

Retail Equity Research (South India Focus) Transport Corporation of India Ltd

Logistics

BSE CODE : 532349 NSE CODE: TCI
BLOOMBERG CODE: TRPC:IN SENSEX : 39,435

BUY

12M Investment Period

Rating as per Mid Cap

CMP Rs 300 TARGET Rs 346 RETURN 15% ↑
(Closing: 25-06-19)

KEY CHANGES:

TARGET ↑

RATING ↑

EARNINGS ↑

Margin improves...outlook positive

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 grew by 14% YoY, whereas PAT grew by robust 34% YoY.
- EBITDA grew by 27% YoY, while margins improved by 110bps YoY to 11.1% on account of lower cost.
- Going forward, e-way bill, higher axle load permit and stabilization of GST is expected to boost logistic players business .
- Given its strong presence in warehousing space, multimodal logistics services and supply chain management, TCI will be a key beneficiary from revival in the logistics sector.
- We factor earnings to grow by 18% CAGR over FY19-FY21E.
- We roll forward to FY21E and value TCI at P/E multiple of 15x with a target price of Rs346 and upgrade to "Buy" from Accumulate.

Healthy revenue growth...

TCI's Q4FY19 revenue grew by 19.2% YoY, led by stable growth across segments. Revenue from Freight business grew by 10% YoY, led by increasing contribution of LTL in freight business despite slowdown in movement of goods. The Supply chain business which largely caters to Auto sector grew by modest 9% YoY, was impacted by slowdown in the Auto sector. However, this was partly offset by steady growth in other Industry segments like Auto spare parts and Auto export segments. Seaway logistics business grew by robust 46% YoY continued to witness strong growth led by ship additions. TCI has potential for scaling up of business given its strong presence in warehousing space, provides multimodal logistics services, supply chain management and the third party logistics services. We factor revenue to grow by 17% CAGR over FY19-FY21E.

PAT to grow by healthy 18% CAGR over FY19-21E...

Q4FY19 EBITDA grew by 27% YoY, while EBITDA margins improved by 110bps largely due to lower operating cost. PAT grew by 34% YoY to Rs44cr. Given improvement in EBITDA margins in Q4FY19, we increase our EBITDA margins estimates by 20bps to 9.7% for FY20E. We expect EBITDA to grow by 18% CAGR and consequently earnings is expected to grow by 18% CAGR over FY19-21E.

Valuations

With stabilisation of GST, e-way bill and increased permit of 20-25% axle load, the tailwind's for the sector are strong. Considering this we believe that TCI has potential for scaling up of business given its strong presence in warehousing space, provides multimodal logistics services, supply chain management and the third party logistics services. The earnings outlook is healthy at 18% CAGR over FY18-20E. We value TCI at 15x on FY21E with target price of Rs346 and upgrade to "Buy" from Accumulate.

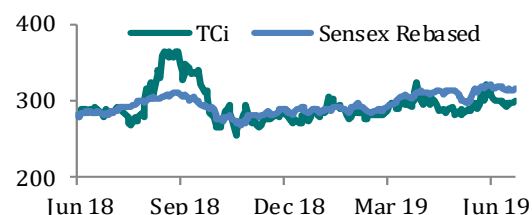
Company Data

Market Cap (cr)	Rs. 2,298
Enterprise Value (cr)	Rs. 2,689
Outstanding Shares (cr)	7.7
Free Float	33.1%
Dividend Yield	0.6%
52 week high	Rs. 376
52 week low	Rs. 232
6m average volume (cr)	0.01
Beta	1.4
Face value	Rs. 2

Shareholding (%)	Q2FY19	Q3FY19	Q4FY19
Promoters	66.0	66.9	66.9
FII's	1.9	1.9	1.9
MFs/Institutions	10.3	10.9	11.1
Public	15.7	15.8	15.6
Others	5.2	4.5	4.5
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	-0.6%	4.4%	5.9%
Absolute Sensex	3.4%	10.1%	11.2%
Relative Return*	-4.1%	-5.8%	-5.2%

*over or under performance to benchmark index



Standalone (cr)	FY19A	FY20E	FY21E
Sales	2,558	3,002	3,500
Growth (%)	17.5	17.3	16.6
EBITDA	244	291	340
EBITDA Margin(%)	9.5	9.7	9.7
PAT Adj.	128	151	177
Growth (%)	23.0	17.9	17.3
Adjusted EPS	16.6	19.6	23.0
Growth (%)	23.0	17.9	17.3
P/E	18.0	15.3	13.0
P/B	2.7	2.3	2.0
EV/EBITDA	11.0	9.3	7.9
ROE (%)	16.9	16.7	16.8
D/E	0.5	0.4	0.4

Anil R
Research Analyst

Quarterly Financials

Profit & Loss

	Q4FY19	Q4FY18	YoY Growth %	H2FY19	H2FY18	YoY Growth %
Sales	692	605	<i>14.3</i>	1,354	1,161	<i>16.7</i>
EBITDA	77	61	<i>27.1</i>	138	113	<i>21.4</i>
EBITDA margins	11.1	10.0	<i>+110bps</i>	10.2	9.8	<i>+40bps</i>
Depreciation	19	16	<i>16.6</i>	39	34	<i>16.3</i>
EBIT	58	44	<i>30.9</i>	98	79	<i>23.6</i>
Interest	9	7	<i>29.4</i>	19	15	<i>29.2</i>
Other Income	5	9	<i>(50.6)</i>	13	16	<i>(22.8)</i>
Exceptional Items	-	-	-	-	-	-
PBT	54	47	<i>15.0</i>	92	81	<i>13.2</i>
Tax	10	10	-	18	16	<i>10.2</i>
Share of profit from Associate	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-
Reported PAT	44	33	<i>33.6</i>	74	61	<i>21.5</i>
Adjustments	-	-	-	-	-	-
Adjusted PAT	44	33	<i>33.6</i>	74	46	<i>21.5</i>
No. of Shares	<i>7.7</i>	<i>7.7</i>	-	<i>7.7</i>	<i>7.7</i>	-
EPS (Rs)	5.7	4.3	<i>33.6</i>	9.6	7.9	<i>21.5</i>

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	3,084	-	3,002	3,500	<i>(2.7)</i>	-
EBITDA	293	-	291	340	<i>(0.7)</i>	-
Margins (%)	9.5	-	9.7	9.7	<i>+20bps</i>	-
Adj. PAT	148	-	151	177	<i>2.0</i>	-
EPS	19.4	-	19.6	23.0	<i>2.0</i>	-

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Sales	1,804	2,177	2,558	3,002	3,500
% change	12.9	20.7	17.5	17.3	16.6
EBITDA	157	209	244	291	340
% change	17.7	32.5	17.1	19.2	16.6
Depreciation	57	67	75	89	109
EBIT	100	141	169	202	230
Interest	29	31	36	39	39
Other Income	18	25	27	30	35
PBT	89	132	160	193	226
% change	18.8	48.2	21.8	20.4	17.3
Tax	18	28	33	42	50
Tax Rate (%)	20.8	21.1	20.4	22.0	22.0
Reported PAT	71	107	128	151	178
Adj.*	(1)	3	-	-	-
Adj. PAT	70	104	128	151	177
% change	(22.5)	47.7	23.0	17.9	17.3
No. of shares (cr)	7.7	7.7	7.7	7.7	7.7
Adj EPS (Rs)	9.2	13.5	16.6	19.6	23.0
% change	(22.5)	47.7	23.0	17.9	17.3
DPS (Rs)	2.9	2.9	2.1	2.1	2.1
CEPS (Rs)	16.7	22.3	26.5	31.3	37.3

BALANCE SHEET

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	17	11	7	6	10
Accounts Receivable	332	390	477	518	614
Inventories	3	3	5	6	7
Other Cur. Assets	161	162	228	237	276
Investments	30	31	94	94	94
Gross Fixed Assets	609	762	919	1,159	1,319
Net Fixed Assets	532	623	705	856	907
CWIP	57	56	4	3	8
Intangible Assets	1	1	1	0	0
Def. Tax (Net)	(39)	(44)	(39)	(39)	(39)
Other Assets	-	-	-	-	-
Total Assets	1,093	1,233	1,480	1,680	1,876
Current Liabilities	138	169	240	299	334
Provisions	5	5	6	7	9
Debt Funds	368	382	397	402	402
Other Liabilities	-	-	-	-	-
Equity Capital	15	15	15	15	15
Reserves & Surplus	566	662	822	956	1,116
Shareholder's Fund	581	677	837	971	1,131
Total Liabilities	1,093	1,233	1,480	1,680	1,876
BVPS	77	89	111	128	150

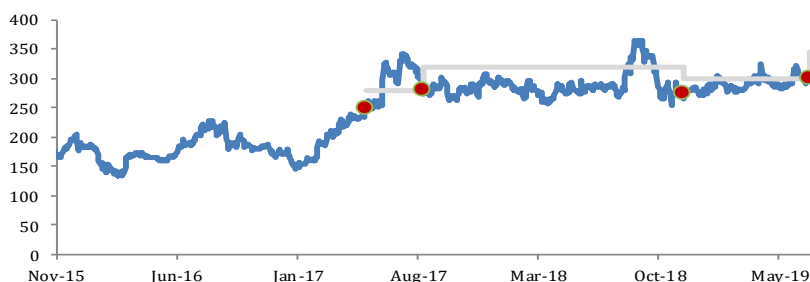
CASH FLOW

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Net inc. + Depn.	128	171	203	240	286
Non-cash adj.	16	15	9	9	4
Changes in W.C	(56)	(13)	(83)	9	(10)
C.F. Operation	88	177	129	258	189
Capital exp.	(114)	(159)	(105)	(239)	(165)
Change in inv.	(10)	(3)	(63)	-	-
Other invest.CF	6	8	27	30	35
C.F - Investment	(117)	(154)	(141)	(209)	(130)
Issue of equity	5	-	49	-	-
Issue/repay debt	114	65	15	5	-
Dividends paid	(8)	(12)	(16)	(16)	(16)
Other finance.CF	(73)	(81)	(36)	(39)	(39)
C.F - Finance	37	(28)	12	(50)	(55)
Chg. in cash	8	(5)	(6)	(1)	4
Closing cash	18	13	7	6	10

RATIOS

Y.E March	FY17A	FY18A	FY19A	FYE20E	FY21E
Profitab & Return					
EBITDA margin (%)	8.7	9.6	9.5	9.7	9.7
EBIT margin (%)	5.5	6.5	6.6	6.7	6.6
Net profit mgn.(%)	3.9	4.8	5.0	5.0	5.0
ROE (%)	12.8	16.5	16.9	16.7	16.8
ROCE (%)	10.8	13.5	14.5	15.5	15.9
W.C & Liquidity					
Receivables (days)	64.2	60.5	61.8	60.5	59.0
Inventory (days)	0.5	0.6	0.8	0.8	0.8
Payables (days)	31.6	32.1	36.0	40.5	40.8
Current ratio (x)	3.6	3.2	2.9	2.5	2.6
Quick ratio (x)	2.5	2.4	2.0	1.7	1.9
Turnover & Leverage					
Gross asset T.O (x)	3.1	3.2	3.0	2.9	2.8
Total asset T.O (x)	1.8	1.9	1.9	1.9	2.0
Int. covge. ratio (x)	3.5	4.6	4.8	5.2	5.9
Adj. debt/equity (x)	0.7	0.6	0.5	0.4	0.4
Valuation					
EV/Sales (x)	1.5	1.2	1.1	0.9	0.8
EV/EBITDA (x)	16.8	12.8	11.0	9.3	7.9
P/E (x)	32.7	22.2	18.0	15.3	13.0
P/BV (x)	3.9	3.4	2.7	2.3	2.0

Recommendation summary



Dates	Rating	Target
02-May-2017	Buy	280*
11-August-2017	Buy	320
14-November-2018	Accumulate	298
25-June-2019	Buy	346

Source: Bloomberg, Geojit Research.

*Initiating Coverage

Investment Criteria

Large Cap Stocks;		Mid Cap and Small Cap;	
Buy	- Upside is above 10%.	Buy	- Upside is above 15%.
Hold	- Upside is between 0% - 10%.	Accumulate	- Upside is between 10% - 15%.
Reduce	- Downside is more than 0%.	Hold	- Upside is between 0% - 10%.
Neutral	- Not Applicable	Reduce/Sell	- Downside is more than 0%.
		Neutral	- Not Applicable

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Neutral- The analyst has no investment opinion on the stock under review

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