

Q3FY19 Result Update
Buy

Industry	Logistics
CMP (Rs)	275
FY20E Target Price (Rs)	349
52 Week H/L (Rs)	375/232
Volumes (BSE+NSE)*	37,240
Shares O/S (mn)	76.6
Market Cap (Rs bn)	21.1
Free Float (%)	33.1
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

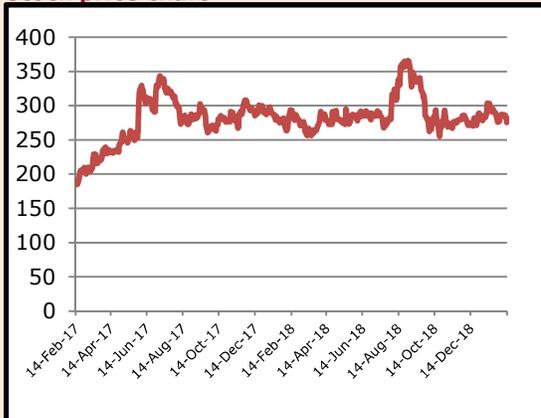
Share Holding Pattern (31/12/2018)

Particulars	Shares (mn)	Holding (%)
Promoters	51.2	66.9
FIIs	1.5	1.9
DIIIs	8.3	10.8
Others	15.6	20.4
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY18	FY19E	FY20E
Sales	23,461	27,963	31,609
EBITDA	2,127	2,391	2,876
EBITDA Margin	9.1%	8.6%	9.1%
Net Profit	1,244	1,452	1,784
EPS (Rs)	16.2	19.0	23.3
EV/EBITDA (x)	11.7	9.9	8.0
P/E (x)	16.9	14.5	11.8
RoE	17.6%	17.7%	18.9%

Stock price chart

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Transport Corporation of India (TCIL) reported standalone revenues of Rs 6.6bn, a y-o-y growth of 19.3% vs our expectation of 17.1% y-o-y growth. We find that y-o-y growth across the divisions (bar power) has been robust through the last six quarters. The various divisions (standalone) revenues performed as thus :

- Transport division: 20.3% growth y-o-y vs. 27.2% y-o-y growth in Q2FY19
- Supply Chains Solution division: 10.3% growth y-o-y vs. 9.1% y-o-y growth in Q2FY19
- Seaways division: 51.7% y-o-y growth vs. 36.2% y-o-y growth in Q2FY19

EBITDA margins recorded a 40bps y-o-y decline because of Supply Chain Solutions division, which being a higher EBIT margin business, contributed a lesser portion to the turnover. EBIT margins of the various divisions are :

- Flat margin y-o-y in Transport division to 3.2%
- Flat margin y-o-y in the Supply Chain Solutions division to 5.9%
- 320bps decline y-o-y in Seaways division to 18.8%

Net profit growth was at 7.3% y-o-y to Rs 300mn, lower than our expectation of 20.5% y-o-y growth. Slow net profit growth was driven by lower EBITDA margins and higher interest costs.

Transport division posted robust growth driven by volumes

Growth in the division was driven by MSE / MSME customers.

TCI Supply Chains division to also focus on non-auto segment

As per the management, they are now also focusing on the non-auto segment as well as newer segments like in-bound logistics. The management expects growth to pick up for these reasons.

Seaways division's revenue growth driven by the addition of a new ship in Q2FY19

TCI is further adding a small ship to its portfolio in Q1FY20.

EBITDA margin declined by 40bps y-o-y

- Higher fuel costs contributed to the small decline in EBITDA margin. Now with crude coming off, this should moderate.

Capex of Rs 400mn in Q4FY19

This will be used towards acquiring trucks. So far, in 9MFY19, Rs 1400mn of capex has been done. This has gone towards acquiring a new ship and containers and more hub centres and warehouses.

Outlook and Valuations

TCIL trades at a P/E of 14.5x and 11.8x FY19E and FY20E earnings respectively. We value TCIL at 15x FY20E EPS. On that basis, we assign a fair price of Rs 349 and recommend a Buy rating on TCIL.

Segmental Performance (Standalone)

	Q3FY19	Q3FY18	Y-o-Y Change	Q2FY19	Q-o-Q Change	9MFY19	9MFY18	Y-o-Y Change
Revenue (Rs mn)								
Transport	3,112	2,586	20.3%	2,932	6.1%	8,827	7,327	20.5%
Supply Chain Solutions	2,608	2,364	10.3%	2,552	2.2%	7,535	6,687	12.7%
Seaways Division	1,002	661	51.7%	788	27.1%	2,506	1,820	37.7%
Power Division	6	7	-15.5%	33	-82.0%	62	63	-1.1%
Unallocable & Corporate	65	62	4.7%	58	10.8%	188	133	41.3%
Less: Intersegment Revenue	87	54	62.0%	80	8.6%	231	152	51.7%
Less: Other Income	81	72	12.8%	81	0.1%	245	159	53.9%
Total	6,625	5,553	19.3%	6,203	6.8%	18,643	15,719	18.6%
PBT (Rs mn)								
Transport	100	83	20.4%	82	22.2%	252	203	24.3%
Supply Chain Solutions	155	141	10.4%	184	-15.8%	501	415	20.8%
Seaways Division	188	145	29.9%	116	62.0%	441	362	21.7%
Power Division	-3	-2	28.6%	25	-111.0%	36	36	-1.1%
Less : Interest	102	79	29.0%	93	9.5%	265	231	14.7%
Less: Unallocable Expense	24	6	273.4%	44	-45.1%	88	30	194.3%
Add: Unallocable Income	-65	-62	4.7%	-58	10.8%	-188	-133	41.3%
Total	380	343	10.7%	329	15.5%	1,066	889	20.0%
EBIT Margins								
Transport	3.2%	3.2%	0 bps	2.8%	+40 bps	2.9%	2.8%	+10 bps
Supply Chain Solutions	5.9%	5.9%	0 bps	7.2%	-130 bps	6.7%	6.2%	+50 bps
Seaways Division	18.8%	22.0%	-320bps	14.7%	+410bps	17.6%	19.9%	-230bps

Quarterly Financials (Standalone)

	Q3FY19	Q3FY18	Y-o-Y Change	Q2FY19	Q-o-Q Change	9MFY19	9MFY18	Y-o-Y Change
Operating income	6,625	5,553	19.3%	6,203	6.8%	18,643	15,719	18.6%
Less: Expenditures								
Operating cost	5,438	4,501	20.8%	5,066	7.3%	15,219	12,657	20.2%
Staff costs	340	295	15.0%	347	-2.0%	1,020	878	16.1%
Other operating costs	242	231	4.6%	259	-6.6%	755	712	6.0%
EBITDA	605	526	15.0%	531	13.9%	1,649	1,472	12.0%
EBITDA margin	9.1%	9.5%	-40 bps	8.6%	-20 bps	8.8%	9.4%	-60 bps
Other income	81	72	12.8%	81	0.1%	245	159	53.9%
Depreciation	205	176	16.0%	191	7.4%	563	511	10.1%
EBIT	482	422	14.2%	422	14.2%	1,331	1,120	18.9%
Interest	102	79	29.0%	93	9.5%	265	231	14.7%
Profit before tax	380	343	10.7%	329	15.5%	1,066	889	20.0%
Tax	80	64	25.7%	70	14.7%	226	178	27.0%
Profit after tax	300	279	7.3%	259	15.8%	840	711	18.2%
EPS (Rs)	3.9	3.6	7.3%	3.4	15.8%	11.0	9.3	18.2%

Income Statement (Consolidated)

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Income from operations	17,270	19,427	23,461	27,963	31,609
<i>Growth y-o-y</i>	-28.5%	12.5%	20.8%	19.2%	13.0%
Less: Expenditures					
Operating costs	14,034	15,821	19,068	22,566	25,255
Staff costs	980	1,068	1,245	1,678	1,897
Other operating & admin costs	974	931	1,021	1,328	1,580
EBITDA	1,283	1,607	2,127	2,391	2,876
<i>EBITDA Margin</i>	7.4%	8.3%	9.1%	8.6%	9.1%
Other income	78	122	182	280	316
Depreciation	521	592	687	768	875
EBIT	840	1,137	1,623	1,903	2,317
Interest	239	288	322	370	372
Share in Net Profit of JV	119	155	224	250	300
Profit before tax	719	1,004	1,525	1,783	2,245
Tax	154	191	287	339	471
Profit after tax	565	813	1,238	1,444	1,774
Minority interest	4	6	6	8	10
Adjusted net profit	561	807	1,244	1,452	1,784
<i>Growth y-o-y</i>	-31.0%	43.8%	54.2	16.7	22.8
EPS (Rs)	7.4	10.5	16.2	19.0	23.3

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	8,592	10,019
Shareholders' funds	4,540	6,491	7,618	8,746	10,173
Borrowed funds	2,746	3,795	3,953	4,003	4,003
Minority interest	39	43	47	47	47
Deferred tax liability (Net)	299	395	445	445	445
Total Liabilities	7,621	10,724	12,062	13,240	14,667
Net fixed assets	4,810	5,894	6,821	7,358	7,733
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	7,375	8,745
Less: Current liabilities & provisions	1,336	1,595	1,915	2,443	2,761
Net current assets	2,031	3,931	3,883	4,932	5,984
Total Assets	7,621	10,724	12,062	13,240	14,667

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Profit before tax	719	1004	1525	1783	2245
Depreciation	521	592	687	768	875
Interest expense	239	288	322	370	372
Change in receivables	1092	-317	-679	-578	-629
Change in inventories	5.2	-7.5	-8	0	-4
Change in other current assets	255	-741	366	226	-150
Change in payables	-669	259	320	527	318
Change in other current liabilities					
Taxes paid, net	-154	-191	-287	-339	-471
CF from Operations	2005	882	2247	2765	2566
Capex, net	932	-950	-1440	-1500	-1250
(Purchase)/sale of investments	-707.1	-120	-458.4	407.28	0
Others	47.2	-561.5	-545	0	0
Cash from investing	272	-1632	-2443	-1093	-1250
Interest paid	-239	-288	-322	-370	-372
Change in borrowings, net	309.8	649.2	157.5	50	0
Dividends paid	-131	-157	-143	-290	-357
Equity issuance	0.85	1.05	0.00	0.10	0.00
Cash from financing	-2581	823	149	-449	-729
Net change in cash and equivalents	-304	73	-47	1223	587
Opening cash balance	421	117	190	142	1366
Closing cash balance	117	190	142	1366	1953

Key Ratios (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Profitability					
ROE	9.6%	13.2%	17.6%	17.7%	18.9%
ROCE	9.1%	11.4%	14.2%	15.0%	16.6%
Margins					
EBITDA	7.4%	8.3%	9.1%	8.6%	9.1%
Net Profit	5.0%	4.2%	5.3%	5.2%	5.6%
Leverage and Coverage					
Interest Coverage	28.5%	25.3%	19.8%	19.4%	16.1%
Debt/Equity	0.5	0.6	0.5	0.5	0.4
Per Share					
EPS (Rs)	7.3	10.5	16.2	19.0	23.3
Book Value Per Share (Rs)	75.3	84.7	99.4	114.2	132.8
Valuation					
P/E	37.5	26.1	16.9	14.5	11.8
P/BV	3.7	3.2	2.8	2.4	2.1
EV/Sales	1.4	1.3	1.1	0.8	0.7
EV/EBITDA	18.8	15.3	11.7	9.9	8.0

Notes :

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