

Q2FY20 Result Update

Buy

Industry	Logistics
CMP (Rs)	277
FY21E Target Price (Rs)	396
52 Week H/L (Rs)	328/255
Volumes (BSE+NSE)*	37,240
Shares O/S (mn)	76.6
Market Cap (Rs bn)	21.2
Free Float (%)	33.2
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

Share Holding Pattern (30/09/2019)

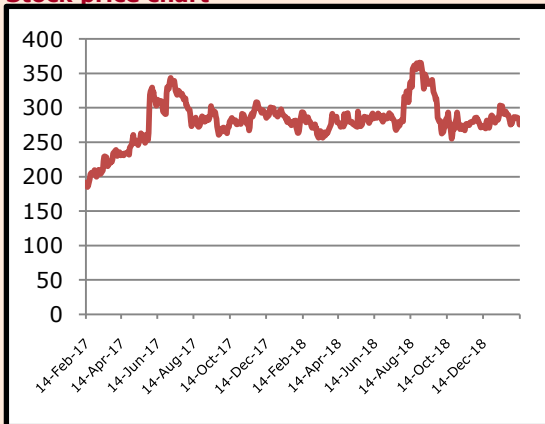
Particulars	Shares (mn)	Holding (%)
Promoters	51.2	66.8
FIIIs	1.4	1.8
DIIIs	7.4	9.7
Others	16.6	21.7
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY19	FY20E	FY21E
Sales	27,537	28,858	33,653
EBITDA	2,489	2,684	3,298
EBITDA Margin	9.0%	9.3%	9.8%
Net Profit	1,456	1,638	2,022
EPS (Rs)	19.0	21.4	26.4
EV/EBITDA (x)	10.1	9.1	7.4
P/E (x)	14.6	13.0	10.5
RoE	17.6%	17.1%	18.3%

Stock price chart


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Transport Corporation of India (TCIL) reported consolidated revenues of Rs 6.8bn, a y-o-y growth of 1.4%. So far TCIL was reporting only standalone revenues for the quarters. Hence, we have not mentioned our expectations as these were based on standalone numbers.

We find that y-o-y growth across the Divisions has come off, continuing from the slowdown witnessed in Q4FY19. The various Divisions (consolidated) revenues performed thus :

- Transport Division: 2.8% growth y-o-y
- Supply Chains Solution Division: -2.9% growth y-o-y
- Seaways Division: 8.3% y-o-y growth

EBITDA margins recorded a 10bps y-o-y increase because of flattish performance across all divisions. EBIT margins of the various Divisions are :

- 20bps y-o-y increase in margin in Transport Division to 2.9%
- 80bps y-o-y decline in margin in the Supply Chain Solutions Division to 6.4%
- 230bps y-o-y increase in Seaways Division to 17.0%

Net profit growth was at 3.2% y-o-y to Rs 333mn, lower than our expectation of -5.6% y-o-y growth. Net profit growth was driven by higher profit coming from the JV and lower than estimated taxes.

Transport Division hit by low liquidity in the system

Slower growth in the division was not driven by any specific segment. The management feels that it has not performed too badly given the tight liquidity in the economy. They feel that they have gained market share and business has moved from the unorganized to the organized sector.

TCI Supply Chains Division driven by the slowdown in autos

The 2Wheelers' growth has been more hit as compared to the 4Wheelers growth. Revenue in this quarter was driven by exports.

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

As per the management, organic volumes were less, growth came about because of the new ship added in Q2FY19. Tight liquidity is impacting this segment as well. Addition of new ship in Q4FY20 will happen only if business picks up, otherwise the purchase will be deferred.

EBITDA margin increased by 10bps y-o-y

This is due to a combination of lower crude prices and lower costs this quarter.

Capex of Rs 2750mn in FY20

Of this, capex in Q1FY20 was Rs 200mn. In case demand does not pick up, the capex figure will be revised.

Outlook and Valuations

TCIL trades at a P/E of 13.0x and 10.5x FY20E and FY21E earnings respectively. We value TCIL at 15x FY21E EPS. On that basis, we assign a fair price of Rs396 and recommend a Buy rating on TCIL.

Segmental Performance (Consolidated)

Particulars	Q2FY20	Q2FY19	Y-o-Y Change	Q1FY20	Q-o-Q Change	H1FY20	H1FY19	Y-o-Y Change
Revenue (Rs mn)								
Transport	3,548	3,450	2.8%	3,386	4.8%	6,934	6,666	4.0%
Supply Chain Solutions	2,478	2,552	-2.9%	2,439	1.6%	4,918	4,927	-0.2%
Seaways Division	854	788	8.3%	789	8.3%	1,643	1,503	9.3%
Power Division	30	33	-11.1%	15	102.0%	44	56	-20.9%
Unallocable& Corporate	53	62	-14.6%	54	-2.4%	107	89	19.7%
Less: Intersegment Revenue	76	81	-5.7%	56	36.5%	132	144	-8.7%
Less: Other Income	41	53	-22.2%	35	16.5%	76	96	-20.5%
Total Revenue	6,846	6,752	1.4%	6,592	3.8%	13,438	13,002	3.4%
PBT (Rs mn)								
Transport	101	93	9.3%	90	12.3%	192	171	12.3%
Supply Chain Solutions	158	184	-14.0%	168	-5.4%	326	346	-5.9%
Seaways Division	145	116	25.1%	157	-7.1%	302	253	19.5%
Power Division	20	25	-17.1%	5	284.9%	26	39	-33.6%
Less : Interest	82	97	-15.2%	87	-5.2%	169	171	-1.1%
Less: Unallocable Expense	39	46	-14.1%	102	-61.7%	141	68	107.0%
Add: Unallocable Income	-39	-62	-37.2%	-103	-62.3%	-141	-89	58.7%
Add: Share of Profit/loss of JV	92	61	49.5%	84	9.8%	0	0	NA
Add : Exceptional income	435	398	9.2%	417	4.3%	676	658	2.7%
Total PBT								
EBIT Margins								
Transport	2.9%	2.7%	+20 bps	2.7%	+20 bps	2.8%	2.6%	+20 bps
Supply Chain Solutions	6.4%	7.2%	-80 bps	6.9%	-50 bps	6.6%	7.0%	-40 bps
Seaways Division	17.0%	14.7%	+230bps	19.8%	-280bps	18.4%	16.8%	+160bps

Quarterly Financials (Consolidated)

Particulars (Rs mn)	Q2FY20	Q2FY19	Y-o-Y Change	Q1FY20	Q-o-Q Change	H1FY20	H1FY19	Y-o-Y Change
Operating income	6,846	6,752	1.4%	6,592	3.8%	13,438	13,002	3.4%
Less: Expenditures								
Operating cost	5,576	5,555	0.4%	5,369	3.8%	10,945	10,677	2.5%
Staff costs	386	357	8.1%	384	0.6%	770	699	10.2%
Other operating costs	297	266	11.5%	255	16.3%	552	525	5.0%
EBITDA	587	575	2.2%	584	0.5%	1,171	1,101	6.4%
EBITDA margin	8.6%	8.5%	+10 bps	8.9%	-30 bps	8.7%	8.5%	+20 bps
Other income	41	53	-22.2%	35	16.5%	76	96	-20.5%
Depreciation	203	194	5.0%	199	2.0%	403	368	9.5%
EBIT	425	434	-2.0%	420	1.2%	845	829	1.9%
Interest	82	97	-15.2%	87	-5.2%	169	171	-1.1%
Profit/loss of JV	92	61	49.5%	84	9.9%	175	114	53.9%
Profit before tax	435	398	9.2%	417	4.3%	851	772	10.2%
Tax	99	72	36.7%	72	36.8%	171	150	13.8%
Profit after tax	336	326	3.1%	344	-2.5%	680	622	9.3%
Non Controlling Interest	3	3	0.0%	2	66.7%	4	4	0.0%
Exceptional Items	0	0	NA	0	NA	0	0	NA
Net Profit	333	323	3.2%	343	-2.8%	676	618	9.4%
EPS (Rs)	4.3	4.2	3.2%	4.5	-2.8%	8.8	8.1	9.4%

Income Statement (Consolidated)

Y/E March (Rsmn)	FY17	FY18	FY19	FY20E	FY21E
Income from operations	19,427	23,461	27,537	28,858	33,653
<i>Growth y-o-y</i>	<i>12.5%</i>	<i>20.8%</i>	<i>17.4%</i>	<i>4.8%</i>	<i>16.6%</i>
Less: Expenditures					
Operating costs	15,821	19,068	22,515	23,519	27,259
Staff costs	1,068	1,245	1,408	1,472	1,716
Other operating & admin costs	931	1,021	1,124	1,183	1,380
EBITDA	1,607	2,127	2,489	2,684	3,298
<i>EBITDA margin</i>	<i>8.3%</i>	<i>9.1%</i>	<i>9.0%</i>	<i>9.3%</i>	<i>9.8%</i>
Other income	122	182	195	202	236
Depreciation	592	687	774	869	995
EBIT	1,137	1,623	1,910	2,017	2,539
Interest	288	322	374	357	357
Share in net profit of JV	155	224	251	350	301
Profit before tax	1,004	1,525	1,780	2,009	2,482
Tax	191	287	333	382	472
Profit after tax	813	1,238	1,447	1,628	2,011
Minority interest	6	6	9	10	11
Adjusted net profit	807	1,244	1,456	1,638	2,022
<i>Growth y-o-y</i>	<i>43.8%</i>	<i>54.2%</i>	<i>17.0%</i>	<i>12.5%</i>	<i>23.4%</i>
EPS (Rs)	10.5	16.2	19.0	21.4	26.4

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	10,076	11,694
Shareholders' funds	6,491	7,618	8,920	10,230	11,847
Borrowed funds	3,795	3,953	4,142	4,642	4,642
Minority interest	43	47	52	52	52
Deferred tax liability (Net)	395	445	390	390	390
Total Liabilities	10,724	12,062	13,504	15,314	16,931
Net fixed assets	5,894	6,821	7,308	7,939	8,944
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	9,275	10,457
Less: Current liabilities & provisions	1,595	1,915	2,656	3,069	3,579
Net current assets	3,931	3,883	5,027	6,206	6,879
Total Assets	10,724	12,062	13,504	15,314	16,931

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Profit before tax	1004	1525	1780	2009	2482
Depreciation	592	687	774	869	995
Interest expense	288	322	374	357	357
Change in receivables	-317	-679	-902	0	0
Change in inventories	-7.5	-8	-20	-209	-891
Change in other current assets	-741	366	-949	-5	-10
Change in other current liabilities	259	320	740	-94	-402
Taxes paid, net	-191	-287	-333	-382	-472
CF from operations	882	2247	1473	2969	2583
Capex, net	-950	-1440	-1980	-1500	-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	-1500	-1940
Interest paid	-288	-322	-374	-357	-357
Change in borrowings, net	649.2	157.5	188.9	500	0
Dividends paid	-157	-143	-291	-328	-404
Equity issuance	1.05	0.00	0.10	0.00	0.00
Cash from financing	823	149	-314	-185	-761
Net change in cash and equivalents	73	-47	13	1284	-118
Opening cash balance	117	190	142	155	1439
Closing cash balance	190	142	155	1439	1322

Key Ratios (Consolidated)

Y/E March	FY17	FY18	FY19	FY20E	FY21E
Profitability					
ROE	13.2%	17.6%	17.6%	17.1%	18.3%
ROCE	11.4%	14.2%	14.9%	14.0%	15.7%
Margins					
EBITDA	8.3%	9.1%	9.0%	9.3%	9.8%
Net Profit	4.2%	5.3%	5.3%	5.7%	6.0%
Leverage and Coverage					
Interest Coverage	25.3%	19.8%	19.6%	17.7%	14.1%
Debt/Equity	0.6	0.5	0.5	0.5	0.4
Per Share					
EPS (Rs)	10.5	16.2	19.0	21.4	26.4
Book Value Per Share (Rs)	84.7	99.4	116.4	133.5	154.7
Valuation					
P/E	26.3	17.1	14.6	13.0	10.5
P/BV	3.3	2.8	2.4	2.1	1.8
EV/Sales	1.3	1.1	0.9	0.8	0.7
EV/EBITDA	15.4	11.8	10.1	9.1	7.4

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