

Current Reco	: HOLD
Previous Reco	: HOLD
CMP	: INR278
Target Price	: INR290
Potential Return	: 4%

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Market data

Sensex	:	26,714
Sector	:	Logistics
Market Cap (INRbn)	:	21.6
Market Cap (USDbn)	:	0.321
O/S Shares (m)	:	76.1
52-wk HI/LO (INR)	:	349/199
Avg Daily Vol ('000)	:	44
Bloomberg	:	TRPC IN

Source: Bloomberg

Valuation

	FY16	FY17e	F18e
EPS (INR)	10.8	11.8	14.2
P/E(x)	25.8	23.6	19.6
P/BV(x)	3.1	2.8	2.5
EV/EBITDA(x)	12.5	11.3	10.1
Dividend Yield (%)	0.6	0.6	0.7

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	7	17	(12)	24
Relative	3	4	(14)	29

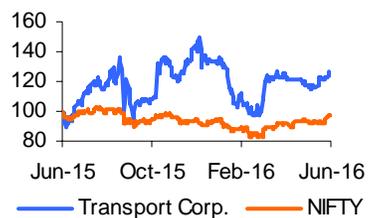
Source: Bloomberg

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg Indexed to 100

4QFY16 RESULT REVIEW

Transport Corporation of India Ltd.

Better performance versus peers; Volume uptick benefits 4Q

TCIL reported a decent 4Q amid subdued macro with Topline/EBITDA/PAT growth of 7%/13%/12% YoY. Management indicated some improvement in volume growth trend in 4Q. We have marginally adjusted our estimate and value the stock at SOTP based Mar-17 price target of INR290 (implied 20x FY18 EPS). We believe current valuation at 24x FY17e EPS factors in near term positive and recommend HOLD rating on the stock. The expensive valuations versus the history also suggests shift of the business dynamics from providing a plain road freight services to multimodal, value added services like express distribution and management of third party logistics.

Good performance amid subdued macro

TCIL reported a decent 4QFY16 (standalone) with Topline/EBITDA/PAT growth of 7%/13%/12% YoY. Topline growth of 7% was driven by 7%/7%/5% YoY growth in Freight/XPS/Supply Chain segment, backed by improvement in volume growth trend. Like-to-like, VRL Logistics reported a 7% YoY growth in Goods Transport segment in 4Q. EBITDA Margin expanded to 8.8% (best quarterly margin in 6 years) versus 8.3% YoY/8% QoQ, driving 13% YoY EBITDA growth. PBIT margins across Freight and XPS segment expanded YoY/QoQ. Lower freight rates and diesel prices benefited the profitability during FY16.

FY16 consolidated performance mixed

While standalone results surprised positively with FY16 PAT growth at 12% YoY, company reported a flat growth on a consolidated basis. Company has written down a loss of ~INR75mn on Global division subsidiary, which impacted the consolidated EBITDA during FY16. In the TCI-Concor JV, company registered a 70% YoY growth in revenue and further guided for healthy growth in FY17. The management has guided for an overall 10-12% growth in topline (Freight: 5-10%, Express and SCS: double-digit growth; Seaways: base case growth of 10-12%) and bottomline backed by revival in domestic macro and further guided towards 20-25bps improvement in the margins in FY17.

TCIL incurred a total capex of INR1.7bn during FY16 including INR650mn towards trucks, INR400mn towards equipment for warehouses and INR560m towards Land and building. The warehousing space stands increased to 11mn sq ft of space from 10.5mn sq ft space. Management guided towards FY17 capex of INR2.35bn including the capex for the demerged entity. Company added a ship in Mar-15 (once a week service between Mundra and Cochin, 2.5-3 trips per month) and is looking to add one more ship (and containers) for Western coast in near term.

Expect to list the XPS subsidiary by August-16

With regards to the demerger process, the management expects the listing of the XPS segment by August-16. Management indicated of the timelines as: 1) Hearing of the High court by 6th June; 2) Further, 5-6 weeks to file with Registrar of Company; 3) Another one month to get the demerged entity listed on the stock exchange.

Key financials

Year ended March (INRm)	2014	2015	2016	2017e	2018e
Revenues(INRm)	22,265	24,167	25,214	27,415	30,695
EBITDA(INRm)	1,680	1,932	1,968	2,254	2,585
PAT(INRm)	716	814	818	897	1,079
PAT growth (%)	2.9	9.5	0.0	9.6	20.3
EPS (INR)	9.8	10.8	10.8	11.8	14.2
P/E(x)	28.3	25.8	25.8	23.6	19.6
P/BV(x)	4.1	3.4	3.1	2.8	2.5
EV/EBITDA(x)	14.2	12.3	12.5	11.3	10.1

Source: Company, Antique

Quarterly financials

(INRm)	4QFY16	4QFY15	YoY(%)	3QFY15	QoQ(%)
Net sales	6,021	5,656	6.5	5,515	9.2
Expenditure	5,491	5,188	5.8	5,073	8.2
EBITDA	530	467	13.4	441	20.0
Other income	21	35	(41.8)	-1	(4,220.0)
Interest	73	69	6.2	71	3.8
Depreciation	154	133	16.2	128	20.2
PBT	323	300	7.9	242	33.4
Tax	82	85	(3.0)	53	53.6
PAT	241	216	11.6	189	27.7
EBITDA margin (%)	8.8	8.3	54bps	8.0	80bps
EPS (Rs)	3.2	2.9	11.0	2.5	27.7

Source: Company, Antique

Sales mix

(INRm)	4QFY16	4QFY15	YoY(%)	3QFY15	QoQ(%)
Freight Division	2,247	2,105	6.7	2,034	10.5
XPS Division	1,805	1,690	6.8	1,668	8.2
Supply Chain Solutions Division	1,653	1,576	4.9	1,505	9.8
Seaways division	370	342	8.0	353	4.8
Energy Division	8	7	9.6	8	3.9
Unallocable & Corporate	10	23	-57.0	1	716.7
Less Inter Segment Revenue	51	52	-2.5	54	-5.6
Total Sales	6,041	5,691	6.2	5,514	9.6

Source: Company, Antique

PBIT Margin

(%)	4QFY16	4QFY15	YoY	3QFY15	QoQ
Freight	2.5	2.2	30bps	1.7	80bps
XPS	7.4	7.2	19bps	7.3	12bps
Supply Chain Solutions	6.9	7.3	-38bps	5.8	116bps
Seaways	22.1	27.3	-527bps	26.2	-412bps

Source: Company, Antique

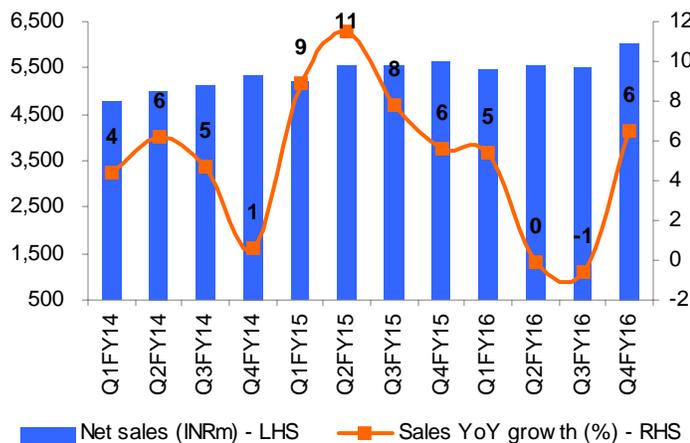
Change in estimates

	FY17e			FY18e		
	Old	New	% Chg	Old	New	% Chg
Volumes (mn MT)						
Revenue (Rs mn)	26,853	27,415	2.1	30,197	30,695	1.6
EBITDA (Rs mn)	2,209	2,254	2.0	2,574	2,585	0.4
EBITDA margin (%)	8.2	8.2	-1bps	8.5	8.4	-10bps
Net profit (Rs mn)	964	897	(7.0)	1,114	1,079	(3.2)
EPS (Rs)	12.7	11.8	(7.0)	14.6	14.2	(3.2)

Source: Company, Antique

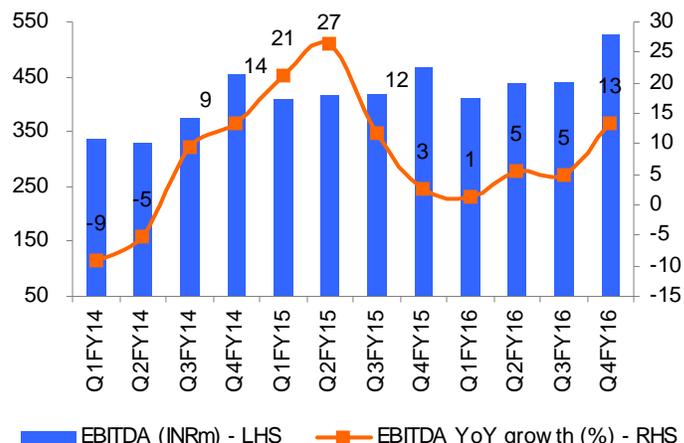
Trend in key operating parameters

Net sales trend



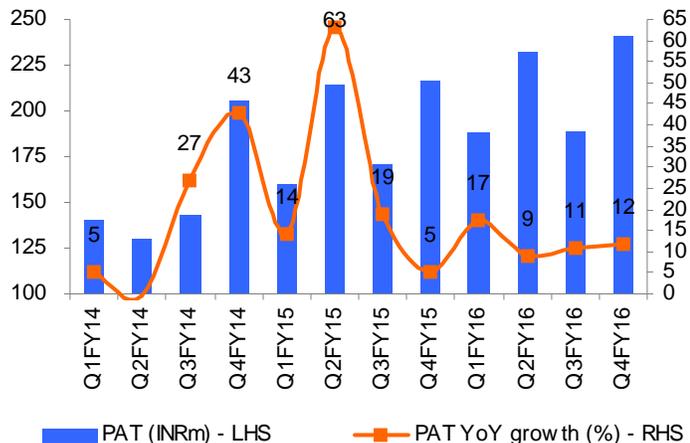
Source: Company, Antique

EBITDA and EBITDA trend



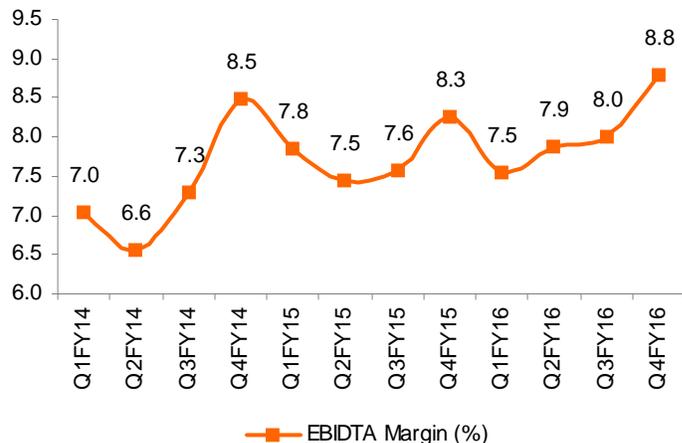
Source: Company, Antique

PAT trend



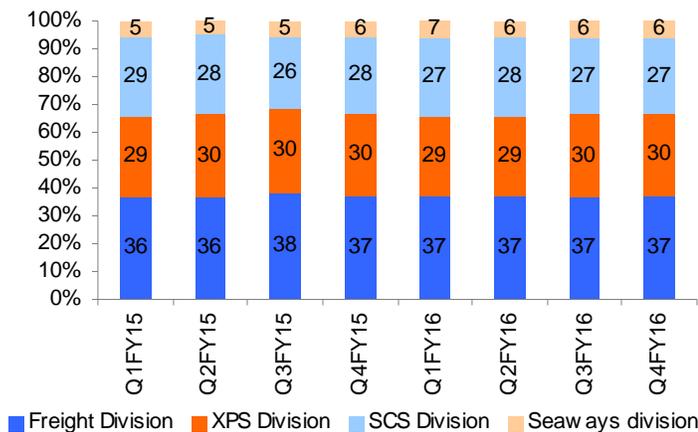
Source: Company, Antique

EBITDA margin trend



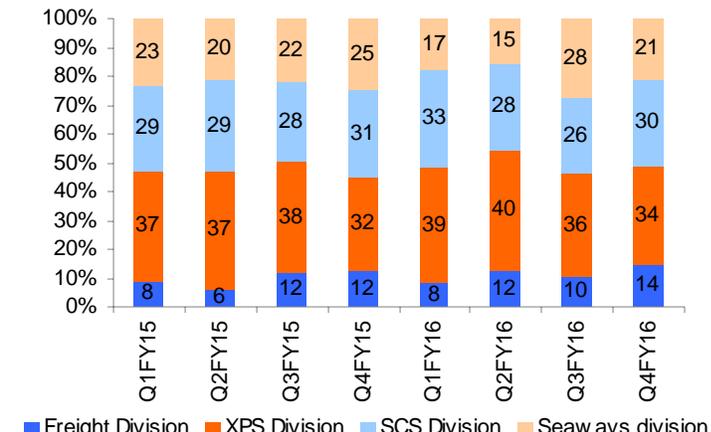
Source: Company, Antique

Revenue mix



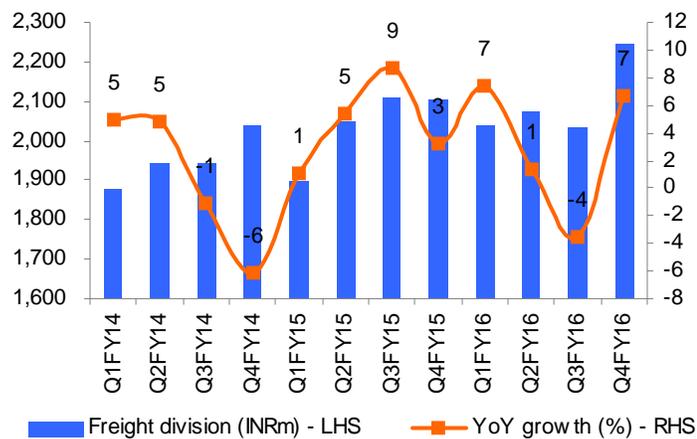
Source: Company, Antique

EBIT mix



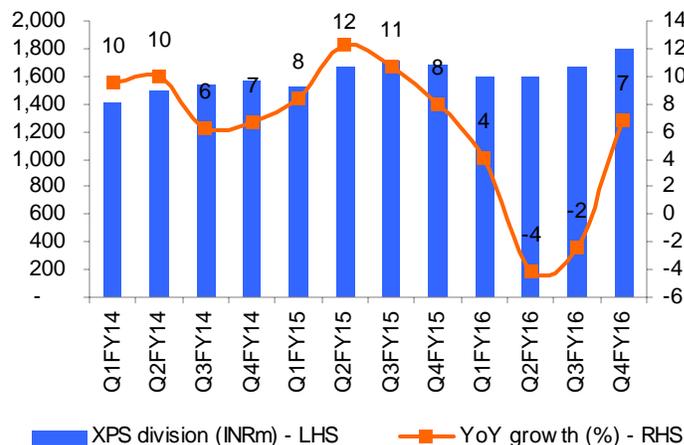
Source: Company, Antique

Freight Division trend



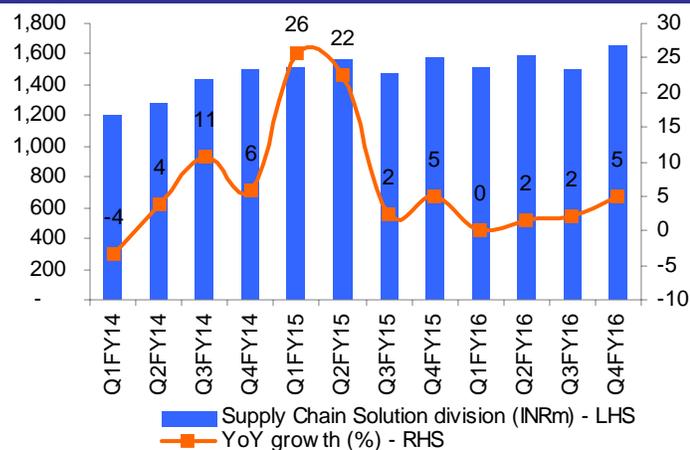
Source: Company, Antique

XPS division trend



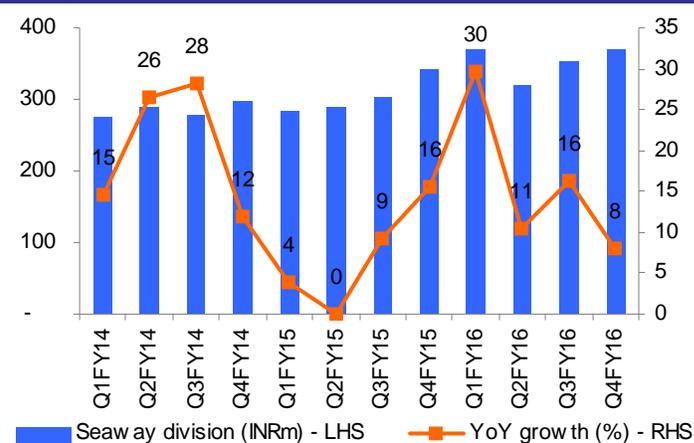
Source: Company, Antique

Supply Chain Solution division trend



Source: Company, Antique

Seaway division trend



Source: Company, Antique

SoTP Valuation

	FY18e EBITDA	FY18e Net Debt	Target EV/EBITDA	EV	Mkt value	Per share
XPS division	694	1,477	17	11,796	10,319	136
Others	1,891	3,447	8	15,128	11,680	154
Total	2,585	4,925		26,924	21,999	290

Source: Company, Antique
Others include Freight, SCS and Shipping division

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2014	2015	2016	2017e	2018e
Net Revenue	22,265	24,167	25,214	27,415	30,695
Op. Expenses	20,585	22,236	23,246	25,162	28,110
EBITDA	1,680	1,932	1,968	2,254	2,585
Depreciation	468	545	590	726	729
EBIT	1,212	1,386	1,379	1,528	1,856
Other income	92	91	77	96	103
Interest Exp.	311	333	295	358	435
Extra Ordinary Items-gain/(loss)	-	(2)	0	-	-
Reported PBT	993	1,144	1,160	1,266	1,524
Tax	275	326	340	367	442
Reported PAT	718	816	821	899	1,082
Minority Int./Profit (loss) From Associates	1	2	2	3	3
Net Profit	719	819	823	902	1,085
Adjusted PAT	716	814	818	897	1,079
Adjusted EPS (INR)	9.8	10.8	10.8	11.8	14.2

Balance sheet (INRm)

Year ended 31 Mar	2014	2015	2016	2017e	2018e
Share Capital	146	151	152	152	152
Reserves & Surplus	4,764	6,056	6,606	7,342	8,252
Networth	4,910	6,207	6,758	7,494	8,404
Debt	3,307	3,195	3,926	4,906	5,833
Minority Interest	31	35	39	39	39
Net deferred Tax liabilities	332	293	354	354	354
Capital Employed	8,580	9,729	11,076	12,792	14,630
Capital work in progress	183	68	-	-	-
Net Fixed Assets	4,498	5,281	6,297	7,591	8,882
Goodwill	2	2	2	2	2
Investments	87	98	72	72	72
Non Current Investments	87	98	72	72	72
Current Assets, Loans & Adv.	5,422	5,994	6,519	6,730	7,374
Inventory	17	23	20	20	20
Debtors	3,800	4,346	4,536	4,616	5,041
Cash & Bank balance	428	421	558	690	909
Loans & advances and others	1,176	1,204	1,405	1,405	1,405
Current Liabilities & Prov.	1,429	1,647	1,813	1,603	1,701
Liabilities	1,015	1,054	1,264	1,045	1,134
Provisions	414	593	549	558	567
Net Current Assets	3,992	4,347	4,705	5,127	5,673
Application of Funds	8,580	9,729	11,076	12,792	14,630

Per share data

Year ended 31 Mar	2014	2015	2016	2017e	2018e
No. of shares (m)	73	76	76	76	76
Diluted no. of shares (m)	73	76	76	76	76
BVPS (INR)	67.3	82.0	88.9	98.5	110.5
CEPS (INR)	16.3	18.0	18.5	21.4	23.8
DPS (INR)	1.8	1.5	1.7	1.8	1.9

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2014	2015	2016	2017e	2018e
PBT	993	1,144	1,160	1,266	1,524
Depreciation & amortisation	468	545	590	726	729
Interest expense	311	333	295	358	435
(Inc)/Dec in working capital	146	(446)	(208)	(290)	(328)
Tax paid	(280)	(278)	(340)	(367)	(442)
Less: Interest/Div. Income Received	(63)	(40)	(77)	(96)	(103)
Other operating Cash Flow	2	(9)	-	32	(11)
CF from operating activities	1,577	1,248	1,420	1,629	1,804
Capital expenditure	(801)	(1,423)	(1,696)	(2,020)	(2,020)
Inc/(Dec) in investments	(238)	171	0	-	-
Add: Interest/Div. Income Received	63	40	77	96	103
CF from investing activities	(976)	(1,211)	(1,619)	(1,924)	(1,917)
Inc/(Dec) in share capital	8	619	1	-	-
Inc/(Dec) in debt	(189)	(157)	731	980	928
Dividend Paid	(140)	(170)	(143)	(153)	(161)
Others	(311)	(335)	(295)	(358)	(435)
CF from financing activities	(633)	(44)	293	469	332
Net cash flow	(32)	(7)	94	174	219
Opening balance	460	428	421	516	690
Closing balance	428	421	516	690	909

Growth indicators (%)

Year ended 31 Mar	2014	2015	2016	2017e	2018e
Revenue(%)	4.5	8.5	4.3	8.7	12.0
EBITDA(%)	-3.3	15.0	1.9	14.5	14.7
Adj PAT(%)	3.0	13.6	0.5	9.6	20.3
Adj EPS(%)	2.9	9.5	0.0	9.6	20.3

Valuation (x)

Year ended 31 Mar	2014	2015	2016	2017e	2018e
P/E	28.3	25.8	25.8	23.6	19.6
P/BV	4.1	3.4	3.1	2.8	2.5
EV/EBITDA	14.2	12.3	12.5	11.3	10.1
EV/Sales	1.1	1.0	1.0	0.9	0.9
Dividend Yield (%)	0.7	0.5	0.6	0.6	0.7

Financial ratios

Year ended 31 Mar	2014	2015	2016	2017e	2018e
RoE (%)	15.4	14.6	12.6	12.6	13.6
RoCE (%)	15.6	16.1	14.0	13.6	14.3
Asset/T.O (x)	2.9	2.9	2.8	2.7	2.6
Net Debt/Equity (x)	0.67	0.51	0.58	0.65	0.69
EBIT/Interest (x)	4.2	4.4	4.9	4.5	4.5

Margins (%)

Year ended 31 Mar	2014	2015	2016	2017e	2018e
EBITDA Margin(%)	7.5	8.0	7.8	8.2	8.4
EBIT Margin(%)	5.4	5.7	5.5	5.6	6.0
PAT Margin(%)	3.2	3.4	3.2	3.3	3.5

Source: Company Antique

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