

RETAIL EQUITY RESEARCH

Transport Corporation of India Ltd

Logistics

BSE CODE:532349

NSE CODE: TCI

Bloomberg CODE: TRPC:IN

SENSEX: 31,531

Buy

Rating as per Midcap 12months investment period

CMP Rs. 274 TARGET Rs. 320 RETURN 17% ↑

11th August, 2017**Better than expected performance...**

Transport Corporation of India Ltd (TCI) is one of the largest integrated players in the organised logistics industry providing Freight, supply chain, warehousing solutions and shipping services.

- Revenue & PAT growth was better than expected, was up by 16% & 15% YoY.
- EBITDA margins improved by 20bps YoY to 9.1% led by lower cost.
- Key beneficiary from implementation of GST, which is expected to boost logistic players business due to increased outsourcing of logistics services.
- We upgrade our earnings estimates by 11% & 15% leading to healthy earnings growth of 26% CAGR over FY17-FY19E
- Given healthy earnings outlook we increase target P/E to 21x (20x) on standalone business and value subsidiaries at Rs12/share to arrive at SOTP target price of Rs320 and maintain Buy rating.

Revenue growth strong...

TCI's Q1FY18 revenue grew by 16% YoY, led by strong growth in Freight, Supply chain and shipping business which grew by 12%, 15% and 45% respectively. Freight segment reported three consecutive quarters of double digit growth, contributed 51% to overall revenues. The Supply chain segment currently contributes 40% of revenues witnessed healthy pick-up post demontisation and implementation of GST. Whereas, Seaway logistics business has shown a good growth post addition of 1 more ship in west coast. GST will lead to borderless movement of goods, reduce transit times and cost. Manufacturers will optimize their network and gradually shift towards Hub-and-spoke model leading to consolidation of warehouses. Given greater compliance requirement under GST, organised players like TCI will benefit by disproportionate increase goods transported by them. We factor a revenue growth of 17% CAGR over FY17-FY19E.

EBITDA and PAT growth healthy...

TCI's Q1FY18 EBITDA grew by 19% YoY, while EBITDA margins improved by 20bps YoY to 9.1% largely due cost rationalisation. PAT grew by 15% YoY to Rs17cr. We increase our revenue estimates by 3% & 3.5% for FY18E & FY19E to factor in overall strong performance for quarter. We maintain our EBITDA margins estimates at 9.4% 9.5% for FY18E & FY19E. Further, we upgrade our earnings estimates by 11% & 15% leading to earnings growth of 26% CAGR over FY17-FY19E.

Valuation... Premium valuation to continue

TCI has potential for scaling up of business as GST will lead increased outsourcing of logistics services to third party players. The earnings outlook for TCI has significantly improved which is expected to grow at a healthy 26% CAGR over FY17E- 19E. We increase our target P/E multiple for standalone business to 21x (20x) on FY19E and subsidiaries at Rs12/share to arrive at a SOTP target price of Rs320 and maintain our Buy rating.

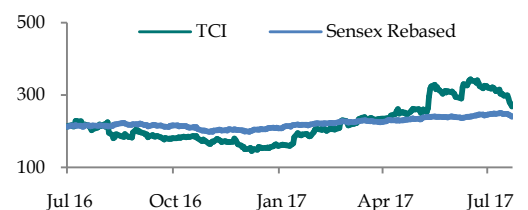
Company Data

Market Cap (cr)	Rs. 2,102
Enterprise Value (cr)	Rs. 2,453
Outstanding Shares (cr)	7.7
Free Float	34%
Dividend Yield	0.5%
52 week high	Rs. 350
52 week low	Rs. 144
6m average volume (cr)	0.01
Beta	1.4
Face value	Rs. 2

Shareholding (%)	Q3 FY17	Q4 FY17	Q1 FY18
Promoters	66.1	66.1	66.1
FII's	2.2	2.2	2.3
MFs/Insti	8.9	8.6	8.9
Public	17.2	17.1	16.8
Others	5.6	5.9	5.9
Total	100.0	100.0	100.0

Price Performance	3 Months	6 Months	1 Year
Absolute Return	8.6%	39.6%	32.2%
Absolute Sensex	3.6%	10.3%	12.3%
Relative Return*	5.0%	29.3%	20.0%

*over or under performance to benchmark index



Standalone (Rs. Cr)	FY17A	FY18E	FY19E
Sales	1,804	2,115	2,449
Growth (%)	12.9	17.2	15.8
EBITDA	157	199	233
Margin (%)	9.0	9.4	9.5
PAT Adj	70	89	112
Growth (%)	(22.5)	26.3	26.5
Adj.EPS	9.2	11.6	14.7
Growth (%)	(22.5)	26.3	26.5
P/E	29.9	23.7	18.7
P/B	3.6	3.2	2.8
EV/EBITDA	15.6	12.2	10.3
ROE (%)	12.8	14.4	16.2
D/E	0.7	0.5	0.4

Anil R
Analyst

SOTP Valuation

Particulars	Matrix	FY19EPS	Multiple	Value/Share (Rs)
Standalone	P/E	14.7	21x	308
JV & Subsidiaries	Sales/M.cap		0.5x	12
Total Value per share				320

Quarterly Financials

Profit & Loss Account

(Rs cr)	Q1FY18	Q1FY17	YoY Growth %	Q4FY17	QoQ Growth %
Sales	497	427	16.2	482	14.5
EBITDA	45	38	18.7	39	14.9
EBITDA margins	9.1	8.9	20bps	8.2	100bps
Depreciation	16	14	14.0	15	8.0
EBIT	29	24	21.5	25	19.1
Interest	8	7	5.2	6	23.5
Other Income	1	2	(60.0)	6	(85.3)
Exceptional Items	-	-	-	-	-
PBT	22	19	18.0	25	(9.3)
Tax*	5	4	-	6	-
	-	-	-	-	-
Reported PAT	18	15	16.7	19	(4.9)
Adjustments	1	0	-	-	-
Adj PAT	17	15	15.1	19	(7.4)
No. of shares (cr)	7.7	7.7	-	7.7	-
EPS (Rs)	2.3	2.0	15.1	2.5	(7.4)

Change in estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
Revenue	2,048	2,366	2,115	2,449	3.3	3.5
EBITDA	192	225	199	233	3.6	3.6
Margins (%)	9.4	9.5	9.4	9.5	-	-
PAT	80	97	89	112	11.0	15.4
EPS	10.5	12.8	11.6	14.7	11.0	15.4

Standalone Financials

Profit & Loss Account

Y.E March (Rs cr)	FY15A	FY16A	FY17E	FY18E	FY19E
Sales	2,197	1598	1,804	2,115	2,449
% change	8.4	(27.2)	12.9	17.2	15.8
EBITDA	170	134	157	199	233
% change	14.1	(21.5)	17.7	26.3	17.0
Depreciation	49	49	57	65	73
EBIT	121	83	100	134	160
Interest	32	24	29	35	32
Other Income	12	16	18	19	22
PBT	101	75	89	118	150
% change	22.0	(26.1)	18.8	33.3	26.5
Tax	25	15	18	30	37
Tax Rate (%)	25.0	20.3	20.8	25.0	25.0
Reported PAT	76	90	71	89	112
Adj*	-	1.0	1.0	-	-
Adj PAT	76	91	70	89	112
% change	22.2	19.6	(22.5)	26.3	26.5
No. of shares (mn)	7.6	7.6	7.7	7.7	7.7
Adj EPS (Rs)	9.9	11.8	9.2	11.6	14.7
% change	22.2	19.6	(22.5)	26.3	26.5
DPS (Rs)	1.6	2.9	2.9	2.9	2.9
CEPS (Rs)	16.5	18.6	16.7	20.1	24.2

Balance Sheet

Y.E March (Rs cr)	FY15A	FY16A	FY17E	FY18E	FY19E
Cash	14	9	17	29	28
Accounts Receivable	384	303	332	371	409
Inventories	2	2	3	3	3
Other Cur. Assets	92	95	161	188	218
Investments	48	27	30	32	34
Gross Fixed Assets	476	569	630	710	790
Net Fixed Assets	476	521	532	547	554
CWIP	7	12	57	30	50
Intangible Assets	4	1	1	0	0
Def. Tax (Net)	(30)	(32)	(39)	(39)	(39)
Other Assets	-	-	-	-	-
Total Assets	996	938	1,093	1,160	1,257
Current Liabilities	123	113	138	163	189
Provisions	5	6	5	6	7
Debt Funds	271	300	368	343	323
Other Liabilities	-	-	-	-	-
Equity Capital	15	15	15	15	15
Reserves & Surplus	582	503	566	632	723
Shareholder's Fund	597	518	581	648	738
Total Liabilities	996	938	1,093	1,160	1,257
BVPS (Rs)	79	68	77	86	98

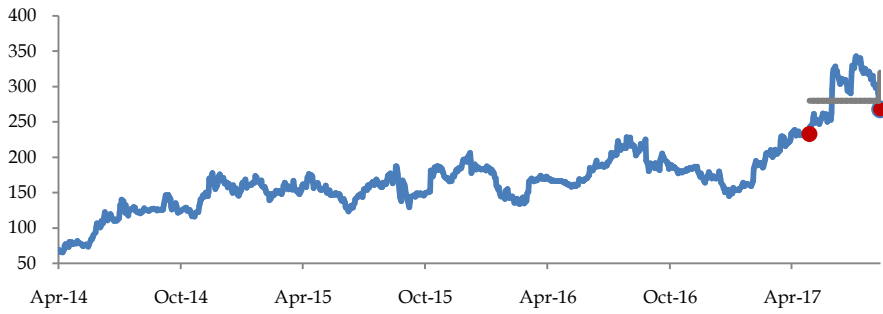
Cash flow

Y.E March (Rs cr)	FY15A	FY16A	FY17E	FY18E	FY19E
Net inc. + Depn.	126	155	128	154	185
Non-cash adj.	28	5	13	16	10
Changes in W.C	(28)	(60)	(2)	(47)	(42)
C.F.O	126	99	139	122	153
Capital exp.	(136)	(98)	(114)	(53)	(100)
Change in inv.	(19)	0	(56)	(2)	(2)
Other invest.CF	8	9	7	26	22
C.F - investing	(147)	(88)	(163)	(29)	(80)
Issue of equity	62	2	25	-	-
Issue/repay debt	58	82	109	(25)	(20)
Dividends paid	(10)	(18)	(8)	(22)	(22)
Other finance.CF	(89)	(81)	(73)	(35)	(32)
C.F - Financing	20	(15)	32	(82)	(74)
Chg. in cash	(1)	(4)	8	10	(1)
Closing cash	(1)	10	18	29	28

Ratios

Y.E March	FY15A	FY16A	FY17A	FY18E	FY19E
Profitab. & Return					
EBITDA margin (%)	7.8	8.4	8.7	9.4	9.5
EBIT margin (%)	5.5	5.2	5.5	6.3	6.5
Net profit mgn.(%)	3.4	5.7	3.9	4.2	4.6
ROE (%)	14.4	16.3	12.8	14.4	16.2
ROCE (%)	9.8	12.1	9.8	9.5	10.6
W.C & Liquidity					
Receivables (days)	60.6	78.2	64.2	60.6	58.1
Inventory (days)	0.4	0.6	0.5	0.6	0.6
Payables (days)	25.5	33.6	31.6	32.3	32.6
Current ratio (x)	3.8	3.4	3.6	3.5	3.4
Quick ratio (x)	3.2	2.8	2.5	2.4	2.3
Turnover &Levg.					
Gross asset T.O (x)	4.0	3.1	3.0	3.2	3.3
Total asset T.O (x)	2.3	1.7	1.8	1.9	2.0
Int. covge. ratio (x)	3.8	3.5	3.5	3.9	4.9
Adj. debt/equity (x)	0.5	0.7	0.7	0.7	0.4
Valuation ratios					
EV/Sales (x)	1.1	1.5	1.4	1.1	1.0
EV/EBITDA (x)	13.7	17.8	15.6	12.2	10.3
P/E (x)	27.7	23.2	29.9	23.7	18.7
P/BV (x)	3.5	4.0	3.6	3.2	2.8

Recommendation Summary (last 3 years)



Dates	Rating	Target
02-May-2017	Buy	280*
11-August-2017	Buy	320

Source: Bloomberg, Geojit Research

*Initiating Coverage

Investment Rating Criteria

Large Cap Stocks;		Mid Cap and Small Cap;			
Buy	-	Upside is 10% or more.	Buy	-	Upside is 15% or more.
Hold	-	Upside or downside is less than 10%.	Accumulate*	-	Upside between 10% - 15%.
Reduce	-	Downside is 10% or more.	Hold	-	Absolute returns between 0% - 10%.
			Reduce/Sell	-	Absolute returns less than 0%.
			To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.		

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