

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR280
Target Price	: INR380
Potential Return	: 36%

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Market data

Sensex	:	35,974
Sector	:	Transport
Market Cap (INRbn)	:	21.5
Market Cap (USDbn)	:	0.302
O/S Shares (m)	:	76.7
52-wk HI/LO (INR)	:	376/231
Avg Daily Vol ('000)	:	13
Bloomberg	:	TRPC IN

Source: Bloomberg

Valuation

	FY19e	FY20e	FY21e
EPS (INR)	18.2	22.7	27.4
P/E(x)	15.4	12.3	10.2
P/BV(x)	2.4	2.1	1.7
EV/EBITDA(x)	11.0	9.1	7.7
Dividend Yield (%)	0.6	0.6	0.6

Source: Company, Antique

Returns (%)

	1m	3m	6m	12m
Absolute	(3)	0	(23)	(0)
Relative	(3)	(2)	(18)	(4)

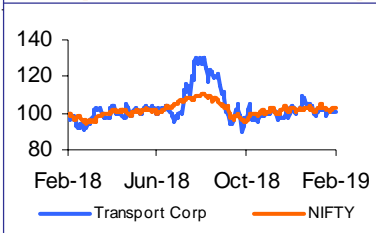
Source: Company, Antique

Shareholding pattern

Promoters	:	67%
Public	:	33%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg, Indexed to 100

COMPANY UPDATE

Transport Corporation of India

On a steady footing

We recently interacted with management of Transport Corporation (TCI) to gain insights on recent developments and growth outlook in different segments. Management highlights 1) Freight segment is benefitting from higher growth in LTL cargo (positive effect of GST); 2) Supply Chain segment is impacted by recent headwinds in Auto OEM business; other segments growing steadily; 3) Shipping business remains on a healthy growth footing. Management maintains its 17-18% topline growth guidance; in FY18 growth was fuelled by Supply Chain and shipping businesses, in FY19, freight and shipping segments have contributed more to the growth. Company is targeting a capex of INR1.75-1.85bn in FY19 and expects a similar capex in next 2 years as well, as company looks to capitalize the growth opportunities emerging in the Industry. We believe the stock is attractively priced (relative to peers) at the current valuation of ~15x FY19E/12x FY20E EPS. We value the stock at 14x FY21 EPS. BUY.

Freight segment benefitting from faster growth in LTL cargo; traction from the SME businesses

Freight segment has registered growth of 20% YoY in 9MFY19; highest YoY growth in many years. This is primarily led by faster growth in the LTL segment. The GST rollout has had a positive rub-off effect on the goods movement; a lot of SME businesses are looking to move goods on an interstate basis now versus the intrastate movement which they were doing earlier. Like for the FTL cargo, company uses contracted trucks in the LTL business as well. TCI's JV with Concor has grown at a relatively slower pace of 12% YoY during 9MFY19. Margins during 3Q benefited from cooling off the diesel prices and increased contributing of faster growing LTL segment. We build in overall freight segment growth of 19% YoY in FY19e and a 15% in FY20e/FY21e.

Supply Chain segment impacted by headwinds in Auto OEM business; other segments growing steadily

Revenue growth in the Supply Chain segment has tapered in past two quarters to 9-10% (9MFY19 growth at 13% YoY), primarily impacted by growth slowdown for Auto OEMs' domestic business. This has been partly offset by steady growth in other Industry segments, growth in Auto spare parts and Auto export segments. Due to lower growth, segment margins have also been impacted on account of attributable fixed cost. TCI's JV with Mitsui (Transystem Logistics) is growing at a faster pace at 17% YoY for 9MFY19, as company has started to do business for other Japanese OEMs. We build in overall TCI Supply Chain segment growth at 13% YoY in FY19e and 20% each in FY20e/FY21e.

Shipping business on a healthy growth footing

Company's growth in shipping segment in 3QFY18 (at 50%+) was fueled by the addition of new ship in the prior 6 months (9MFY19 revenue +38% YoY). Post the latest addition in its fleet (during 2Q), company now operates 6 ships with a total capacity of ~63,000 DWT. Company has a strategy to add one ship in 12-18 months. Higher fuel prices, lower initial utilisation and added depreciation related to the new ship impacted the segment margins during 2Q - all of which normalised and benefitted 3Q profitability. Management highlights that the Shipping business is at a very interesting juncture as of now and company continues to benefit from the increasing government push for multimodal transport movement and coastal shipping. Recent entry by Concor in the Shipping hasn't had any meaningful impact as of now in terms of competition. TCI has benefited from its capabilities to provide multimodal transport services combining the advantages of integration of the road, rail and sea services.

Assumptions

(INR mn)	FY15	FY16	FY17	FY18e	FY19e	FY20e	FY21e
Freight Division	8,908	9,710	10,590	11,992	14,238	16,374	18,830
YoY%	7.2	9.0	9.1	13.2	18.7	15.0	15.0
Supply Chain Solutions	7,813	6,310	7,374	9,126	10,294	12,352	14,823
YoY%	11.8	-19.2	16.9	23.7	12.8	20.0	20.0
Seaways Division	1,220	1,402	1,639	2,564	3,539	4,423	5,529
YoY%	7.2	15.0	16.9	56.4	38.0	25.0	25.0
Total Revenue	17,580	17,270	19,425	23,461	27,769	32,778	38,721
YoY%	8.1	-1.8	12.5	20.8	18.4	18.0	18.1
EBITDA							
Freight Division	240	284	356	435	484	573	659
Supply Chain Solutions	897	672	779	942	1,050	1,272	1,527
Seaways Division	337	412	507	825	920	1,194	1,438
Total	1,414	1,294	1,620	2,127	2,391	2,980	3,567
YoY%	18.1	-8.5	25.2	31.3	12.4	24.6	19.7
EBITDA Margin %							
Freight Division	2.7	2.9	3.4	3.6	3.4	3.5	3.5
Supply Chain Solutions	11.5	10.6	10.6	10.3	10.2	10.3	10.3
Seaways Division	27.6	29.4	30.9	32.2	26.0	27.0	26.0
Total	8.0	7.5	8.3	9.1	8.6	9.1	9.2
PAT	551	561	807	1,232	1,390	1,738	2,095
EPS	7.2	7.3	10.5	16.1	18.2	22.7	27.4
YoY%	19.6	1.9	43.8	52.6	12.9	25.0	20.6
CFO	677	1,087	988	1,801	1,711	2,047	2,467
Capex	1,446	1,035	1,153	1,591	1,800	2,000	2,000

Source: Company, Antique

Change in estimates

Key parameters	FY19e			FY20e			FY21e		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	27,825	27,769	(0.2)	32,862	32,778	(0.3)	-	38,721	-
EBITDA (Rs mn)	2,429	2,391	(1.6)	3,059	2,980	(2.6)	-	3,567	-
EBITDA margin (%)	8.7	8.6	-12bps	9.3	9.1	-22bps	-	9.2	-
Net profit (Rs mn)	1,414	1,390	(1.7)	1,763	1,738	(1.4)	-	2,095	-
EPS (Rs)	18.5	18.2	(1.7)	23.0	22.7	(1.4)	-	27.4	-

Source: Bloomberg

Financials (Consolidated)

Profit and loss account (INRm)

Year ended 31 Mar	2017	2018e	2019e	2020e	2021e
Net Revenue	19,425	23,461	27,769	32,778	38,721
Op. Expenses	17,805	21,334	25,378	29,798	35,155
EBITDA	1,620	2,127	2,391	2,980	3,567
Depreciation	592	686	781	951	1,123
EBIT	1,028	1,441	1,610	2,029	2,444
Other income	122	182	218	223	227
Interest Exp.	301	322	385	434	471
Reported PBT	849	1,301	1,443	1,817	2,199
Tax	191	287	322	402	485
Reported PAT	658	1,014	1,121	1,415	1,714
Minority Int./Profit (loss) From Asso.	155	224	269	323	381
Net Profit	813	1,238	1,390	1,738	2,095
Adjusted PAT	807	1,232	1,390	1,738	2,095
Adjusted EPS (INR)	10.5	16.1	18.2	22.7	27.4

Balance sheet (INRm)

Year ended 31 Mar	2017	2018e	2019e	2020e	2021e
Share Capital	153	153	153	153	153
Reserves & Surplus	6,312	7,465	8,707	10,296	12,243
Networth	6,466	7,618	8,860	10,449	12,396
Debt	4,213	4,396	4,996	5,596	5,896
Minority Interest	43	47	47	47	47
Net deferred Tax liabilities	395	445	445	445	445
Capital Employed	11,116	12,506	14,348	16,537	18,784
Net Fixed Assets	5,985	6,821	7,840	8,889	9,766
Investments	866	1,044	1,313	1,635	2,016
Non Current Investments	866	1,044	1,313	1,635	2,016
Current Assets, Loans & Adv.	5,443	6,113	6,890	7,917	9,159
Inventory	25	33	33	33	33
Debtors	3,584	4,249	4,945	5,837	6,896
Cash & Bank balance	187	142	69	34	27
Loans & advances and others	1,647	1,689	1,842	2,013	2,203
Current Liabilities & Prov.	1,179	1,472	1,695	1,904	2,157
Liabilities	1,126	1,417	1,639	1,849	2,102
Provisions	53	55	55	55	55
Net Current Assets	4,264	4,641	5,195	6,013	7,002
Application of Funds	11,116	12,506	14,348	16,537	18,784

Per share data

Year ended 31 Mar	2017	2018e	2019e	2020e	2021e
No. of shares (m)	77	77	77	77	77
Diluted no. of shares (m)	77	77	77	77	77
BVPS (INR)	84.4	99.4	115.7	136.4	161.8
CEPS (INR)	16.3	22.2	24.8	30.9	37.0
DPS (INR)	1.1	1.6	1.6	1.6	1.6

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2017	2018e	2019e	2020e	2021e
PBT	1,004	1,525	1,712	2,140	2,580
Depreciation & amortisation	592	686	781	951	1,123
Interest expense	301	322	385	434	471
(Inc)/Dec in working capital	(637)	(342)	(627)	(853)	(995)
Tax paid	(250)	(368)	(322)	(402)	(485)
Less: Interest/Dividend Income Recd.	(10)	(8)	(218)	(223)	(227)
Other operating Cash Flow	(13)	(13)	-	-	-
CF from operating activities	988	1,801	1,711	2,047	2,467
Capital expenditure	(1,153)	(1,591)	(1,800)	(2,000)	(2,000)
Inc/(Dec) in investments	(75)	40	(269)	(323)	(381)
Add: Interest/Dividend Income Recd.	5	9	218	223	227
CF from investing activities	(1,223)	(1,543)	(1,851)	(2,100)	(2,154)
Inc/(Dec) in share capital	25	-	-	-	-
Inc/(Dec) in debt	670	184	600	600	300
Dividend Paid	(404)	(486)	(533)	(583)	(619)
Others	25	-	-	-	-
CF from financing activities	316	(303)	67	17	(319)
Net cash flow	81	(44)	(73)	(36)	(6)
Opening balance	105	187	142	69	34
Closing balance	187	142	69	34	27

Growth indicators (%)

Year ended 31 Mar	2017	2018e	2019e	2020e	2021e
Revenue(%)	12.5	20.8	18.4	18.0	18.1
EBITDA(%)	25.2	31.3	12.4	24.6	19.7
Adj PAT(%)	43.8	52.6	12.9	25.0	20.6
Adj EPS(%)	43.8	52.6	12.9	25.0	20.6

Valuation (x)

Year ended 31 Mar	2017	2018e	2019e	2020e	2021e
P/E	26.6	17.4	15.4	12.3	10.2
P/BV	3.3	2.8	2.4	2.1	1.7
EV/EBITDA	15.8	12.1	11.0	9.1	7.7
EV/Sales	1.3	1.1	0.9	0.8	0.7
Dividend Yield (%)	0.4	0.6	0.6	0.6	0.6

Financial ratios

Year ended 31 Mar	2017	2018e	2019e	2020e	2021e
RoE (%)	13.2	17.5	16.9	18.0	18.3
RoCE (%)	12.6	15.6	15.6	16.7	17.3
Asset/T.O (x)	2.0	2.2	2.3	2.3	2.4
Net Debt/Equity (x)	0.62	0.56	0.56	0.53	0.47
EBIT/Interest (x)	3.8	5.0	4.7	5.2	5.7

Margins (%)

Year ended 31 Mar	2017	2018e	2019e	2020e	2021e
EBITDA Margin(%)	8.3	9.1	8.6	9.1	9.2
EBIT Margin(%)	5.3	6.1	5.8	6.2	6.3
PAT Margin(%)	4.2	5.3	5.0	5.3	5.4

Source: Company Antique

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