

Q1FY18 Result Update
Hold

Industry	Logistics
CMP (Rs)	297
FY19E Target Price (Rs)	300
52 Week H/L (Rs)	350/144
Volumes (BSE+NSE)*	86,030
Shares O/S (mn)	76.6
Market Cap (Rs bn)	23.1
Free Float (%)	33.9
Bloomberg Code	TRPC IN
Reuters Code	TCIL.NS

* Three Month Average

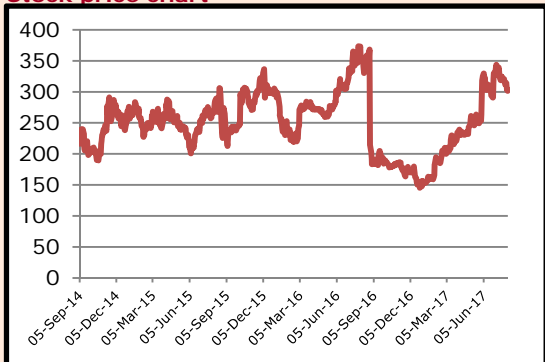
Share Holding Pattern (30/06/2017)

Particulars	Shares (mn)	Holding (%)
Promoters	50.6	66.1
FIIIs	1.8	2.3
DIIIs	4.7	6.2
Others	19.5	25.4
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY17	FY18E	FY19E
Sales	19,427	22,874	27,096
EBITDA	1,607	2,127	2,777
EBITDA Margin	8.3%	9.3%	10.3%
Net Profit	807	1,078	1,536
EPS (Rs)	10.5	14.1	20.1
EV/EBITDA (x)	16.6	12.5	9.5
P/E (x)	28.7	21.5	15.1
RoE	13.2%	15.6%	19.3%

Stock price chart


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Transport Corporation of India's (TCIL) reported standalone revenues of Rs 4.9bn, a y-o-y growth of 16.2%. We were expecting 15.4% topline growth. We find that growth across the divisions has been robust through the last four quarters. The various divisions (standalone) performed thus :

- Freight division : 11.7% growth y-o-y vs. 14.8% y-o-y growth in Q4FY17
- Supply Chains Solution division : 15.3% growth y-o-y vs. 11.9% y-o-y growth in Q4FY17
- Seaways division : 45% y-o-y growth vs. 26.4% growth in Q4FY17

EBITDA margins have gone up by 20bps y-o-y vs our expectation of 10 bps improvement in EBITDA margin. EBIT margin of the various divisions is as under:

- 20bps decline y-o-y in Transport division to 2.0%
- 80bps decline y-o-y in the Supply Chain Solutions division to 5.9%
- 300bps increase y-o-y in Seaways division to 20.5%

Net profit growth was 16.7% y-o-y to Rs 176mn vs our expectation of 38.6% y-o-y growth driven by lower depreciation and interest.

Impact of GST to be over time

While in the immediate term GST will be disruptive, the management believes that it will lead to some warehouses losing significance as companies move towards fewer warehouses. Logistics companies that are able to respond to consumer needs will emerge winners.

Management upbeat on growth

This will be driven by GST, opening up of multimodal transport, increased outsourcing of logistics and more government focus on logistics to reduce costs.

Dedicated freight corridors will create more business

The management does not believe that the shift to railways will dent the business of companies like TCI substantially. Moreover, movement to the DFC pick up point, as well as movement from the DFC destination point to the final user, will create business for TCI in the form of transportation, warehousing as well as additional warehousing services like sorting, labeling etc.

ROCE of at least 15% 2-3 years down the line

This will be driven by a steady growth in the topline, as well as EBITDA margin improvement accompanied by moderate capex.

Capex of Rs 1.3bn in FY18

This will be mainly used for buying trucks as well as creating more warehousing capacity. In FY17, capex was Rs 1.25bn – this was mainly spent on buying a ship, some containers, some trucks as well as augmenting the warehousing capacity.

Outlook and Valuations

TCIL trades at a P/E of 21.5 and 15.1 FY18E and FY19E earnings respectively. We value TCIL at 15x FY19E EPS. On that basis, we assign a fair price of Rs 300 to TCIL. We therefore recommend a Hold rating.

Segmental Performance (Standalone)

Particulars (Rs mn)	Q1FY18	Q1FY17	Y-o-Y change	Q4FY17	Q-o-Q change	FY17
Revenue (Rs mn)						
Transport	2,436	2,181	11.7%	2,591	-6.0%	9223
Supply Chain Solutions	1,984	1,721	15.3%	1,836	8.0%	7374
Seaways Division	581	400	45.0%	462	25.6%	1639
Total	5,000	4,303	16.2%	4,889	3.2%	18,237
EBIT (Rs mn)						
Transport	49	49	0.2%	50	-2.8%	213
Supply Chain Solutions	118	115	1.9%	115	2.3%	447
Seaways Division	119	70	69.9%	123	-3.2%	382
Power Division	15	14	7.9%	1	1410.0%	39
Add: Un allocable Income	-8	-9	-8.7%	-15	-43.6%	-44
Add: Un allocable Expense	9	24	-62.6%	35	-73.9%	125
Total	301	263	14.4%	309	-2.6%	1,162
EBIT Margins						
Transport	2.0%	2.2%	-20 bps	1.9%	-100 bps	2.3%
Supply Chain Solutions	5.9%	6.7%	-80 bps	6.3%	-20 bps	6.1%
Seaways Division	20.5%	17.5%	+300bps	26.6%	-610bps	23.3%

Q1FY18 Results Highlights (Standalone)

Particulars (Rs mn)	Q1FY18	Q1FY17	Y-o-Y change	Q4FY17	Q-o-Q change	FY17
Operating income	4,969	4,274	16.2%	4,816	3.2%	18,043
Less: Expenditures						
Operating cost	3,981	3,425	16.2%	3,903	2.0%	14,541
Staff costs	287	252	13.7%	280	2.5%	1,035
Other operating costs	250	217	15.2%	240	3.8%	904
EBITDA	452	381	18.7%	393	14.9%	1,563
EBITDA margin	9.1%	8.9%	+20 bps	8.2%	+90 bps	8.7%
Other income	9	23	-59.5%	64	-85.3%	177
Depreciation	160	141	13.9%	148	7.9%	578
EBIT	301	263	14.4%	309	-2.6%	1,162
Interest	78	75	5.2%	64	23.5%	274
Profit before tax	223	189	18.0%	246	-9.3%	887
Tax	47	38	23.3%	60	-22.8%	185
Profit after tax	176	151	16.7%	185	-4.9%	703
EPS (Rs)	2.3	2.0	16.7%	2.4	-4.9%	9.2

Income Statement (Consolidated)

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Income from operations	24,167	17,270	19,427	22,874	27,096
<i>Growth</i>	8.5%	-28.5%	12.5%	17.7%	18.5%
Less: Expenditures					
Operating costs	19,477	14,034	15,821	18,230	21,406
Staff costs	1,305	980	1,068	1,372	1,626
Other operating & admin costs	1,454	974	931	1,144	1,287
EBITDA	1,931	1,283	1,607	2,127	2,777
<i>EBITDA Margin</i>	8.0%	7.4%	8.3%	9.3%	10.3%
Other income	91	78	122	69	81
Depreciation	545	521	592	638	717
EBIT	1,477	840	1,137	1,558	2,142
Interest	333	239	288	383	437
Share in Net Profit of JV	-2	119	155	160	200
Profit before tax	1,142	719	1,004	1,335	1,905
Tax	326	154	191	267	381
Profit after tax	816	565	813	1,068	1,524
Minority interest	-2	4	6	10	12
Adjusted net profit	814	561	807	1,078	1,536
<i>Growth</i>	13.6%	-31.0%	43.8%	33.6%	42.5%
EPS (Rs)	10.6	7.4	10.5	14.1	20.1

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Share capital	151	152	153	153	153
Reserves and surplus	5,936	5,618	6,338	7,193	8,422
Shareholders' funds	6,087	4,540	6,491	7,346	8,575
Borrowed funds	2,836	2,746	3,795	4,445	4,945
Minority interest	35	39	43	53	53
Deferred tax liability (Net)	293	299	395	395	395
Total Liabilities	9,251	7,624	10,724	12,239	13,968
Net fixed assets	5,137	4,810	5,894	5,935	6,469
Goodwill on consolidation	2	0	0	0	0
Investments	72	779	899	899	629
Current assets, loans & advances	6,045	4,388	5,526	7,216	9,079
Less: Current liabilities & provisions	2,005	1,336	1,595	1,812	2,210
Net current assets	4,039	2,034	3,931	5,404	6,870
Total Assets	9,251	7,624	10,724	12,239	13,968

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Profit before tax and appropriations	1,142	719	1,004	1,335	1,905
Adjustments for	0	0	0	0	0
Depreciation	545	521	592	638	717
Change in WC	1,139	2,843	267	994	1,568
Others	-1,572	-2,078	-980	-1,559	-2,252
CF from operations	1,254	2,005	882	1,408	1,938
Capex	-1,329	932	-950	-1,250	-1,250
Change in investments	8	-707	-120	0	270
Others	-123	47	-562	-545	0
CF from investing	-1,444	272	-1,632	-1,795	-980
Change in equity	598	1	1	0	0
Change in debt	-59	310	649	650	500
Dividend and others	-356	-2,892	172	538	-744
CF from investing	183	-2,581	823	1,188	-244
Net change in cash	-7	-304	73	801	714
Opening cash balance	428	421	117	190	991
Closing cash balance	421	117	190	991	1,705

Key Ratios (Consolidated)

Y/E March	FY15	FY16	FY17	FY18E	FY19E
Profitability					
ROE	15.0%	9.6%	13.2%	15.6%	19.3%
ROCE	17.1%	9.1%	11.4%	13.6%	16.3%
Margins					
EBITDA	8.0%	7.4%	8.3%	9.3%	10.3%
Net Profit	3.4%	5.1%	4.2%	4.7%	5.7%
Leverage and Coverage					
Interest Coverage	22.6%	28.5%	25.3%	24.6%	20.4%
Debt/Equity	0.5	0.5	0.6	0.6	0.6
Per Share					
EPS (Rs)	10.6	7.4	10.5	14.1	20.1
Book Value Per Share (Rs)	79.5	75.3	84.7	95.9	111.9
Valuation					
P/E	28.4	41.2	28.7	21.5	15.1
P/BV	3.8	4.0	3.6	3.1	2.7
EV/Sales	1.1	1.5	1.4	1.2	1.0
EV/EBITDA	13.2	20.4	16.6	12.5	9.5

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