

Q3FY20 Result Update

Buy

Industry	Logistics
CMP (Rs)	267
FY21E Target Price (Rs)	344
52 Week H/L (Rs)	326/255
Volumes (BSE+NSE)*	35,480
Shares O/S (mn)	76.6
Market Cap (Rs bn)	20.5
Free Float (%)	33.2
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

Share Holding Pattern (31/12/2019)

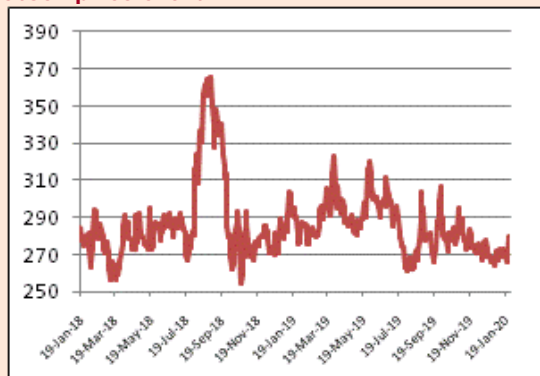
Particulars	Shares (mn)	Holding (%)
Promoters	51.2	66.8
FIIIs	1.4	1.8
DIIIs	7.6	9.9
Others	16.4	21.5
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY19	FY20E	FY21E
Sales	27,537	27,982	30,335
EBITDA	2,489	2,630	2,973
EBITDA Margin	9.0%	9.4%	9.8%
Adjusted Net Profit	1,463	1,682	1,757
EPS (Rs)	19.1	23.2	22.9
EV/EBITDA (x)	9.8	8.8	7.8
P/E (x)	14.0	11.5	11.6
RoE	17.7%	18.5%	15.9%

Stock price chart


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Transport Corporation of India (TCIL) reported consolidated revenues of Rs 7.1bn, a y-o-y decline of 0.6%. We were expecting a topline growth of 4.7% y-o-y.

The various Divisions' (consolidated) revenues performed thus :

- Transport Division: 4.5% growth y-o-y
- Supply Chains Solution Division: -6.8% growth y-o-y
- Seaways Division: -1.3% y-o-y growth

EBITDA margin recorded a 60bps y-o-y increase because of good performance in the Freight and Seaways divisions.

EBIT margins of the various Divisions are :

- 30bps y-o-y increase in margin in Transport Division to 3.4%
- 50bps y-o-y decrease in margin in the Supply Chain Solutions Division to 5.4%
- 400bps y-o-y increase in Seaways Division to 22.9%

Net profit growth was at 2.8% y-o-y to Rs 340mn, lower than our expectation of 23.5% y-o-y growth. Net profit growth was driven by lower than estimated taxes.

Transport Division hit by low liquidity in the system

This Division's topline growth was good inspite of tight liquidity in the system. TCIL has got selective and is now doing only profitable business. As per the management, Q4FY20 growth will be on similar lines.

TCI Supply Chains Division declined due the slowdown in autos

The business decline for 9MFY20 has been 2% notwithstanding the slow down in the auto industry. The business is driven by new business, also e-commerce, and single brand retail.

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

In Q2FY20, a new ship was added. This has added to growth, however, volumes and pricing were under pressure.

EBITDA margin increased by 60bps y-o-y

This is due to lower operating costs this quarter.

Capex of Rs 1250mn in FY20

Capex incurred in Q3FY20 was Rs 150mn. Capex for 9MFY20 was at 1090mn. Total Capex for FY20 has been reduced to Rs 1250mn from Rs 2750mn earlier.

Outlook and Valuations

TCIL trades at a P/E of 11.5x and 11.6x FY20E and FY21E earnings respectively. We value TCIL at 15x FY21E EPS. On that basis, we assign a fair price of Rs 344 and recommend a Buy rating on TCIL.

Segmental Performance (Consolidated)

Particulars	Q3FY20	Q3FY19	Y-o-Y Change	Q2FY20	Q-o-Q Change	9MFY20	9M FY19	Y-o-Y Change
Revenue (Rs mn)								
Transport	3,746	3,586	4.5%	3,548	5.6%	10,681	10,252	4.2%
Supply Chain Solutions	2,431	2,608	-6.8%	2,478	-1.9%	7,348	7,535	-2.5%
Seaways Division	989	1,002	-1.3%	854	15.9%	2,632	2,506	5.0%
Power Division	5	6	-23.3%	30	-84.5%	49	62	-21.1%
Unallocable& Corporate	22	41	-46.1%	53	-57.6%	129	130	-1.2%
Less: Intersegment Revenue	73	87	-16.2%	76	-4.0%	204	231	-11.5%
Less: Other Income	57	49	17.2%	41	39.8%	134	145	-7.7%
Total Revenue	7,063	7,108	-0.6%	6,846	3.2%	20,501	20,109	1.9%
PBT (Rs mn)								
Transport	129	111	15.9%	101	26.7%	320	282	13.7%
Supply Chain Solutions	132	155	-14.9%	158	-16.7%	458	502	-8.7%
Seaways Division	226	188	20.2%	145	55.6%	528	441	19.8%
Power Division	-1	-3	-51.9%	20	-106.4%	24	36	-32.2%
Less : Interest	89	107	-16.2%	82	8.5%	259	278	-6.9%
Less: Unallocable Expense	17	42	-59.4%	39	-56.5%	158	110	43.7%
Add: Unallocable Income	-22	-42	-46.8%	-39	-42.5%	-163	-131	25.0%
Add: Share of Profit/loss of JV	19	83	-77.2%	92	-79.3%	194	197	-1.5%
Add : Exceptional income	420	428	-1.8%	435	-3.3%	1,272	1,200	6.0%
Total PBT								
EBIT Margins								
Transport Division	3.4%	3.1%	+30 bps	2.9%	+50 bps	3.0%	2.7%	+30 bps
Supply Chain Solutions	5.4%	5.9%	-50 bps	6.4%	-100 bps	6.2%	6.7%	-50 bps
Seaways Division	22.9%	18.8%	+400bps	17.0%	+590bps	20.1%	17.6%	+250bps

Quarterly Financials (Consolidated)

Particulars (Rs mn)	Q3FY20	Q3FY19	Y-o-Y Change	Q2FY20	Q-o-Q Change	9MFY20	9MFY19	Y-o-Y Change
Operating income	7,063	7,108	-0.6%	6,846	3.2%	20,501	20,110	1.9%
Less: Expenditures								
Operating cost	5,792	5,900	-1.8%	5,576	3.9%	16,737	16,577	1.0%
Staff costs	382	351	9.0%	386	-0.9%	1,152	1,049	9.8%
Other operating costs	240	247	-2.6%	297	-18.9%	792	772	2.6%
EBITDA	648	610	6.2%	587	10.4%	1,820	1,712	6.3%
EBITDA margin	9.2%	8.6%	+60 bps	8.6%	-30 bps	8.9%	8.5%	+40 bps
Other income	57	49	17.2%	41	39.8%	134	145	-7.7%
Depreciation	215	208	3.4%	203	5.8%	617	576	7.3%
EBIT	491	451	8.7%	425	15.4%	1,336	1,281	4.3%
Interest	89	107	-16.2%	82	8.5%	259	278	-6.9%
Profit/loss of JV	19	83	-77.2%	92	-79.3%	194	197	-1.5%
Profit before tax	420	428	-1.8%	435	-3.3%	1,271	1,200	5.9%
Tax	77	95	-19.3%	-47	-264.2%	102	245	-58.3%
Profit after tax	344	333	3.2%	481	-28.6%	1,169	955	22.4%
Non Controlling Interest	3	2	68.4%	3	28.0%	7	6	22.0%
Exceptional Items	0	0	NA	99	NA	99	0	NA
Net Profit	340	331	2.8%	380	-10.4%	1,063	949	12.0%
EPS (Rs)	4.4	4.3	2.8%	5.0	-10.4%	13.9	12.4	12.0%

Income Statement (Consolidated)

Y/E March (Rsmn)	FY17	FY18	FY19	FY20E	FY21E
Income from operations	19,427	23,461	27,537	27,982	30,335
<i>Growth y-o-y</i>	<i>12.5%</i>	<i>20.8%</i>	<i>17.4%</i>	<i>1.6%</i>	<i>8.4%</i>
Less: Expenditures					
Operating costs	15,821	19,068	22,515	22,777	24,572
Staff costs	1,068	1,245	1,408	1,427	1,547
Other operating & admin costs	931	1,021	1,124	1,147	1,244
EBITDA	1,607	2,127	2,489	2,630	2,973
<i>EBITDA margin</i>	<i>8.3%</i>	<i>9.1%</i>	<i>9.0%</i>	<i>9.4%</i>	<i>9.8%</i>
Other income	122	182	195	196	212
Depreciation	592	687	774	853	979
EBIT	1,137	1,623	1,910	1,973	2,206
Interest	288	322	374	350	350
Share in net profit of JV	155	224	251	245	300
Profit before tax	1,004	1,525	1,787	1,868	2,156
Tax	191	287	333	196	410
Profit after tax	813	1,238	1,454	1,672	1,747
Minority interest	6	6	9	10	10
Extraordinary Items	0	0	7	99	0
Adjusted net profit	818	1,244	1,463	1,682	1,757
<i>Growth y-o-y</i>	<i>43.7</i>	<i>52.1</i>	<i>17.5</i>	<i>15.0</i>	<i>4.4</i>

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Share capital	153	153	153	153	153
Reserves and surplus	6,338	7,465	8,766	10,120	11,526
Shareholders' funds	6,491	7,618	8,920	10,274	11,679
Borrowed funds	3,795	3,953	4,142	4,542	4,542
Minority interest	43	47	52	52	52
Deferred tax liability (Net)	395	445	390	390	390
Total Liabilities	10,724	12,062	13,504	15,258	16,663
Net fixed assets	5,894	6,821	7,308	7,705	8,726
Goodwill on consolidation	0	0	0	0	0
Investments	899	1,358	1,168	1,168	1,108
Current assets, loans & advances	5,526	5,799	7,683	9,360	10,055
Less: Current liabilities & provisions	1,595	1,915	2,656	2,976	3,226
Net current assets	3,931	3,883	5,027	6,384	6,829
Total Assets	10,724	12,062	13,504	15,258	16,663

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Profit before tax	1004	1525	1780	1769	2156
Depreciation	592	687	774	853	979
Interest expense	288	322	374	350	350
Change in receivables	-317	-679	-902	0	0
Change in inventories	-7.5	-8	-20	-83	-440
Change in other current assets	-741	366	-949	-3	-5
Change in other current liabilities	259	320	740	-38	-199
Taxes paid, net	-191	-287	-333	-186	-410
CF from operations	882	2247	1473	2993	2693
Capex, net	-950	-1440	-1980	-1250	-2000
(Purchase)/sale of investments	-120	-458.4	189.4	0	60
Others	-561.5	-545	644.6	0	0
Cash from investing	-1632	-2443	-1146	-1250	-1940
Interest paid	-288	-322	-374	-350	-350
Change in borrowings, net	649.2	157.5	188.9	400	0
Dividends paid	-157	-143	-291	-338	-351
Equity issuance	1.05	0.00	0.10	0.00	0.00
Cash from financing	823	149	-314	-288	-700
Net change in cash and equivalents	73	-47	13	1455	53
Opening cash balance	117	190	142	23	1478
Closing cash balance	190	142	155	1478	1531

Key Ratios (Consolidated)

Y/E March	FY17	FY18	FY19	FY20E	FY21E
Profitability					
ROE	13.3%	17.6%	17.7%	18.5%	15.9%
ROCE	11.4%	14.2%	14.9%	13.7%	13.8%
Margins					
EBITDA	8.3%	9.1%	9.0%	9.4%	9.8%
Net Profit	4.2%	5.3%	5.3%	6.4%	5.8%
Leverage and Coverage					
Interest Coverage	25.3%	19.8%	19.6%	17.7%	15.9%
Debt/Equity	0.6	0.5	0.5	0.4	0.4
Per Share					
EPS (Rs)	10.7	16.2	19.1	23.2	22.9
Book Value Per Share (Rs)	84.7	99.4	116.4	135.0	153.4
Valuation					
P/E	25.0	16.4	14.0	11.5	11.6
P/BV	3.2	2.7	2.3	2.0	1.7
EV/Sales	1.2	1.0	0.9	0.8	0.8
EV/EBITDA	15.0	11.4	9.8	8.8	7.8

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