

Q1FY20 Result Update

Buy

Industry	Logistics
CMP (Rs)	263
FY21E Target Price (Rs)	392
52 Week H/L (Rs)	375/232
Volumes (BSE+NSE)*	37,240
Shares O/S (mn)	76.6
Market Cap (Rs bn)	22.98
Free Float (%)	33.1
Bloomberg Code	TRPC IN
Reuters Code	TCIL.BO

* Three Month Daily Average

Share Holding Pattern (30/06/2019)

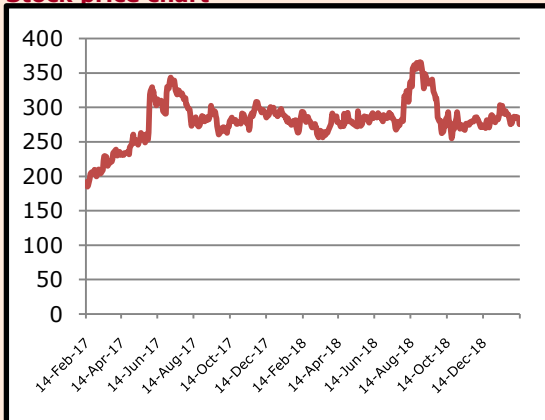
Particulars	Shares (mn)	Holding (%)
Promoters	51.2	66.9
FIIs	1.5	2.0
DIIs	7.1	9.2
Others	16.8	21.9
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars(Rs mn)	FY19	FY20E	FY21E
Sales	27,537	30,583	35,665
EBITDA	2,489	2,752	3,317
EBITDA Margin	9.0%	9.0%	9.3%
Net Profit	1,456	1,622	2,001
EPS (Rs)	19.0	21.2	26.1
EV/EBITDA (x)	9.7	8.7	7.3
P/E (x)	13.8	12.4	10.1
RoE	17.6%	17.0%	18.2%

Stock price chart



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Transport Corporation of India (TCIL) reported consolidated revenues of Rs 6.6bn, a y-o-y growth of 5.5%. So far TCIL was reporting only standalone revenues for the quarters. Hence we have not mentioned our expectations as these were based on standalone numbers.

We find that y-o-y growth across the Divisions has come off, continuing from the slowdown witnessed in Q4FY19. The various Divisions (consolidated) revenues performed thus :

- Transport Division: 5.3% growth y-o-y
- Supply Chains Solution Division: 2.7% growth y-o-y
- Seaways Division: 10.3% y-o-y growth

EBITDA margins recorded a 50bps y-o-y increase because of a small increase across all divisions. EBIT margins of the various Divisions are :

- 30bps y-o-y increase in margin in Transport Division to 2.7%
- 10bps y-o-y increase in margin in the Supply Chain Solutions Division to 6.9%
- 70bps y-o-y increase in Seaways Division to 19.8%

Net profit growth was at 16.2% y-o-y to Rs 343mn, lower than our expectation of 32.9% y-o-y growth. Net profit growth was driven by higher profit coming from the JV and lower taxes.

Transport Division hit by low liquidity in the system

Slower growth in the division was not driven by any specific segment. The management feels that it has not performed too badly given the tight liquidity in the economy. They feel that they have gained market share and business has moved from the unorganized to the organized sector.

TCI Supply Chains Division driven by the slowdown in autos

The 2Wheelers' growth has been more hit as compared to the 4Wheelers growth. Still, there has been some growth driven by exports.

Seaways Division's revenue growth driven by the addition of a new ship in Q2FY19

As per the management, organic volumes were less, growth came about because of the new ship added in Q2FY19. Tight liquidity is impacting this segment as well. Addition of new ship in Q4FY20 will happen only if business picks up, otherwise the purchase will be deferred.

EBITDA margin increased by 50bps y-o-y

This is due to a combination of lower crude prices and lower costs this quarter.

Capex of Rs 2750mn in FY20

Of this, capex in Q1FY20 was Rs 200mn. In case demand does not pick up, the capex figure will be revised.

Outlook and Valuations

TCIL trades at a P/E of 12.4x and 10.1x FY20E and FY21E earnings respectively. We value TCIL at 15x FY21E EPS. On that basis, we assign a fair price of Rs 392 and recommend a Buy rating on TCIL.

Segmental Performance (Consolidated)

Particulars	Q1FY20	Q1FY19	Y-o-Y Change	Q4FY19	Q-o-Q Change
Revenue (Rs mn)					
Transport	3,386	3,216	5.3%	3,736	-9.4%
Supply Chain Solutions	2,439	2,375	2.7%	2,706	-9.8%
Seaways Division	789	715	10.3%	1,088	-27.5%
Power Division	15	23	-35.2%	7	104.2%
Unallocable& Corporate	54	27	96.7%	46	17.2%
Less: Intersegment Revenue	56	64	-12.4%	106	-47.3%
Less: Other Income	35	43	-18.3%	50	-30.2%
Total Revenue	6,592	6,250	5.5%	7,427	-11.2%
PBT (Rs mn)					
Transport	90	78	15.9%	143	-36.9%
Supply Chain Solutions	168	162	3.3%	208	-19.6%
Seaways Division	157	136	14.7%	294	-46.8%
Power Division	5	14	-62.4%	-2	-378.9%
Less : Interest	87	74	17.6%	96	-9.5%
Less: Unallocable Expense	102	23	349.8%	104	-1.9%
Add: Unallocable Income	-103	-27	274.1%	-89	15.3%
Add: Share of Profit/loss of JV	84	53	58.9%	54	55.7%
Add : Exceptional income	0	0	NA	7	NA
Total PBT	417	374	11.3%	594	-29.8%
EBIT Margins					
Transport	2.7%	2.4%	+30 bps	3.8%	-110 bps
Supply Chain Solutions	6.9%	6.8%	+10 bps	7.7%	-80 bps
Seaways Division	19.8%	19.1%	+70bps	27.0%	-720bps

Quarterly Financials (Consolidated)

Particulars (Rs mn)	Q1FY20	Q1FY19	Y-o-Y Change	Q4FY19	Q-o-Q Change
Operating income	6,592	6,250	5.5%	7,427	-11.2%
Less: Expenditures					
Operating cost	5,369	5,122	4.8%	5,939	-9.6%
Staff costs	384	342	12.3%	349	9.9%
Other operating costs	255	259	-1.7%	352	-27.6%
EBITDA	584	527	10.9%	787	-25.8%
EBITDA margin	8.9%	8.4%	+50 bps	10.6%	-20 bps
Other income	35	43	-18.3%	50	-30.2%
Depreciation	199	174	14.5%	202	-1.3%
EBIT	420	396	6.1%	636	-33.9%
Interest	87	74	17.6%	96	-9.5%
Profit/loss of JV	84	53	59.0%	54	55.5%
Profit before tax	417	374	11.3%	594	-29.8%
Tax	72	78	-7.3%	102	-29.5%
Profit after tax	344	297	16.2%	491	-29.9%
Non Controlling Interest	2	2	0.0%	3	-50.0%
Exceptional Items	0	0	NA	7	NA
Net Profit	343	295	16.2%	495	-30.7%
EPS (Rs)	4.5	3.9	16.2%	6.5	-30.7%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Income from operations	19,427	23,461	27,537	30,583	35,665
<i>Growth y-o-y</i>	<i>12.5%</i>	<i>20.8%</i>	<i>17.4%</i>	<i>11.1%</i>	<i>16.6%</i>
Less: Expenditures					
Operating costs	15,821	19,068	22,515	25,017	29,067
Staff costs	1,068	1,245	1,408	1,560	1,819
Other operating & admin costs	931	1,021	1,124	1,254	1,462
EBITDA	1,607	2,127	2,489	2,752	3,317
<i>EBITDA margin</i>	<i>8.3%</i>	<i>9.1%</i>	<i>9.0%</i>	<i>9.0%</i>	<i>9.3%</i>
Other income	122	182	195	214	250
Depreciation	592	687	774	958	1,092
EBIT	1,137	1,623	1,910	2,009	2,475
Interest	288	322	374	319	319
Share in net profit of JV	155	224	251	300	301
Profit before tax	1,004	1,525	1,780	1,990	2,457
Tax	191	287	333	378	467
Profit after tax	813	1,238	1,447	1,612	1,990
Minority interest	6	6	9	10	11
Adjusted net profit	807	1,244	1,456	1,622	2,001
<i>Growth y-o-y</i>	<i>43.8%</i>	<i>54.2%</i>	<i>17.0%</i>	<i>11.4</i>	<i>23.4</i>
EPS (Rs)	10.5	16.2	19.0	21.2	26.1

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Share capital	153	153	153	153	153
Reserves and surplus	6,338	7,465	8,766	10,064	11,665
Shareholders' funds	6,491	7,618	8,920	10,217	11,818
Borrowed funds	3,795	3,953	4,142	4,142	4,142
Minority interest	43	47	52	52	52
Deferred tax liability (Net)	395	445	390	390	390
Total Liabilities	10,724	12,062	13,504	14,801	16,402
Net fixed assets	5,894	6,821	7,308	8,351	9,260
Goodwill on consolidation	0	0	0	0	0
Investments	899	1,358	1,168	1,168	1,108
Current assets, loans & advances	5,526	5,799	7,683	8,535	9,827
Less: Current liabilities & provisions	1,595	1,915	2,656	3,252	3,793
Net current assets	3,931	3,883	5,027	5,282	6,034
Total Assets	10,724	12,062	13,504	14,801	16,402

Cash Flow Statement (Consolidated)

Y/E March (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Profit before tax	1004	1525	1780	2153	2655
Depreciation	592	687	774	958	1092
Interest expense	288	322	374	319	319
Change in receivables	-317	-679	-902	-843	-998
Change in inventories	-7.5	-8	-20	-11	-11
Change in other current assets	-741	366	-949	-380	-450
Change in other current liabilities	259	320	740	776	572
Taxes paid, net	-191	-287	-333	-409	-504
CF from operations	882	2247	1473	2573	2685
Capex, net	-950	-1440	-1980	-2000	-2001
(Purchase)/sale of investments	-120	-458.4	189.4	0	60
Others	-561.5	-545	644.6	0	0
Cash from investing	-1632	-2443	-1146	-2000	-1941
Interest paid	-288	-322	-374	-319	-319
Change in borrowings, net	649.2	157.5	188.9	0	0
Dividends paid	-157	-143	-291	-351	-432
Equity issuance	1.05	0.00	0.10	0.00	0.00
Cash from financing	823	149	-314	-670	-750
Net change in cash and equivalents	73	-47	13	-97	-6
Opening cash balance	117	190	142	155	58
Closing cash balance	190	142	155	58	52

Key Ratios (Consolidated)

Y/E March	FY17	FY18	FY19	FY20E	FY21E
Profitability					
ROE	13.2%	17.6%	17.6%	17.0%	18.2%
ROCE	11.4%	14.2%	14.9%	14.2%	15.9%
Margins					
EBITDA	8.3%	9.1%	9.0%	9.0%	9.3%
Net Profit	4.2%	5.3%	5.3%	5.3%	5.6%
Leverage and Coverage					
Interest Coverage	25.3%	19.8%	19.6%	15.9%	12.9%
Debt/Equity	0.6	0.5	0.5	0.4	0.4
Per Share					
EPS (Rs)	10.5	16.2	19.0	21.2	26.1
Book Value Per Share (Rs)	84.7	99.4	116.4	133.4	154.3
Valuation					
P/E	25.0	16.2	13.8	12.4	10.1
P/BV	3.1	2.6	2.3	2.0	1.7
EV/Sales	1.2	1.0	0.9	0.8	0.7
EV/EBITDA	14.8	11.3	9.7	8.7	7.3

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