cash eq.	187	142	124	232	379
Accounts receivables	3,584	4,249	5,601	5,989	6,739
Inventories	25	33	39	44	50
Other current assets	953	1,198	1,411	1,595	1,794
Investments	866	1,044	1,044	1,044	1,044
Net fixed assets	5,410	6,252	7,817	8,604	9,251
CWIP	568	563	0	0	0
Intangible assets	7	6	6	6	6
Deferred tax assets, net	(395)	(445)	(445)	(445)	(445)
Other assets	694	491	454	513	527
Total assets	**11,900**	**13,533**	**16,051**	**17,582**	**19,344**

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY17A	FY18A	FY19E	FY20E	FY21E
Net income + Depreciation	1,405	1,925	2,290	2,715	3,103
Interest expenses	301	322	362	386	370
Non-cash adjustments	72	50	0	0	0
Changes in working capital	(735)	(392)	(1,128)	(340)	(645)
Other operating cash flows	0	0	0	0	0
Cash flow from operations	**1,042**	**1,905**	**1,524**	**2,761**	**2,828**
Capital expenditures	(1,130)	(1,523)	(1,800)	(1,750)	(1,750)
Change in investments	(106)	(177)	0	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	**(1,236)**	**(1,700)**	**(1,800)**	**(1,750)**	**(1,750)**
Equities issued/Others	1	0	0	0	0
Debt raised/repaid	669	155	800	(200)	(200)
Interest expenses	(301)	(322)	(362)	(386)	(370)
Dividends paid	(84)	(123)	(180)	(317)	(361)
Other financing cash flows	(9)	40	0	0	0
Cash flow from financing	**276**	**(249)**	**259**	**(903)**	**(931)**
Changes in cash and cash eq.	**81**	**(44)**	**(18)**	**108**	**146**
Closing cash and cash eq.	**187**	**142**	**124**	**232**	**379**

Per Share

Y/E 31 Mar (Rs)	FY17A	FY18A	FY19E	FY20E	FY21E
Reported EPS	10.6	16.2	19.5	22.9	26.1
Adjusted EPS	10.6	16.2	19.5	22.9	26.1
Dividend per share	1.1	1.6	1.9	3.4	3.9
Book value per share	84.4	99.5	116.6	135.4	156.7

Valuations Ratios

Y/E 31 Mar (x)	FY17A	FY18A	FY19E	FY20E	FY21E
EV/Sales	1.3	1.1	0.9	0.9	0.8
EV/EBITDA	15.6	12.2	11.0	9.5	8.2
Adjusted P/E	27.4	18.0	14.9	12.7	11.1
P/BV	3.4	2.9	2.5	2.1	1.9

DuPont Analysis

Y/E 31 Mar (%)	FY17A	FY18A	FY19E	FY20E	FY21E
Tax burden (Net profit/PBT)	95.7	95.2	97.5	96.1	94.3
Interest burden (PBT/EBIT)	82.6	90.3	96.8	97.1	99.0
EBIT margin (EBIT/Revenue)	5.3	6.1	5.7	6.0	6.1
Asset turnover (Revenue/Avg TA)	1.9	2.1	2.1	2.1	2.2
Leverage (Avg TA/Avg Equity)	1.6	1.6	1.6	1.5	1.4
Adjusted ROAE	13.3	17.6	18.0	18.2	17.9

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY17A	FY18A	FY19E	FY20E	FY21E
YoY growth (%)					
Revenue	12.5	20.8	17.8	13.0	12.5
EBITDA	25.2	31.3	11.9	19.3	14.3
Adjusted EPS	42.8	52.4	20.4	17.5	14.1
Profitability & Return ratios (%)					
EBITDA margin	8.3	9.1	8.6	9.1	9.2
EBIT margin	5.3	6.1	5.7	6.0	6.1
Adjusted profit margin	4.2	5.3	5.4	5.6	5.7
Adjusted ROAE	13.3	17.6	18.0	18.2	17.9
ROCE	10.3	12.6	12.0	12.7	13.3
Working capital days (days)					
Receivables	69	67	66	74	70
Inventory	0	1	1	1	1
Payables	7	10	10	10	10
Ratios (x)					
Gross asset turnover	3.2	3.4	3.1	2.9	2.8
Current ratio	3.0	3.0	3.1	3.0	3.1
Net interest coverage ratio	3.4	4.5	4.4	4.9	5.8
Adjusted debt/equity	0.6	0.5	0.5	0.4	0.3

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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