

Q4FY20 Result Update

Accumulate

Industry	Logistics
CMP (Rs)	179
FY22E Target Price (Rs)	205
52 Week H/L (Rs)	315/121
Volumes (BSE+NSE)*	28,243
Shares O/S (mn)	76.6
Market Cap (Rs bn)	13.7
Free Float (%)	33.2
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

Share Holding Pattern (31/03/2020)

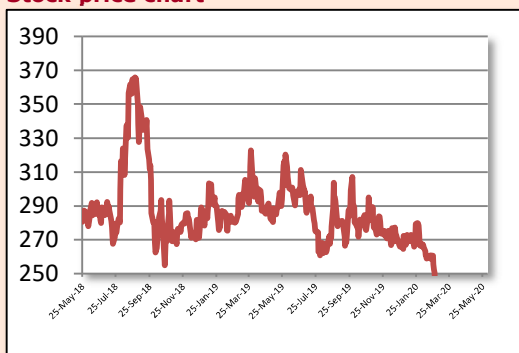
Particulars	Shares (mn)	Holding (%)
Promoters	51.2	66.8
FIIs	1.4	1.8
DIIs	7.7	10.1
Others	16.3	21.3
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY20	FY21E	FY22E
Sales	27,178	24,518	27,440
EBITDA	2,405	1,520	2,442
EBITDA Margin	8.9%	6.2%	8.9%
Net Profit	1,523	743	1,573
EPS (Rs)	19.9	9.7	20.5
EV/EBITDA (x)	6.7	10.1	6.2
P/E (x)	9.0	18.5	8.7
RoE	15.9%	7.2%	14.5%

Stock price chart



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Transport Corporation of India (TCIL) reported consolidated revenues of Rs 6.6bn, a y-o-y decline of 10.1%. We were expecting a revenue decline of 3.8% y-o-y.

The various Divisions (consolidated) revenues performed thus :

- Transport Division: -1.8% growth y-o-y.
- Supply Chains Solution Division: -20.8% growth y-o-y.
- Seaways Division: -3.9% y-o-y growth.

EBITDA margins recorded a 180bps y-o-y decrease because of decline across all divisions. EBIT margins of the various Divisions are :

- 50bps y-o-y decrease in margin in Transport Division to 3.3%.
- 270bps y-o-y decline in margin in the Supply Chain Solutions Division to 5.0%.
- 550bps y-o-y decrease in Seaways Division to 21.5%

Net profit decrease was at 25.1% y-o-y to Rs 361mn, higher than our expectation of a decline of -40.3% y-o-y.

Sales loss of Rs 1bn in March 2020.

Current update – due to COVID 19

- Supply Chains are either broken or severely disrupted.
- For Road Transport (63% of freight traffic) only 35-40% of trucks are operational. These are mostly running inter-state.
- There is a shortage of drivers and labour leading to an increase in freight rates.
- Rail movement is at 50-60% capacity with shortage of containers /crews.
- Warehousing operations are active for ecommerce, FMCG etc.
- Congestion at Ports, with shipping lines cancelling voyages, import dependent products have been affected.

Management refrained from a guidance for FY21; management estimates that TCI will cash break even in Q1FY21

The management endeavor will be to match FY20 financial numbers; it feels that there may be another dip in demand once the current pent up demand is met. In June 2020, TCI is clocking sales at about ~50% of the business of the previous year.

Capex of Rs 1bn in FY21 is mostly self funded

This will be incurred mostly towards hub centres and small warehouses and trucks.

Other Concall Highlights

1. Capacity utilization in the trucking industry is low as of now – management does not see this changing very quickly.
2. Management sees an increased demand for warehouses for maintaining emergency supplies.
3. Management feels that they are sufficiently liquid as of now.
4. Agri, Pharma, Food Processing and Chemicals are driving growth in Q1FY21 – this trend's likely to continue for the medium term.
5. E-commerce and the omni channel will grow further.
6. Multi modal mode of transport will grow bigger – thus players with a multi modal presence, like Concor and TCI will benefit.

Outlook and Valuations

TCIL trades at a P/E of 18.5x and 8.7x FY21E and FY22E earnings respectively. We value TCIL at 10x FY22E EPS. On that basis, we assign a fair price of Rs 205 and recommend an Accumulate rating on TCIL.

Segmental Performance (Consolidated)

Particulars	Q4FY20	Q4FY19	Y-o-Y Change	Q3FY20	Q-o-Q Change	FY20	FY19	Y-o-Y Change
Revenue (Rs mn)								
Transport	3,671	3,736	-1.8%	3,746	-2.0%	14,351	13,988	2.6%
Supply Chain Solutions	2,142	2,706	-20.8%	2,431	-11.9%	9,490	10,241	-7.3%
Seaways Division	1,046	1,088	-3.9%	989	5.7%	3,677	3,593	2.3%
Power Division	6	7	-18.1%	5	28.3%	55	69	-20.8%
Unallocable & Corporate	-40	46	NA	22	NA	89	176	-49.7%
Less: Intersegment Revenue	79	106	-25.4%	73	8.0%	283	337	-15.9%
Less: Other Income	68	50	34.3%	57	18.2%	201	195	3.1%
Total Revenue	6,678	7,427	-10.1%	7,063	-5.5%	27,178	27,536	-1.3%
PBT (Rs mn)								
Transport	121	143	-15.1%	129	-5.5%	442	425	4.0%
Supply Chain Solutions	107	208	-48.9%	132	-19.3%	564	710	-20.5%
Seaways Division	225	294	-23.5%	226	-0.6%	753	735	2.5%
Power Division	0	-2	NA	-1	NA	24	34	-28.7%
Less : Interest	85	96	-12.0%	89	-5.5%	343	374	-8.2%
Less: Unallocable Expense	-35	104	NA	17	NA	90	214	-57.9%
Add: Unallocable Income	42	-89	NA	-22	NA	-87	-220	+60.3%
Add: Share of Profit/loss of JV	57	54	6.3%	19	200.5%	252	251	0.2%
Total PBT	418	594	-28.6%	420	-0.5%	1,690	1,787	-5.4%
EBIT Margins								
Transport	3.3%	3.8%	-50 bps	3.4%	-10 bps	3.1%	3.0%	+10 bps
Supply Chain Solutions	5.0%	7.7%	-270 bps	5.4%	-40 bps	5.9%	6.9%	-100 bps
Seaways Division	21.5%	27.0%	-550 bps	22.9%	-140 bps	20.5%	20.5%	+0 bps

Quarterly Financials (Consolidated)

Particulars (Rs mn)	Q4FY20	Q4FY19	Y-o-Y Change	Q3FY20	Q-o-Q Change	FY20	FY19	Y-o-Y Change
Operating Income	6,678	7,427	-10.1%	7,063	-5.5%	27,178	27,537	-1.3%
Less: Expenditures								
Operating Cost	5,406	5,939	-9.0%	5,792	-6.7%	22,143	22,515	-1.7%
Staff Costs	420	349	20.5%	382	10.0%	1,572	1,408	11.7%
Other Operating Costs	266	352	-24.5%	240	10.6%	1,058	1,124	-5.9%
EBITDA	586	787	-25.6%	648	-9.7%	2,405	2,489	-3.4%
EBITDA Margin	8.8%	10.6%	-180 bps	9.2%	-40 bps	8.9%	9.0%	-10 bps
Other Income	68	50	34.3%	57	18.2%	201	195	3.1%
Depreciation	208	202	2.8%	215	-3.4%	825	774	6.5%
EBIT	446	636	-29.9%	491	-9.2%	1,782	1,910	-6.7%
Interest	85	96	-12.0%	89	-5.5%	343	374	-8.2%
Profit/Loss of JV	57	54	6.3%	19	200.5%	251	251	0.2%
Profit Before tax	418	594	-29.5%	420	-0.5%	1,690	1,787	-5.4%
Tax	57	109	-48.0%	77	-25.8%	159	333	-52.3%
Profit After Tax	362	484	-25.3%	344	5.2%	1,531	1,454	5.3%
Non Controlling Interest	1	3	-66.7%	3	-68.8%	8	9	-7.9%
Exceptional Items	0	7	NA	0	NA	99	7	1374.6%
Net Profit	361	481	-25.1%	340	5.9%	1,523	1,463	4.1%
EPS (Rs)	4.7	6.3	-25.1%	4.4	5.9%	19.9	19.1	4.1%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Income from operations	23,461	27,537	27,178	24,518	27,440
Growth y-o-y	20.8%	17.4%	-1.3%	-9.8%	11.9%
Less: Expenditures					
Operating costs	19,068	22,515	22,143	20,350	22,364
Staff costs	1,245	1,408	1,572	1,422	1,509
Other operating & admin costs	1,021	1,124	1,058	1,226	1,125
EBITDA	2,127	2,489	2,405	1,520	2,442
EBITDA margin	9.1%	9.0%	8.9%	6.2%	8.9%
Other income	182	195	201	172	192
Depreciation	687	774	825	884	961
EBIT	1,623	1,910	1,782	808	1,673
Interest	322	374	343	226	226
Share in net profit of JV	224	251	251	250	300
Profit before tax	1,525	1,787	1,690	832	1,748
Tax	287	333	159	83	175
Profit after tax	1,238	1,454	1,531	749	1,573
Exceptional items	0	7	99	0	0
Adjusted net profit	1,244	1,463	1,523	743	1,573
Growth y-o-y	52.1%	17.5%	4.1%	-51.2%	111.7%
EPS (Rs)	16.2	19.1	19.9	9.7	20.5

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Share capital	153	153	154	154	154
Reserves and surplus	7,465	8,766	10,085	10,298	11,164
Shareholders' funds	7,618	8,920	10,239	10,452	11,318
Borrowed funds	3,953	4,142	2,686	2,686	2,686
Lease liability	0	0	31	31	31
Minority interest	47	52	57	57	57
Deferred tax liability (Net)	445	390	102	102	102
Total Liabilities	12,062	13,504	13,114	13,327	14,193
Net fixed assets	6,821	7,308	7,933	7,919	8,209
Investments	1,358	1,168	1,354	1,294	1,234
Current assets, loans & advances	5,799	7,683	6,321	6,292	7,188
Less: Current liabilities & provisions	1,915	2,656	2,493	2,178	2,437
Net current assets	3,883	5,027	3,828	4,114	4,751
Total Assets	12,062	13,504	13,114	13,327	14,193

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Profit before tax	1525	1787	1690	832	1748
Depreciation	687	774	825	884	961
Interest expense	322	374	343	226	226
Change in receivables	0	0	0	0	0
Change in inventories	-679	-902	278	603	-509
Change in other current assets	-8	-20	-13	5	-7
Change in other current liabilities	366	-949	1201	139	-117
Taxes paid, net	-287	-333	-159	-83	-175
CF from operations	2247	1480	4010	2298	2388
Capex, net	-1440	-1980	-1533	-1279	-1529
(Purchase)/sale of investments	-458.4	189.4	-185.3	60	60
Others	-545	644.6	0	0	0
Cash from investing	-2443	-1146	-1719	-1219	-1469
Interest paid	-322	-374	-343	-226	-226
Change in borrowings, net	157.5	188.9	-1456.2	0	0
Dividends paid	-141	-159	-530	-530	-707
Equity issuance	0.00	0.10	0.40	0.00	0.00
Cash from financing	149	-321	-2188	-360	-536
Net change in cash and equivalents	-47	13	103	719	383
Opening cash balance	190	142	155	259	978
Closing cash balance	142	155	259	978	1361

Key Ratios (Consolidated)

Y/E March	FY18	FY19	FY20	FY21E	FY22E
Profitability					
ROE	17.6%	17.7%	15.9%	7.2%	14.5%
ROCE	14.2%	14.9%	13.4%	6.1%	12.2%
Margins					
EBITDA	9.1%	9.0%	8.9%	6.2%	8.9%
Net Profit	5.3%	5.3%	5.6%	3.0%	5.7%
Leverage and Coverage					
Interest Coverage	19.8%	19.6%	19.3%	27.9%	13.5%
Debt/Equity	0.5	0.5	0.3	0.3	0.2
Per Share					
EPS (Rs)	16.2	19.1	19.9	9.7	20.5
Book Value Per Share (Rs)	99.4	116.4	133.7	136.4	147.8
Valuation					
P/E	11.0	9.4	9.0	18.5	8.7
P/BV	1.8	1.5	1.3	1.3	1.2
EV/Sales	0.7	0.6	0.6	0.6	0.6
EV/EBITDA	8.2	7.1	6.7	10.1	6.2

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