

Q1FY17 Result Update
Hold

Industry	Logistics
CMP (Rs)	351
FY18E Target Price (Rs)	371
52 Week H/L (Rs)	388/207
Volumes (BSE+NSE)*	184,690
Shares O/S (mn)	76.6
Market Cap (Rs bn)	26.9
Free Float (%)	33.9
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Average

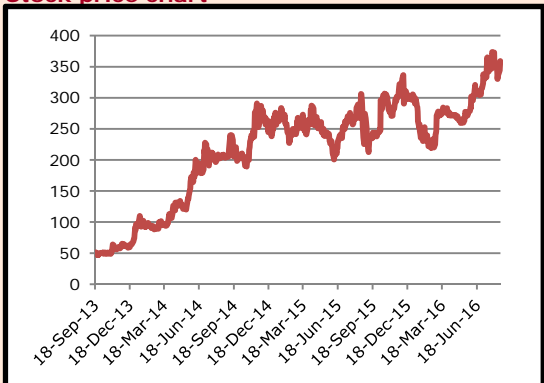
Share Holding Pattern (30/06/2016)

Particulars	Shares (mn)	Holding (%)
Promoters	50.6	66.1
FIIIs	1.7	2.2
DIIIs	5.2	6.7
Others	19.2	25.0
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars (Rs mn)	FY16	FY17E	FY18E
Sales	25,214	28,446	34,159
EBITDA	1,968	2,333	2,903
EBITDA Margin	7.8%	8.2%	8.5%
Net Profit	817	901	1,234
EPS (Rs)	10.7	11.8	16.1
EV/EBITDA (x)	15.2	13.5	10.9
P/E (x)	32.9	29.8	21.8
RoE	22.7%	23.8%	27.5%

Stock price chart

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Transport Corporation of India's (TCIL) reported standalone revenues of Rs 4.27 bn, a y-o-y growth of 8.3%. We believe that this growth has been largely volume driven as diesel prices were soft during the quarter. The various divisions (standalone) performed thus :

- Transport division : 5.6% growth y-o-y vs. 6.7% y-o-y growth in Q4FY16
- Supply Chains Solution division : 11.7% growth y-o-y vs. 4.9% y-o-y growth in Q4FY16
- Seaways division : 9.4% y-o-y growth vs. 8% growth in Q4FY16

EBITDA margin improved by 80bps y-o-y to 8.9% on account of

- 40 bps improvement in Transport Division
- 50 bps improvement in the supply chain solutions division
- Large margin improvements in seaways and power division

Net profit growth was 6% to Rs 151mn, after adjusting for revenue loss of XPS Division.

Management has said that there is an improvement in demand environment

Some sectors it is driven by:

- increased demand for some consumption based industries
- auto sector

Further, there has been an addition of clients for value added segments like warehousing and 3PL (third party logistics) services, e-commerce and chemicals.

Revenue growth and EBITDA margin guidance for FY17 maintained

Overall topline growth guidance was of 10-12%. This is maintained. EBITDA margin guidance of flattish growth is also maintained.

TCI Bangladesh (100% subsidiary) has started operations

It will service clients who need end-to-end cross border logistics services.

Capex guidance of Rs 2.3bn in FY17 vs. capex of Rs 1.6bn in FY16

Capex will be largely funded by internal accruals and supplemented by additional debt.

Outlook and Valuations

We believe there will be value unlocking once the XPS division gets demerged and listed as a separate entity. As per our estimate, the two entities are fully valued at Rs 371 as shown below :

Segments	P/E	FY18E EPS (Rs)	Per Share Value (Rs)
TCIL	15	11	164
XPS	20	10	207
Total		21	371

Thus, TCIL offers 6% returns from current levels. Yet, given the turnaround expected in the logistics business, we assign a Hold rating to TCIL. Also, we feel that the XPS division may list at a higher multiple than we have assumed.

Segmental Performance (Standalone)

Particulars (Rs mn)	Q1FY17	Q1FY16	Y-o-Y change	Q4FY16	Q-o-Q change
Revenue (Rs mn)					
Transport	2,181	2,065	5.6%	2,247	-2.9%
XPS*	0	1,594	-100.0%	1,805	-100.0%
Supply Chain Solutions	1,721	1,540	11.7%	1,653	4.1%
Seaways Division	400	366	9.4%	370	8.3%
Total	4,303	5,566	-22.7%	6,074	-29.2%
EBIT (Rs mn)					
Transport	49	36	34.1%	56	-12.5%
XPS*	0	103	-100.0%	133	-100.0%
Supply Chain Solutions	115	96	20.7%	115	0.6%
Seaways Division	70	61	14.9%	82	-14.1%
Total	164	235	-30.2%	304	-46.0%
EBIT Margins					
Transport	2.2%	1.8%	+40 bps	2.5%	-30 bps
XPS*	0.0	6.5%	NA	7.4%	NA
Supply Chain Solutions	6.7%	6.2%	+50 bps	6.9%	-20 bps
Seaways Division	17.5%	16.6%	+90bps	22.1%	-460bps

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

Q1FY17 Results Highlights (Standalone)

Particulars (Rs mn)	Q1FY17	Q1FY16	Y-o-Y change	Q4FY16	Q-o-Q change
Operating income	4,274	3,947	8.3%	6,021	-29.0%
Less: Expenditures					
Operating cost	3,425	3,195	7.2%	4,728	-27.6%
Staff costs	252	225	11.9%	371	-32.0%
Other operating costs	217	209	3.8%	392	-44.7%
EBITDA	381	318	19.7%	530	-28.2%
EBITDA margin	8.90%	8.06%	+84 bps	8.80%	+10 bps
Other income	23	41	-44.0%	21	12.6%
Depreciation	141	117	20.0%	154	-8.7%
EBIT	263	242	8.7%	397	-33.6%
Interest	75	56	33.0%	73	1.8%
Profit before tax	189	186	1.3%	323	-41.6%
Tax	38	44	-13.9%	82	-54.0%
Profit after tax	151	143	6.0%	241	-37.4%
Extraordinary items	0	62	NA	0	NA
Adjusted net profit	151	143	6.0%	241	-37.4%
EPS (Rs)	2.0	1.9	-6.0%	3.2	-37.4%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Income from operations	22,265	24,167	25,214	28,446	34,159
Less: Expenditures					
Operating costs	18,070	19,477	20,105	22,586	27,020
Staff costs	1,172	1,305	1,545	1,735	2,084
Other operating & admin costs	1,343	1,454	1,596	1,792	2,152
EBITDA	1,681	1,932	1,968	2,333	2,903
Other income	91	91	77	114	137
Depreciation	468	545	590	742	810
EBIT	1,304	1,477	1,455	1,704	2,230
Interest	311	333	295	432	492
Profit before tax	993	1,144	1,160	1,272	1,738
Tax	275	326	340	369	504
Profit after tax	718	818	820	903	1,234
Extraordinary income	-2	0	0	0	0
Minority interest	-1	-2	-4	-2	0
Adjusted net profit	716	816	817	901	1,234

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Share capital	146	151	152	153	153
Reserves and surplus	4,638	5,936	6,606	7,407	8,491
Shareholders' funds	4,784	6,087	6,758	7,560	8,644
Minority interest	2,895	2,836	3,567	4,667	5,167
Borrowed funds	31	35	39	37	37
Deferred tax liability (Net)	332	293	354	354	354
Total Liabilities	8,042	9,251	10,718	12,618	14,202
Net fixed assets	4,354	5,137	6,297	8,155	8,544
Goodwill on consolidation	2	2	2	2	2
Investments	80	72	72	72	72
Current assets, loans & advances	5,445	6,045	6,519	6,810	8,408
Less: Current liabilities & provisions	1,838	2,005	2,172	2,421	2,824
Net current assets	3,606	4,039	4,347	4,389	5,584
Total Assets	8,042	9,251	10,718	12,618	14,202

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY14	FY15	FY16	FY17E	FY18E
Profit before tax and appropriations	993	1,142	1,161	1,272	1,738
Adjustments for	0	0	0	0	0
Depreciation	468	545	590	742	810
Change in WC	1,433	1,139	1,700	1,449	1,154
Others	-1,567	-1,573	-1,920	-1,886	-2,110
CF from operations	1,327	1,254	1,531	1,577	1,593
Capex	-676	-1,329	-1,560	-2,600	-1,200
Change in investments	-63	8	0	0	0
Others	0	-123	-139	49	0
CF from investing	-740	-1,444	-1,699	-2,551	-1,200
Change in equity	0	598	1	1	0
Change in debt	-199	-59	731	1,100	500
Dividend and others	-422	-447	-426	-582	-641
CF from investing	-620	92	306	519	-141
Net change in cash	-33	-98	138	-455	252
Opening cash balance	552	520	421	559	104
Closing cash balance	520	421	559	104	356

Key Ratios (Consolidated)

Y/E March	FY14	FY15	FY16	FY17E	FY18E
Profitability					
ROE	29.0%	27.2%	22.7%	23.8%	27.5%
ROCE	9.6%	9.8%	8.5%	8.0%	9.5%
Margins					
EBITDA	7.5%	8.0%	7.8%	8.2%	8.5%
Net Profit	3.2%	3.4%	3.2%	3.2%	3.6%
Leverage and Coverage					
Interest Coverage	23.9%	22.6%	20.3%	25.4%	22.1%
Debt/Equity	0.6	0.5	0.5	0.6	0.6
Per Share					
EPS (Rs)	9.3	10.6	10.7	11.8	16.1
Book Value Per Share (Rs)	62.5	79.5	88.2	98.7	112.9
Valuation					
P/E	37.5	33.0	32.9	29.8	21.8
P/BV	5.6	4.4	4.0	3.6	3.1
EV/Sales	1.3	1.2	1.2	1.1	0.9
EV/EBITDA	17.5	15.2	15.2	13.5	10.9

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