

Q4FY17 Result Update
Hold

Industry	Logistics
CMP (Rs)	259
FY19E Target Price (Rs)	245
52 Week H/L (Rs)	268/144
Volumes (BSE+NSE)*	86,030
Shares O/S (mn)	76.6
Market Cap (Rs bn)	19.8
Free Float (%)	33.9
Bloomberg Code	TRPC IN
Reuters Code	TCIL.NS

* Three Month Average

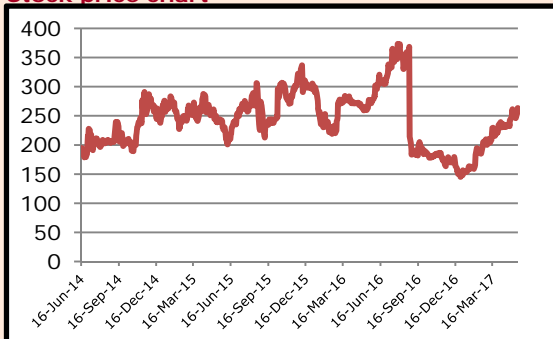
Share Holding Pattern (30/03/2017)

Particulars	Shares (mn)	Holding (%)
Promoters	50.6	66.1
FIIIs	1.7	2.2
DIIIs	4.6	6.0
Others	19.7	25.7
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY17	FY18E	FY19E
Sales	19,427	22,248	25,505
EBITDA	1,607	2,002	2,423
EBITDA Margin	8.3%	9.0%	9.5%
Net Profit	807	976	1,249
EPS (Rs)	10.5	12.7	16.3
EV/EBITDA (x)	14.6	11.6	9.5
P/E (x)	24.6	20.3	15.9
RoE	13.2%	14.2%	16.1%

Stock price chart

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Transport Corporation of India's (TCIL) reported standalone revenues of Rs 4.82bn, a y-o-y growth of 14.5% (after adjusting for the revenue loss of XPS division). We were expecting 18% topline growth. We find that growth across key Freight division has accelerated during the quarter. The various divisions (standalone) performed thus :

- Freight division : 14.8% growth y-o-y vs. 10.0% y-o-y growth in Q3FY17
- Supply Chains Solution division : 11.9% growth y-o-y vs. 24.7% y-o-y growth in Q3FY17
- Seaways division : 26.4% y-o-y growth vs. 12.8% growth in Q3FY17

EBITDA margins have declined 100bps y-o-y vs our expectation of 50 bps improvement in EBITDA margin. EBIT margin of the various divisions is as under:

- 30 bps decline y-o-y in Transport division to 1.9%
- 60 bps decline y-o-y in the Supply Chain Solutions division to 6.3%
- 270 bps increase y-o-y in Seaways division to 26.6%

Net profit growth was 13.5% to Rs 185mn, after adjusting for revenue loss of XPS Division.

Impact of GST to be over time

While in the immediate term GST will be disruptive, the management believes that it will lead to some warehouses losing significance as companies move towards fewer warehouses. Logistics companies that are able to respond to consumer needs will emerge winners.

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.

Dedicated freight corridors will create more business

The management does not believe that the shift to railways will dent the business of companies like TCI substantially. Moreover, movement to the DFC pick up point, as well as movement from the DFC destination point to the final user, will create business for TCI in the form of transportation, warehousing as well as additional warehousing services like sorting, labeling etc.

ROCE of at least 15% 2-3 years down the line

This will be driven by a steady growth in the topline, as well as EBITDA margin improvement accompanied by moderate capex.

Capex of Rs 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.

Outlook and Valuations

TCIL trades at a P/E of 20.3 and 15.9 FY18E and FY19E earnings respectively. We value TCIL at 15x FY19E EPS. On that basis, we assign a fair price of Rs 245 to TCIL. We therefore recommend a Hold rating.

Segmental Performance (Standalone)

Particulars (Rs mn)	Q4FY17	Q4FY16	Y-o-Y change	Q3FY17	Q-o-Q change	FY17	FY16	Y-o-Y change
Revenue (Rs mn)								
Transport	2,591	2,256	14.8%	2,181	18.8%	9223	8420	9.5%
XPS*	0	1,808	NA	0	NA	0	6680	NA
Supply Chain Solutions	1,836	1,641	11.9%	1,721	6.7%	7374	6310	16.9%
Seaways Division	462	366	26.4%	400	15.5%	1639	1402	16.9%
Total	4,889	6,071	-19.5%	4,303	13.6%	18,237	22,812	-20.1%
EBIT (Rs mn)								
Transport	50	50	0.6%	49	3.1%	213	164	30.0%
XPS*	0	143	NA	0	NA	0	497	NA
Supply Chain Solutions	115	113	1.5%	115	-0.3%	447	381	17.5%
Seaways Division	123	87	40.7%	70	75.4%	382	304	25.8%
Total	288	393	-26.8%	234	23.0%	1,042	1,345	-22.5%
EBIT Margins								
Transport	1.9%	2.2%	-30 bps	2.2%	-30 bps	2.3%	1.9%	+40 bps
XPS*	0.0%	7.9%	NA	NA	NA	0.0%	7.4%	NA
Supply Chain Solutions	6.3%	6.9%	-60 bps	6.7%	-40 bps	6.1%	6.0%	+10 bps
Seaways Division	26.6%	23.9%	+270bps	17.5%	+910bps	23.3%	21.6%	+170bps

Note : * XPS division has been demerged as on 14 June, 2016, effective from 31 March, 2016

Q4FY17 Results Highlights (Standalone)

Particulars (Rs mn)	Q4FY17	Q4FY16	Y-o-Y change	Q3FY17	Q-o-Q change	FY17	FY16	Y-o-Y change
Operating income	4,816	4,206	14.5%	4,467	7.8%	18,043	15,987	12.2%
Less: Expenditures								
Operating cost	3,903	3,350	16.5%	3,623	7.7%	14,541	12,824	12.3%
Staff costs	280	233	20.0%	253	10.8%	1,035	954	4.8%
Other operating costs	240	237	1.5%	216	11.3%	904	879	3.4%
EBITDA	393	386	1.9%	376	4.7%	1,563	1,330	23.4%
EBITDA margin	8.2%	9.2%	-100 bps	8.4%	-20 bps	8.7%	8.3%	+40 bps
Other income	64	28	126.5%	52	24.0%	177	154	-11.4%
Depreciation	148	147	1.2%	152	-2.6%	578	507	19.3%
EBIT	309	268	15.5%	275	12.4%	1,162	976	20.4%
Interest	64	58	10.2%	68	-6.3%	274	230	22.4%
Profit before tax	246	210	16.9%	207	18.5%	887	747	19.7%
Tax	60	47	28.6%	38	57.6%	185	151	21.2%
Profit after tax	185	163	13.5%	169	9.6%	703	596	19.4%
PAT from XPS Division	0	89	NA	0	NA	0	311	NA
Reported net profit	185	252	-26.4%	169	9.6%	703	596	-20.5%
EPS (Rs)	2.4	3.3	-26.4%	2.2	9.6%	9.2	7.8	-20.5%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Income from operations	24,167	17,270	19,427	22,248	25,505
<i>Growth</i>	8.5%	-28.5%	12.5%	14.5%	14.6%
Less: Expenditures					
Operating costs	19,477	14,034	15,821	17,798	20,149
Staff costs	1,305	980	1,068	1,335	1,530
Other operating & admin costs	1,454	974	931	1,112	1,403
EBITDA	1,931	1,283	1,607	2,002	2,423
<i>EBITDA Margin</i>	8.0%	7.4%	8.3%	9.0%	9.5%
Other income	91	78	122	67	77
Depreciation	545	521	592	638	717
EBIT	1,477	840	1,137	1,431	1,783
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	1,208	1,546
Tax	326	154	191	242	309
Profit after tax	816	565	813	966	1,237
Minority interest	-2	4	6	10	12
Adjusted net profit	814	561	807	976	1,249
<i>Growth</i>	13.6	-31.0	43.8	21.0	27.9
Profit from demerged XPS division	0	310	0	0	0
Reported Net Profit	814	871	807	976	1,249
<i>Growth</i>	13.6%	7.1%	-7.4%	21.0%	27.9%
EPS (Rs)	10.6	7.4	10.5	12.7	16.3

Note : FY16 EPS is without the XPS Division

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	7,091	8,091
Shareholders' funds	6,087	4,540	6,491	7,245	8,244
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
Total Liabilities	9,251	7,624	10,724	12,137	13,637
Net fixed assets	5,137	4,810	5,894	5,935	6,469
Goodwill on consolidation	2	0	0	0	0
Investments	72	779	899	899	629
Current assets, loans & advances	6,045	4,388	5,526	7,065	8,618
Less: Current liabilities & provisions	2,005	1,336	1,595	1,762	2,080
Net current assets	4,039	2,034	3,931	5,303	6,538
Total Assets	9,251	7,624	10,724	12,137	13,637

FY16 numbers adjusted to exclude XPS Division

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Profit before tax and appropriations	1,142	719	1,004	1,208	1,546
Adjustments for	0	0	0	0	0
Depreciation	545	521	592	638	717
Change in WC	1,139	2,843	267	1,109	1,574
Others	-1,572	-2,078	-980	-1,528	-2,003
CF from operations	1,254	2,005	882	1,428	1,834
Capex	-1,329	932	-950	-1,250	-1,250
Change in investments	8	-707	-120	0	270
Others	-123	47	-562	-545	0
CF from investing	-1,444	272	-1,632	-1,795	-980
Change in equity	598	1	1	0	0
Change in debt	-59	310	649	650	500
Dividend and others	-356	-2,892	172	538	-686
CF from investing	183	-2,581	823	1,188	-186
Net change in cash	-7	-304	73	820	667
Opening cash balance	428	421	117	190	1,010
Closing cash balance	421	117	190	1,010	1,677

Key Ratios (Consolidated)

Y/E March	FY15	FY16	FY17	FY18E	FY19E
Profitability					
ROE*	15.0%	9.6%	13.2%	14.2%	16.1%
ROCE*	17.1%	9.1%	11.4%	12.5%	13.8%
Margins					
EBITDA*	8.0%	7.4%	8.3%	9.0%	9.5%
Net Profit*	3.4%	5.1%	4.2%	4.4%	4.9%
Leverage and Coverage					
Interest Coverage*	22.6%	28.5%	25.3%	26.8%	24.5%
Debt/Equity*	0.5	0.5	0.6	0.6	0.6
Per Share					
EPS (Rs)*	10.6	7.4	10.5	12.7	16.3
Book Value Per Share (Rs)*	79.5	75.3	84.7	94.7	107.7
Valuation					
P/E*	24.4	34.8	24.6	20.3	15.9
P/BV*	3.3	3.4	3.1	2.7	2.4
EV/Sales*	0.9	1.3	1.2	1.0	0.9
EV/EBITDA*	11.5	17.8	14.6	11.6	9.5

*FY16 numbers adjusted for the demerged XPS division

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