

TRANSPORT CORPORATION OF INDIA LTD
Result Update (PARENT BASIS): Q1 FY18

CMP: 298.35

AUG 5th, 2017

Overweight

**ISIN:
INE688A01022**

Index Details

Stock Data

Sector	Surface Transportation
BSE Code	532349
Face Value	2.00
52wk. High / Low (Rs.)	349.65/144.00
Volume (2wk. Avg.)	20000
Market Cap (Rs. in mn.)	22853.61

Annual Estimated Results(A*: Actual / E*: Estimated)

Years(Rs. In mn)	FY17A	FY18E	FY19E
Net Sales	18042.60	20207.71	22430.56
EBITDA	1739.70	1957.42	2192.60
Net Profit	702.60	781.02	893.59
EPS	9.17	10.20	11.67
P/E	32.53	29.26	25.58

Shareholding Pattern (%)

	As on Jun 2017	As on Mar 2017
Promoter	66.11	66.08
Public	33.89	33.92
Others	--	--

1 Year Comparative Graph



TRANSPORT CORPORATION OF INDIA LTD

S&P BSE SENSEX

SYNOPSIS

Transport Corporation of India Ltd (TCI) is an integrated supply chain and logistics solutions provider. The Company's segments include Freight Division, Supply Chain Solutions Division, Seaways Division, Energy Division and Global Division.

Revenue for the 1st quarter rose by 16.25% to Rs. 4968.70 million from Rs. 4274.20 million, when compared with the prior year period.

During Q1 FY18, net profit stood at Rs. 176.30 million as against Rs. 151.10 million in the corresponding quarter ending of previous year.

During Q1 FY18, EBIDTA is Rs. 461.20 million as against Rs. 403.80 million in the corresponding period of the previous year.

During Q1 FY18, PBT up by 18.01% and stood at Rs. 222.80 million from Rs. 188.80 million in Q4 FY16.

EPS of the company stood at Rs. 2.30 a share in Q1 FY18 against Rs. 1.97 in the corresponding quarter of the previous year.

Net Sales and PAT of the company are expected to grow at a CAGR of 12% and 14% over 2017 to 2019E, respectively.

PEER GROUPS	CMP	MARKET CAP	EPS	P/E (X)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Transport Corporation Of India Ltd	298.35	22853.61	9.50	31.39	3.93	55.00
ABC India Ltd	101.00	547.10	-	-	1.10	0.00
Patel Integrated Logistics Ltd	85.30	1410.50	4.25	20.07	1.26	5.00
Chartered Logistics Ltd	24.00	2384.20	1.24	19.35	5.33	0.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

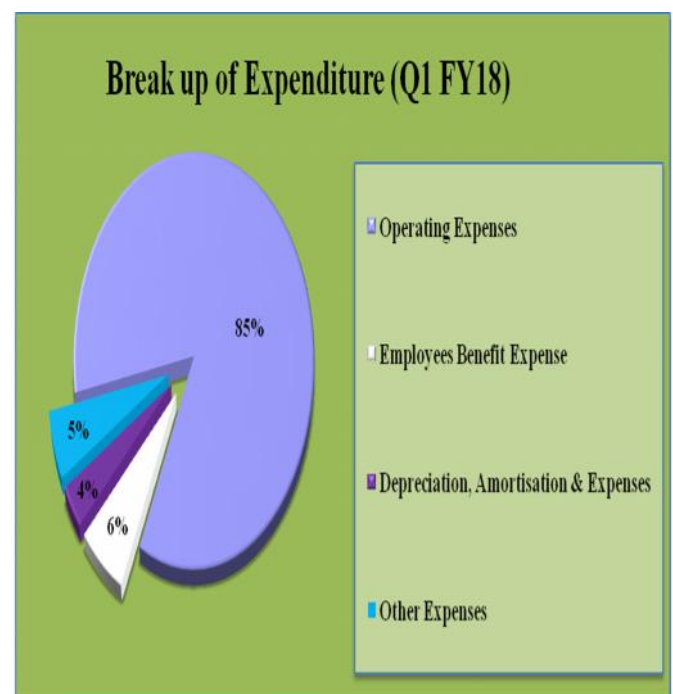
Results updates- Q1 FY18,

(Rs. In Million)	Jun-17	Jun-16	% Change
Revenue	4968.70	4274.20	16.25%
PAT	176.30	151.10	16.68%
EPS	2.30	1.97	16.68%
EBITDA	461.20	403.80	14.21%

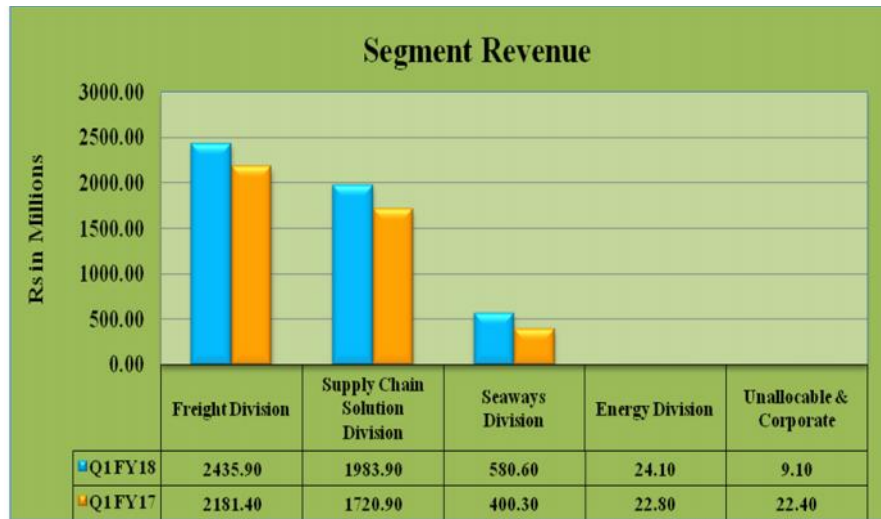
Transport Corporation Of India Ltd has achieved a turnover of Rs. 4968.70 million for the 1st quarter of the FY 2017-18 as against Rs. 4274.20 million in the corresponding quarter of the previous year, an increase of 16.25%. During the 1st quarter, net profit stood at Rs. 176.30 million as against Rs. 151.10 million in the corresponding quarter ending of previous year. Reported earnings per share of the company stood at Rs. 2.30 in Q1 FY18 as against Rs. 1.97 in the corresponding quarter of the previous year. Profit before interest, depreciation and tax stood at Rs. 461.20 million as against Rs. 403.80 million in the corresponding period of the previous year.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q1 FY18	Q1 FY17	% Chng
Operating Expenses	3980.80	3424.90	16%
Employees Benefit Expense	286.60	252.10	14%
Depreciation, Amortisation & Expenses	160.00	140.50	14%
Other Expenses	249.50	216.60	15%



Segment Revenue



COMPANY PROFILE

TCI Group TCI: Group TCI, with revenues of over Rs. 3000 crore, is india's leading integrated supply chain and logistics solutions provider. TCI group with expertise developed over 5 decades has an extensive network of company owned offices, 11 mn. Sqft of warehousing space and strong team of trained employees. With its customer-centric approach, world class resources, state-of-art technology and professional management, the group follows strong corporate governance and is committed to value creation for its stakeholders and social responsibilities. TCI was the first to launch several solutions in the logistics field. Their product offering includes:

TCI Freight: India's leading surface transport entity. This division is fully equipped to provide total transport solutions for cargo of any dimension or product segment. It transports cargo on FTL (Full truck load)/ LTL (Less than truck load)/ small packages and consignments/ Over Dimensional cargo.

TCI Supply chain Solutions: TCI SCS is a single window enabler of integrated supply chain solutions right from conceptualization and designing the logistics network to actual implementation. The core service offerings are supply chain consultancy, inbound Logistics, Warehousing/ Distribution Centre Management & Outbound Logistics.

TCI Seaways: TCI seaway has well equipped five ships in its fleet and caters to the coastal cargo requirements for transporting containers and bulk cargo.

TCI Express Ltd: A leading express distribution specialist, it offers a single window door-to-door & time definite solution for consumers' express requirements. It services 40,000 locations in india and 202 countries abroad.

TCI Developers Ltd: It is undertaking development of large modern warehouses, Logistics parks etc.

TCI Foundation: As the group's social arm, TCIF fulfils corporate social responsibility and runs charitable hospitals and schools for the under-privileged in the rural areas. It has also collaborated with the bill & Melinda Gates Foundation & National Aids Control Organization to run programs on AIDS interventions and education among the vulnerable trucking community.

FINANCIAL HIGHLIGHT (PARENT BASIS)

(A* - Actual, E* -Estimations & Rs. In Millions)

Balance Sheet as of March 31, 2016 -2019E

	FY16A	FY17A	FY18E	FY19E
ASSETS				
1) Non-Current Assets				
a) Property, plant and equipment	5205.50	5227.30	5410.26	5572.56
b) Capital work in progress	123.20	568.10	783.98	987.81
c) Intangible assets	9.90	6.80	7.62	8.30
d) Financial Assets				
i) Investments	265.60	297.80	336.51	376.90
ii) Loans and advances	64.20	114.30	144.02	167.06
iii) Other financial assets	19.70	26.10	32.10	37.24
e) Other non-current assets	339.60	633.30	804.29	941.02
Sub - Total Non- Current assets	6027.70	6873.70	7518.78	8090.89
2) Current Assets				
a) Inventories	17.60	25.10	31.88	36.98
b) Financial assets				
i) Investments	0.00	0.00	0.00	0.00
ii) Trade receivables	3033.00	3316.50	3648.04	4012.84
iii) Cash and cash equivalents	104.00	184.10	250.38	310.47
iv) Loans and advances	70.70	107.20	126.50	145.47
v) Other financial assets	4.50	5.70	6.67	7.54
c) Other current assets	331.40	575.90	731.39	914.24
d) Current tax assets (net)	109.00	229.60	296.18	343.57
Sub - Total current assets	3670.20	4444.10	5091.04	5771.11
Total Assets (1+2)	9697.90	11317.80	12609.81	13862.00
EQUITY AND LIABILITIES				
1) EQUITY				
a) Equity Share Capital	152.10	153.20	153.20	153.20
b) Other Equity	5029.00	5655.90	6391.17	7284.75
Total Equity	5181.10	5809.10	6544.37	7437.95
2) Non Current Liabilities				
a) Financial Liabilities				
i) Borrowings	957.60	1403.90	1586.41	1665.73
b) Deferred tax liabilities (net)	318.80	391.70	438.70	465.03
c) Other non -current liabilities	0.00	22.70	24.06	24.54
Sub - Total Non Current liabilities	1276.40	1818.30	2049.17	2155.30
3) Current Liabilities				
a) Financial liabilities				
i) Borrowings	2042.80	2255.80	2413.71	2570.19
ii) Trade payables	516.40	733.30	887.29	967.15
iii) Other financial liabilities	522.10	530.90	536.21	546.93
b) Short-term provisions	63.40	52.40	44.54	39.20
c) Other current liabilities	95.70	118.00	134.52	145.28
Sub - Total current liabilities	3240.40	3690.40	4016.27	4268.75
Total Equity and Liabilities (1+2+3)	9697.90	11317.80	12609.81	13862.00

Annual Profit & Loss Statement for the period of 2016 to 2019E

Value(Rs.in.mn)	FY16A	FY17A	FY18E	FY19E
Description	12m	12m	12m	12m
Net Sales	15986.80	18042.60	20207.71	22430.56
Other Income	153.50	177.10	191.27	214.22
Total Income	16140.30	18219.70	20398.98	22644.78
Expenditure	-14656.80	-16480.00	-18441.56	-20452.18
Operating Profit	1483.50	1739.70	1957.42	2192.60
Interest	-229.60	-274.10	-312.47	-340.60
Gross profit	1253.90	1465.60	1644.95	1852.00
Depreciation	-507.10	-578.10	-647.47	-712.22
Profit Before Tax	746.80	887.50	997.48	1139.78
Tax	-151.20	-184.90	-216.45	-246.19
Net Profit	595.60	702.60	781.02	893.59
Equity capital	152.10	153.20	153.20	153.20
Reserves	5029.00	5655.90	6391.17	7284.75
Face value	2.00	2.00	2.00	2.00
EPS	7.83	9.17	10.20	11.67

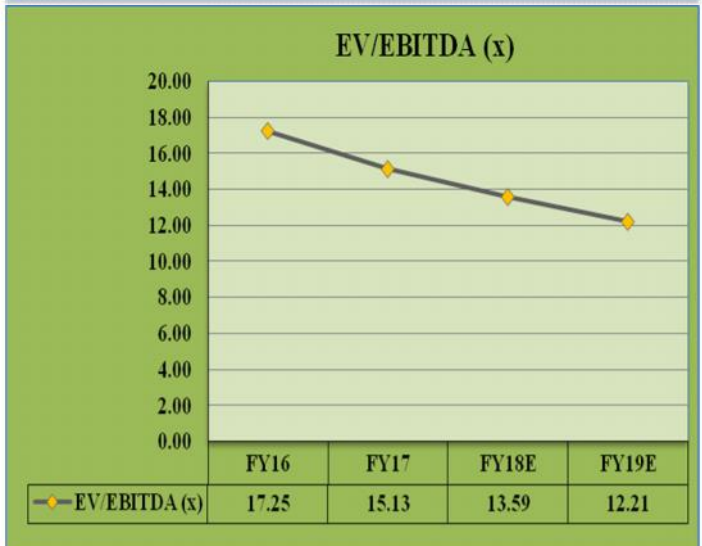
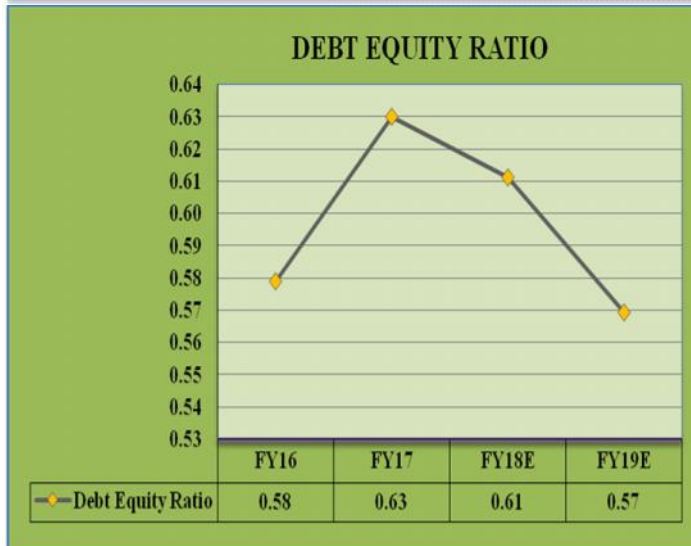
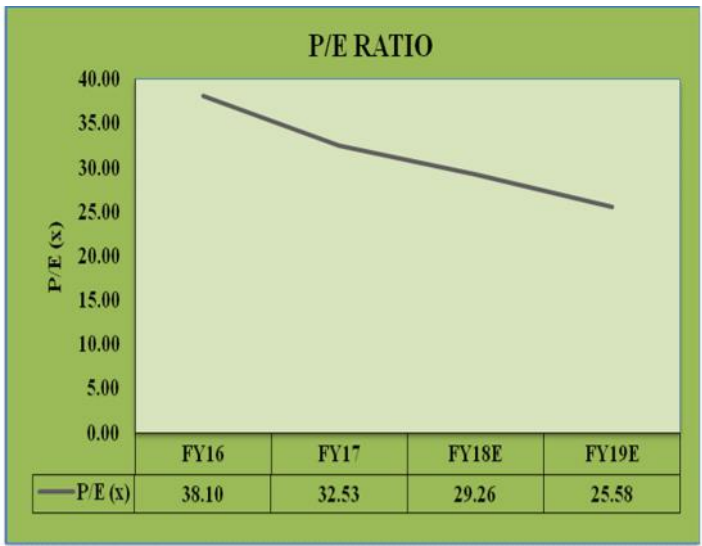
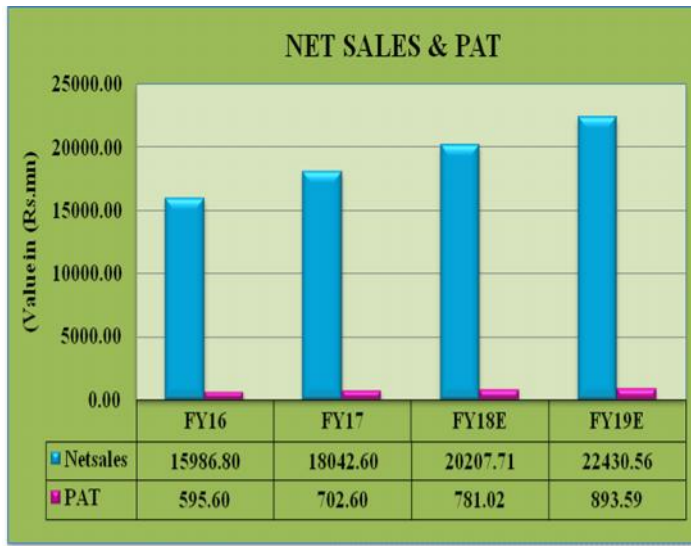
Quarterly Profit & Loss Statement for the period of 30th Sep, 2016 to 30th Jun, 2017E

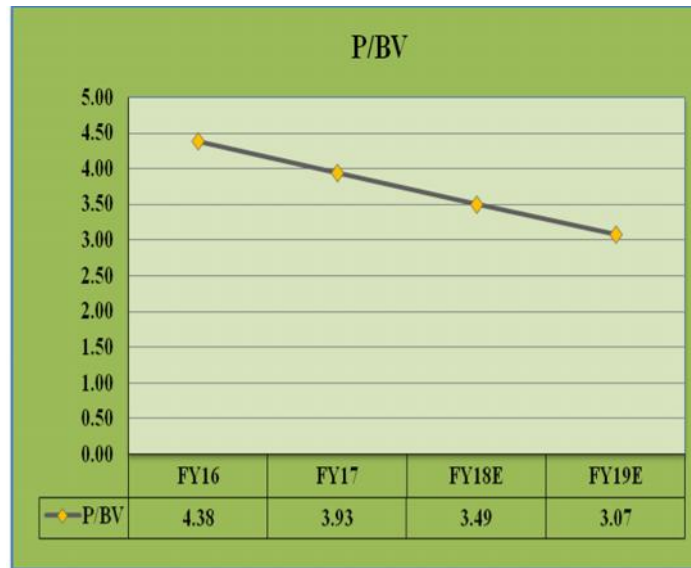
Value(Rs.in.mn)	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17E
Description	3m	3m	3m	3m
Net sales	4460.90	4816.30	4968.70	5217.14
Other income	58.20	64.10	9.40	10.81
Total Income	4519.10	4880.40	4978.10	5227.95
Expenditure	-4091.70	-4423.00	-4516.90	-4718.90
Operating profit	427.40	457.40	461.20	509.05
Interest	-67.80	-63.50	-78.40	-73.08
Gross profit	359.60	393.90	382.80	435.97
Depreciation	-152.30	-148.30	-160.00	-168.00
Profit Before Tax	207.30	245.60	222.80	267.97
Tax	-38.20	-60.20	-46.50	-56.00
Net Profit	169.10	185.40	176.30	211.96
Equity capital	153.20	153.20	153.20	153.20
Face value	2.00	2.00	2.00	2.00
EPS	2.21	2.42	2.30	2.77

Ratio Analysis

Particulars	FY16A	FY17A	FY18E	FY19E
EPS (Rs.)	7.83	9.17	10.20	11.67
EBITDA Margin (%)	9.28%	9.64%	9.69%	9.78%
PBT Margin (%)	4.67%	4.92%	4.94%	5.08%
PAT Margin (%)	3.73%	3.89%	3.86%	3.98%
P/E Ratio (x)	38.10	32.53	29.26	25.58
ROE (%)	11.50%	12.09%	11.93%	12.01%
ROCE (%)	24.33%	24.48%	24.70%	24.88%
Debt Equity Ratio	0.58	0.63	0.61	0.57
EV/EBITDA (x)	17.25	15.13	13.59	12.21
Book Value (Rs.)	68.13	75.84	85.44	97.10
P/BV	4.38	3.93	3.49	3.07

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs. 298.35**, the stock P/E ratio is at 29.26 x FY18E and 25.58 x FY19E respectively.
- Earning per share (EPS) of the company for the earnings for FY18E and FY19E is seen at Rs. 10.20 and Rs. 11.67 respectively.
- Net Sales & PAT of the company are expected to grow at a CAGR of 12% and 14% over 2017 to 2019E, respectively.
- On the basis of EV/EBITDA, the stock trades at 13.59 x for FY18E and 12.21 x for FY19E.
- Price to Book Value of the stock is expected to be at 3.49 x and 3.07 x for FY18E and FY19E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

Indian Scenario of Logistics Industry

The transport and logistics sector are fundamental to the development of a country. Indian logistics market is expected to grow at a CAGR of 12.17% by 2020 driven by the growth in the manufacturing, retail, FMCG and e-commerce sectors. India spends around 14.4% of its GDP on logistics and transportation as compared to less than 8% spent by the other developing countries. The key drivers of this growth are infrastructure investment associated with ports, airports, and other logistics development plans, domestic demand growth and increasing trade. Development of transportation and logistics-related infrastructure such as dedicated freight corridors, logistics parks, free trade warehousing zones, and container freight stations are expected to improve efficiency. Government reform initiatives, promotion of manufacturing and trade, improving investment climate are expected to transform the industry and drive growth between 2017 and 2020.

Demonetization and impact on the Indian logistics Industry

The logistics industry is a dynamic component in the country's growth wheel which has also recently witnessed the effect of demonetisation followed by remonetisation (issue of new currency notes). This sudden shift has significantly disrupted the overall business operations of logistics, automobile, FMCG, pharmaceuticals and agriculture sectors. Though this move by the government gave a temporary jolt but, in the long run, there will be an increment in the overall business coming in from the international players.

A part of the logistics industry is heavily dependent on COD (Cash on Delivery) mode of payment has plunged. It is only imperative that small to large vendors embrace this paradigm shift and reduce dependency on cash transactions. Demonetization, leading to digital ways of making payments, will erode the illicit ways of functioning in the sector. Digitization is a new reality which is critical to transforming India going forward. It will help to bring better regulation and governance in the industry.

Implementation of GST

Implementation of GST in the logistics industry will diminish logistics costs up to 10-15 percent over a period of 3- 4 years. With GST, there will be efficient cross—state transportation and rationalization of paper work for road transporters. This will reduce operations costs as taxation will be done at a national level and not by each state.

Implementation of GST (Goods & Services Tax) will be a game-changing event for businesses in general and organized logistics players. It would provide a boost to warehousing, supply chain management and 3PL business. It will enable the creation of the common market and permit free and unimpeded movement of goods & services across the country. The anticipated benefits for LSPs (logistics service providers) being consolidation of its network, larger warehouses, larger tonnage trucks, will boost overall efficiencies. This would mean that modern technologies like automatic storage and retrieval, material handling equipment, RFID, etc. will replace typically labour intensive activities, reducing errors in the supply chain and therefore cost. This will make Indian warehousing and trucking more or less at par with the western world and Far East.

Add to it, GST will bring everyone into the tax ambit, it will reduce the share of the unorganized sector in warehousing. Prices charged by the organized players will come down and reduce the price advantage that the unorganized players currently enjoy. Thus, GST will level the playing field and create an equitable development of the industry across India.

India Logistics issues and Challenges

- Roads are the main source of transportation. Despite major developments in road development in India in the last decade, India's investment to develop roads are still insufficient.
- Worldwide experience says that effective use of rail logistics can be more cost effective, reliable and timely. However, in India, Rail infrastructure is ignored and is underdeveloped.

- The development of ports also suffers from, a similar story. The rise of the public-private partnership in infrastructure has not helped much and thus the transportation and network costs of doing business in India leads to disadvantage for the Indian firms.

Along with this, massive administrative costs that includes insurance and government taxes and the inefficient clearing process from control agencies and customs, is all adding up to make logistics a costly affair in India.

Chemical Logistics – the booming Industry

India is emerging as one of the most important global locations for the chemical industry, with continuous growth in the demand of chemicals. The Indian chemical market is one of the fastest growing in the world, with an annual growth rate of approximately 12%. By 2050, India is expected to become the second-largest individual market after China, cornering 20 per cent of the global chemical sales.

Consequently, India's large coastline, land area and the largest rail network provide an immense opportunity to logistics and warehousing companies. Since, Chemical is a complex industry- products range from solids to liquids to gases and nature from Inert to Hazmat. The complexity of handling, storage and transportation is compounded with the fragmentation of the industry and lack of domestic standards.

Future Prospects

The logistics firms are moving from a traditional setup to the integration of IT and technology to their operations to reduce the costs incurred as well as to meet the service demands. The growth of the Indian logistics sector depends upon its soft infrastructure like education, training and policy framework as much as the hard infrastructure. To support India's fast-paced economy growth of logistics industry is very essential. It is estimated that the Indian logistics industry will continue to show robust growth of 10-15% annually, leading the pace of growth of the economy at large.

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