

## Q2FY18 Result Update

**Hold**

<b>Industry</b>	<b>Logistics</b>
<b>CMP (Rs)</b>	<b>292</b>
<b>FY19E Target Price (Rs)</b>	<b>321</b>
<b>52 Week H/L (Rs)</b>	<b>350/144</b>
<b>Volumes (BSE+NSE)*</b>	<b>86,030</b>
<b>Shares O/S (mn)</b>	<b>76.6</b>
<b>Market Cap (Rs bn)</b>	<b>22.4</b>
<b>Free Float (%)</b>	<b>33.9</b>
<b>Bloomberg Code</b>	<b>TRPC IN</b>
<b>Reuters Code</b>	<b>TCIL.NS</b>

\* Three Month Average

### Share Holding Pattern (30/09/2017)

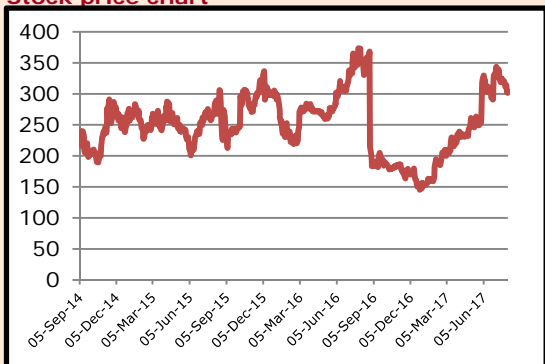
Particulars	Shares (mn)	Holding (%)
Promoters	50.6	66.1
FIIIs	1.8	2.3
DIIs	4.7	6.2
Others	19.5	25.4
<b>Total</b>	<b>76.6</b>	<b>100.0</b>

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)	16.2	12.1	9.2
P/E (x)	27.7	20.8	14.6
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 5.2bn, a y-o-y growth of 15.5%. We were expecting 14.8% topline growth. We find that growth across the divisions has been robust through the last six quarters. The various divisions (standalone) revenues performed thus :

- Freight division : 4.1% growth y-o-y vs. 11.7% y-o-y growth in Q1FY18
- Supply Chains Solution division : 20.5% growth y-o-y vs. 15.3% y-o-y growth in Q1FY18
- Seaways division : 52.9% y-o-y growth vs. 45% growth in Q1FY18

EBITDA margins have been flat y-o-y vs our expectation of 30 bps improvement. EBIT margins of the various divisions are as under:

- 10bps increase y-o-y in Transport division to 3.1%
- 60bps increase y-o-y in the Supply Chain Solutions division to 6.7%
- 860bps decrease y-o-y in Seaways division to 17%

Net profit growth was 29.4% y-o-y to Rs 255mn vs our expectation of 17.4% y-o-y growth. Net profit growth was driven by lower interest than expected and higher other income.

### 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.

### Margin improvement inspite of growth being primarily volume driven

Margin improvement is being driven by better capacity utilization, and economies of scale. Overall, the management expects that the supply chain division will see margins in the range of 10-12%, freight division in the range of 3.5-5% and seaways division in the range of 20-25% over the medium term.

### ROCE should see improvement of 50 bps at least year on year

This will be driven by the fact that the business mix is changing towards supply chain, which has a higher ROCE. Also the freight division should see an improvement in ROCE.

### 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.

### To be funded by debt and free cash flow

The management plans to take on additional debt of Rs 0.67bn and envisages free cash flows of Rs 0.63bn in order to fund this capex.

### Outlook and Valuations

TCIL trades at a P/E of 20.8 and 14.6 FY18E and FY19E earnings respectively. We are upgrading the multiple that we accord to TCIL, in view of the increasing ROCE. We value TCIL at 16x FY19E EPS. On that basis, we assign a fair price of Rs 321 to TCIL. We therefore recommend a Hold rating.

## Segmental Performance (Standalone)

Particulars (Rs mn)	Q2FY18	Q2FY17	Y-o-Y change	Q1FY18	Q-o-Q change	H1FY18	H1FY17	Y-o-Y change	FY17
<b>Revenue (Rs mn)</b>									
Transport	2,305	2,214	4.1%	2,436	-5.4%	4,741	4,396	7.9%	9223
Supply Chain Solutions	2,339	1,941	20.5%	1,984	17.9%	4,323	3,662	18.0%	7374
Seaways Division	579	379	52.9%	581	-0.3%	1,160	779	48.8%	1639
Energy Division	32	31	1.0%	24	31.1%	56	54	3.0%	74
Unallocable & Corporate	63	14	352.9%	9	586.8%	72	36	97.8%	119
Less: Intersegment Revenues	43	57	-24.5%	56	-22.9%	98	107	-8.2%	210
Less: Other Income	71	19	280.2%	9	656.4%	81	42	92.1%	177
<b>Total</b>	<b>5,203</b>	<b>4,504</b>	<b>15.5%</b>	<b>4,969</b>	<b>4.7%</b>	<b>10,172</b>	<b>8,778</b>	<b>15.9%</b>	<b>18,042</b>
<b>PBT (Rs mn)</b>									
Transport	71	67	6.0%	49	44.2%	119	115	3.6%	213
Supply Chain Solutions	157	119	32.4%	118	33.5%	275	234	17.4%	447
Seaways Division	98	97	1.5%	119	-17.3%	217	167	30.2%	382
Power Division	23	24	-3.3%	15	55.0%	39	38	0.8%	39
Less : Interest	74	68	8.2%	78	-5.7%	152	143	6.7%	274
Less: Un allocable Expense	15	8	98.7%	8	79.8%	24	32	-26.3%	-44
Add: Un allocable Income	-63	-16	298.1%	-9	586.8%	-72	-25	187.6%	125
<b>Total</b>	<b>323</b>	<b>246</b>	<b>31.2%</b>	<b>223</b>	<b>44.8%</b>	<b>546</b>	<b>405</b>	<b>34.9%</b>	<b>1,162</b>
<b>EBIT Margins</b>									
Transport	3.1%	3.0%	+10 bps	2.0%	+110 bps	2.5%	2.6%	-10 bps	2.3%
Supply Chain Solutions	6.7%	6.1%	+60 bps	5.9%	+80 bps	6.4%	6.4%	+0 bps	6.1%
Seaways Division	17.0%	25.6%	-860bps	20.5%	-350bps	18.7%	21.4%	-270bps	23.3%

## Q2FY18 Results Highlights (Standalone)

Particulars (Rs mn)	Q2FY18	Q2FY17	Y-o-Y change	Q1FY18	Q-o-Q change	H1FY18	H1FY17	Y-o-Y change	FY17
<b>Operating income</b>	<b>5,203</b>	<b>4,504</b>	<b>15.5%</b>	<b>4,969</b>	<b>4.7%</b>	<b>10,172</b>	<b>8,778</b>	<b>15.9%</b>	<b>18,043</b>
Less: Expenditures									
Operating cost	4,175	3,590	16.3%	3,981	4.9%	8,156	7,014	16.3%	14,541
Staff costs	296	251	18.1%	287	3.3%	583	503	15.9%	1,035
Other operating costs	232	231	0.1%	250	-7.2%	481	448	7.4%	904
<b>EBITDA</b>	<b>500</b>	<b>433</b>	<b>15.7%</b>	<b>452</b>	<b>10.7%</b>	<b>952</b>	<b>813</b>	<b>17.1%</b>	<b>1,563</b>
EBITDA margin	9.6%	9.6%	-0 bps	9.1%	+50 bps	9.4%	9.3%	+10 bps	8.7%
Other income	71	19	280.2%	9	656.4%	81	42	92.1%	177
Depreciation	175	137	27.7%	160	9.4%	335	278	20.7%	578
<b>EBIT</b>	<b>396</b>	<b>314</b>	<b>26.1%</b>	<b>301</b>	<b>31.6%</b>	<b>698</b>	<b>577</b>	<b>20.8%</b>	<b>1,162</b>
Interest	74	68	8.2%	78	-5.7%	152	143	6.7%	274
Profit before tax	322	246	31.1%	223	44.7%	545	435	25.4%	887
Tax	67	49	38.2%	47	44.7%	114	86	31.7%	185
<b>Profit after tax</b>	<b>255</b>	<b>197</b>	<b>29.4%</b>	<b>176</b>	<b>44.7%</b>	<b>431</b>	<b>348</b>	<b>23.9%</b>	<b>703</b>
EPS (Rs)	3.3	2.6	29.4%	2.3	44.7%	5.6	4.5	23.9%	9.2

**Income Statement (Consolidated)**

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
<b>Income from operations</b>	<b>24,167</b>	<b>17,270</b>	<b>19,427</b>	<b>22,874</b>	<b>27,096</b>
<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
<b>EBITDA</b>	<b>1,931</b>	<b>1,283</b>	<b>1,607</b>	<b>2,127</b>	<b>2,777</b>
<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
<b>EBIT</b>	<b>1,477</b>	<b>840</b>	<b>1,137</b>	<b>1,558</b>	<b>2,142</b>
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
<b>Profit after tax</b>	<b>816</b>	<b>565</b>	<b>813</b>	<b>1,068</b>	<b>1,524</b>
Minority interest	-2	4	6	10	12
<b>Adjusted net profit</b>	<b>814</b>	<b>561</b>	<b>807</b>	<b>1,078</b>	<b>1,536</b>
<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
<b>Shareholders' funds</b>	<b>6,087</b>	<b>4,540</b>	<b>6,491</b>	<b>7,346</b>	<b>8,575</b>
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
<b>Total Liabilities</b>	<b>9,251</b>	<b>7,624</b>	<b>10,724</b>	<b>12,239</b>	<b>13,968</b>
<b>Net fixed assets</b>	<b>5,137</b>	<b>4,810</b>	<b>5,894</b>	<b>5,935</b>	<b>6,469</b>
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
<b>Net current assets</b>	<b>4,039</b>	<b>2,034</b>	<b>3,931</b>	<b>5,404</b>	<b>6,870</b>
<b>Total Assets</b>	<b>9,251</b>	<b>7,624</b>	<b>10,724</b>	<b>12,239</b>	<b>13,968</b>

## Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
<b>Profit before tax and appropriations</b>	<b>1,142</b>	<b>719</b>	<b>1,004</b>	<b>1,335</b>	<b>1,905</b>
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
<b>CF from operations</b>	<b>1,254</b>	<b>2,005</b>	<b>882</b>	<b>1,408</b>	<b>1,938</b>
Capex	-1,329	932	-950	-1,250	-1,250
Change in investments	8	-707	-120	0	270
Others	-123	47	-562	-545	0
<b>CF from investing</b>	<b>-1,444</b>	<b>272</b>	<b>-1,632</b>	<b>-1,795</b>	<b>-980</b>
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
<b>CF from investing</b>	<b>183</b>	<b>-2,581</b>	<b>823</b>	<b>1,188</b>	<b>-244</b>
<b>Net change in cash</b>	<b>-7</b>	<b>-304</b>	<b>73</b>	<b>801</b>	<b>714</b>
Opening cash balance	428	421	117	190	991
<b>Closing cash balance</b>	<b>421</b>	<b>117</b>	<b>190</b>	<b>991</b>	<b>1,705</b>

## Key Ratios (Consolidated)

Y/E March	FY15	FY16	FY17	FY18E	FY19E
<b>Profitability</b>					
ROE	15.0%	9.6%	13.2%	15.6%	19.3%
ROCE	17.1%	9.1%	11.4%	13.6%	16.3%
<b>Margins</b>					
EBITDA	8.0%	7.4%	8.3%	9.3%	10.3%
Net Profit	3.4%	5.1%	4.2%	4.7%	5.7%
<b>Leverage and Coverage</b>					
Interest Coverage	22.6%	28.5%	25.3%	24.6%	20.4%
Debt/Equity	0.5	0.5	0.6	0.6	0.6
<b>Per Share</b>					
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
<b>Valuation</b>					
P/E	27.5	39.8	27.7	20.8	14.6
P/BV	3.7	3.9	3.4	3.0	2.6
EV/Sales	1.0	1.5	1.3	1.1	0.9
EV/EBITDA	12.8	19.8	16.2	12.1	9.2

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