

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR270
Target Price	: INR370
Potential Return	: 37%

Prateek Kumar

+91 22 4031 3440
prateek.kumar@antiquelimited.com

Nishant Shah

+91 22 4031 3473
nishant.shah@antiquelimited.com

Market data

Sensex	:	34,951
Sector	:	Transport
Market Cap (INRbn)	:	20.7
Market Cap (USDbn)	:	0.286
O/S Shares (m)	:	76.7
52-wk HI/LO (INR)	:	376/231
Avg Daily Vol ('000)	:	30
Bloomberg	:	TRPC IN

Source: Bloomberg

Valuation

	FY18e	FY19e	FY20e
EPS (INR)	16.1	18.5	23.0
P/E	16.8	14.6	11.7
P/BV	2.7	2.3	2.0
EV/EBITDA	11.7	10.8	8.5
Dividend Yield (%)	0.6	0.6	0.6

Source: Company, Antique

Returns (%)

	1m	3m	6m	12m
Absolute	2	(15)	(4)	(7)
Relative	1	(9)	(4)	(11)

Source: Company, Antique

Shareholding pattern

Promoters	:	66%
Public	:	34%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg, Indexed to 100

2QFY19 RESULT REVIEW

Transport Corporation of India Ltd.

Healthy Topline growth; Profitability hit in shipping segment

Transport Corporation of India Ltd. (TCIL) registered a mix result with robust topline growth of 19% driven by 27%/9%/36%YoY growth in Freight/Supply Chain/Seaways segment while margins came lower YoY at 8.6% vs. 9.6% YoY/8.8% QoQ (Antique est: 9.4%), driving lower than expected EBITDA growth of 6% YoY. The management highlighted that the business performance during Q2 was impacted by 1) Transport strike during July 2) Kerala floods (impact on seaways and Supply Chain segment), 3) Delay in timing of festive season (impact on all businesses), 4) Rising diesel cost, which only selectively could be passed to customers and 5) General liquidity issues in Industry. However, management remains optimistic of achieving ~15-20% growth in revenues during FY19. Company is targeting a capex of INR1.75-2bn in FY19 and expects a similar capex in next 2 years as well, as company looks to capitalize the growth opportunities emerging in the Industry. Reflecting lower margin assumptions, we have trimmed our estimates by 7%/5% for FY19/FY20; accordingly we lower our Price Target to INR270 (earlier INR285), based on 16x FY20 EPS. We believe the stock is attractively priced (relative to peers) at the current valuation of ~15x FY19E/12x FY20E EPS. BUY.

Healthy topline growth; Margins fell short of estimates

TCIL registered yet another quarter with healthy topline growth of 19% YoY. This growth was driven by 27%/9%/36%YoY growth in Freight/Supply Chain/Seaways segment. However, EBITDA Margins fell short of estimates, lower YoY at 8.6% vs. 9.6% YoY/8.8% QoQ (Antique estimate: 9.4%), driving lower than expected EBITDA growth at 6% YoY. Higher Interest and depreciation (in relation to capex of ship and trucks) dampened the PAT growth to 1% YoY to INR259mn (Antique estimate: INR294mn). Tax rate was stable at 21%. Income tax refund benefited the other income during Q2. Capex in 1H stands at INR1.1bn, company expects to incur INR1.8-2bn for FY19. Management anticipates a similar annual capex of INR1.5-2Bn p.a. for next 3 years.

Segment-wise performance:

- Freight division:** Freight segment's growth rebounded strongly to ~27% YoY in Q2 - highest pace of growth registered in past many quarters, even ahead of management's internal estimates. The revenue growth was largely attributed to volume growth. Management expects LTL business to pick ahead of the festive season. The company is accruing the benefits of transition from unorganised to organised segment post GST. PBIT margins stood at 2.8% vs. 3.1% YoY (2.5% QoQ). Going forward, freight rates have started to moderate from Sep-Oct onwards while growth in LTL business will further aid margins. Regarding the new axle load norms, Company has started to get recertification of trucks, although hasn't completed the exercise.
- Supply Chain Segment:** Segment growth moderated to 9%YoY during Q2 versus 15-30% YoY growth registered in previous 5 quarters, as segment growth was impacted by Kerala floods and mild slowdown in the Automotive sector. The management highlighted that the company has added new customers in both auto and Non-Auto segments and have bagged new contracts in E-fulfillment side (warehousing) from Ecom companies. Management foresees 15-20% growth for Industry in near to medium term. Company's diversified service offerings have helped the company offset the impact of slowdown in Automotive OEM business. PBIT margins improved to 7.2% vs. 6.7% YoY (6.8% QoQ) as company was able to pass through higher fuel prices to customers.
- Seaways division:** Benefiting from a new ship addition, segment registered a robust growth of 36% YoY despite having an impact from Kerala floods (both on amount of business and ability to deliver in location). PBIT margins fell sharply to 14.7% vs. 17% YoY (19% QoQ) impacted by higher fuel prices, which couldn't be passed to the customers. Two ships were in drydock during the quarter which also impacted the margins. Management continues to expect 20% YoY growth in sector and TCI's ability to cater all transport services under one roof should benefit the company. The company may add two more ships with a total capex amounting to INR2Bn in coming 2-3 years.

Quarterly performance

Actual vs estimated performance

(INRm)	Actual	Estimated	Var (%)	Consensus	Var (%)
Net sales	6,203	6,096	1.8	6,037	2.7
EBITDA	531	573	(7.3)	525	1.1
EBITDA margin (%)	8.6	9.4	-84bps	8.7	-14bps
Adj net income	259	294	(12.1)	257	0.7
FDEPS (Rs)	3.4	3.8	(12.1)	3.4	0.7

Source: Company, Antique

Quarterly snapshot

(INRm)	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)
Net sales	6,203	5,203	19.2	5,815	6.7
Expenditure	5,672	4,701	20.6	5,302	7.0
EBITDA	531	502	5.8	513	3.5
Other income	81	71	14.2	82	(1.5)
Interest	93	75	23.5	70	32.3
Depreciation	191	175	8.9	168	13.4
PBT	329	323	1.9	357	(8.0)
Tax	70	67	4.0	75	(7.0)
PAT	259	255	1.3	282	(8.3)
EBITDA margin (%)	8.6	9.6	-108bps	8.8	-26bps
EPS (Rs)	3.4	3.3	1.3	3.7	(8.3)

Source: Company, Antique

Sales mix (INR mn)

	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)
Freight Division	2,932	2,305	27.2	2,782	5.4
Supply Chain Solutions Division	2,552	2,339	9.1	2,375	7.4
Seaways division	788	579	36.2	715	10.3
Energy Division	33	32	5.7	23	47.1
Unallocable & Corporate	58	63	(6.9)	66	(11.1)
Less Inter Segment Revenue	80	43	87.1	64	26.1
Total Sales	6,284	5,274	19.1	5,897	6.6

Source: Company, Antique

PBIT Margin %

	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)
Freight	2.8	3.1	-30bps	2.5	30bps
Supply Chain Solutions	7.2	6.7	49bps	6.8	36bps
Seaways	14.7	17.0	-227bps	19.1	-434bps

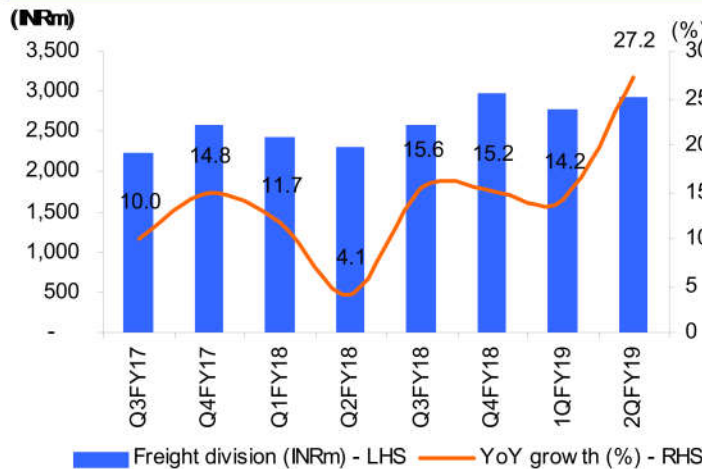
Source: Company, Antique

Change in estimates

Key parameters	FY19E			FY20E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	27,626	27,825	0.7	32,733	32,862	0.4
EBITDA (Rs mn)	2,620	2,429	(7.3)	3,257	3,059	(6.1)
EBITDA margin (%)	9.5	8.7	-75bps	10.0	9.3	-64bps
Net profit (Rs mn)	1,513	1,414	(6.6)	1,852	1,763	(4.8)
EPS (Rs)	19.8	18.5	(6.6)	24.2	23.0	(4.8)

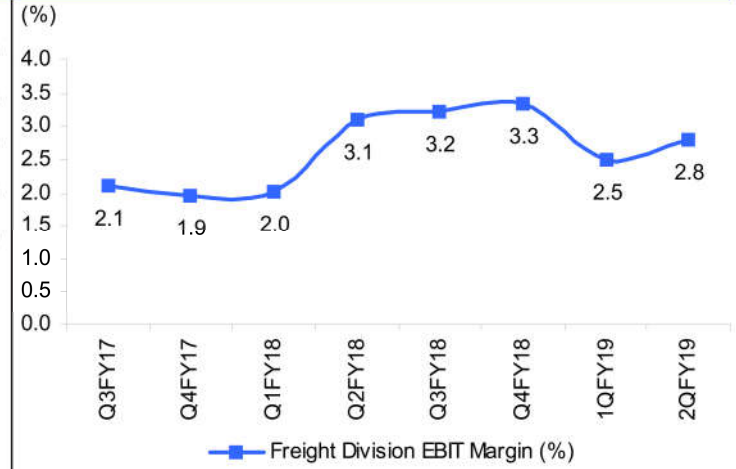
Source: Company, Antique

Freight division sales and growth trend



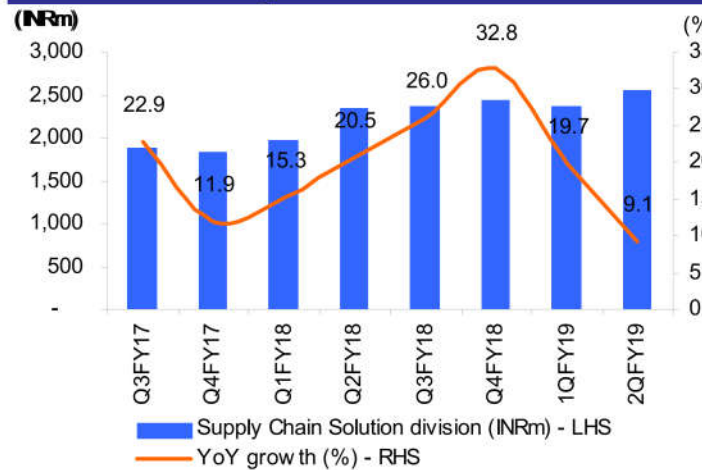
Source: Company, Antique

Freight division EBIT margin trend



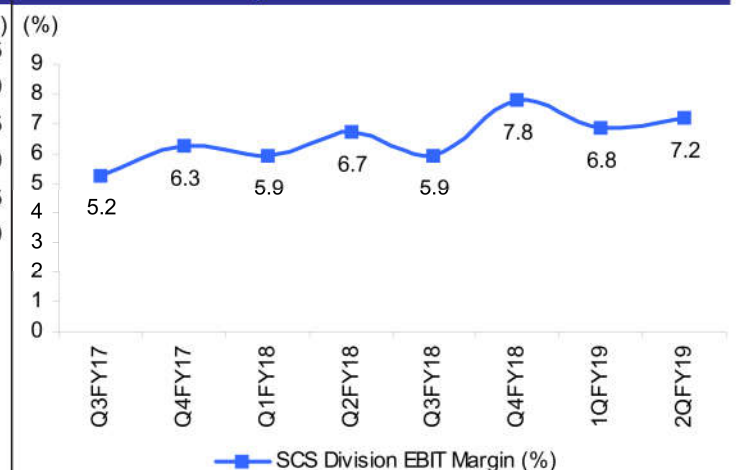
Source: Company, Antique

SCS division sales and growth trend



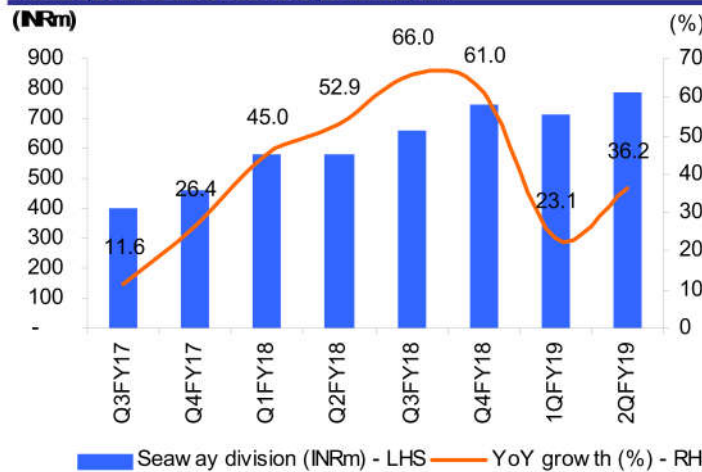
Source: Company, Antique

SCS division EBIT margin trend



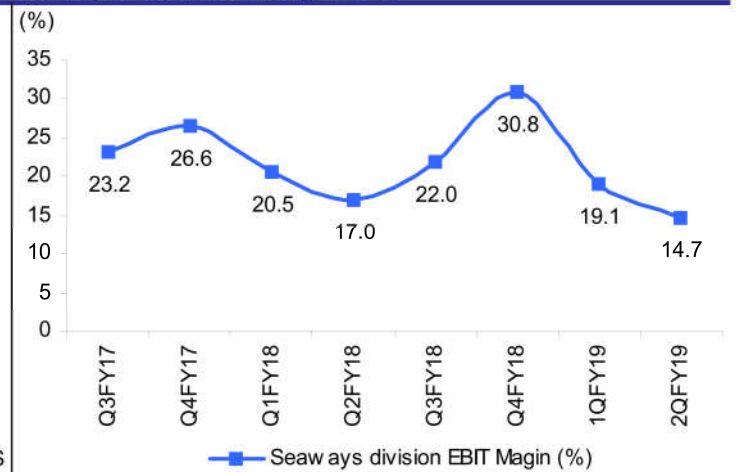
Source: Company, Antique

Seaway division sales and growth trend



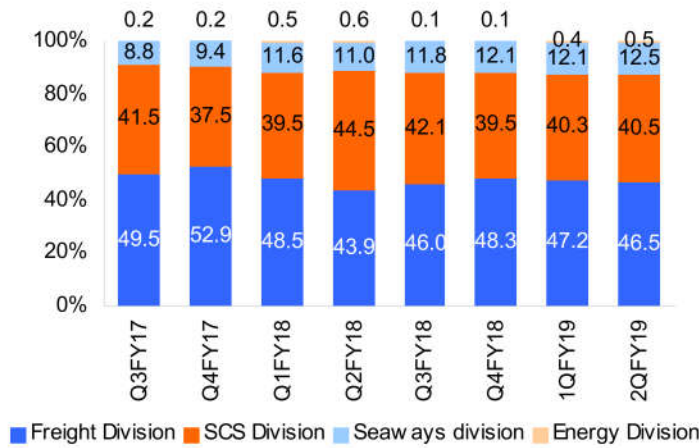
Source: Company, Antique

Seaway division EBIT margin trend



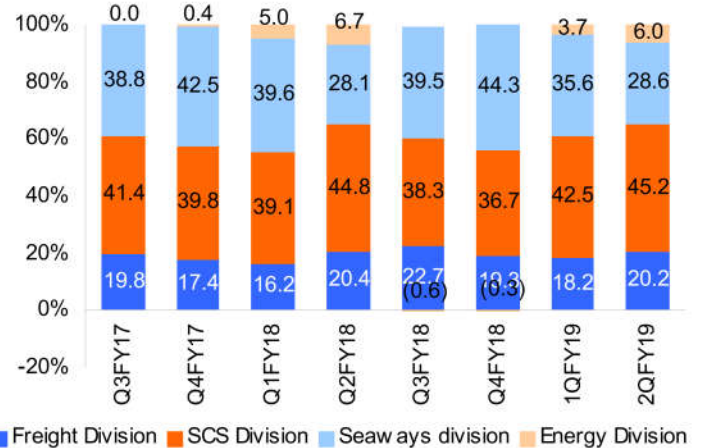
Source: Company, Antique

Sales Mix (%)



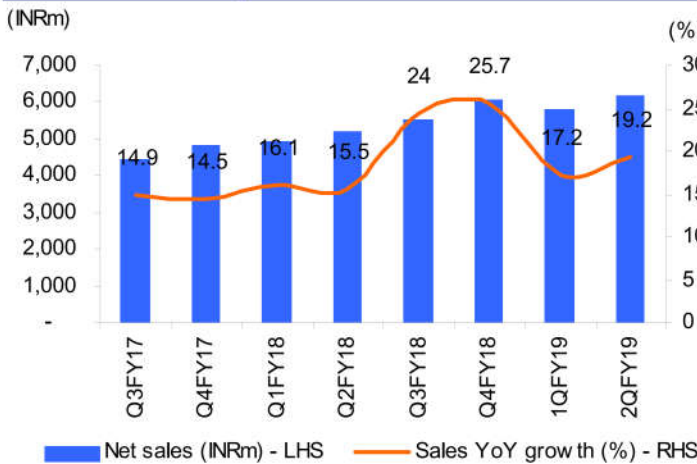
Source: Company, Antique

EBIT Mix (%)



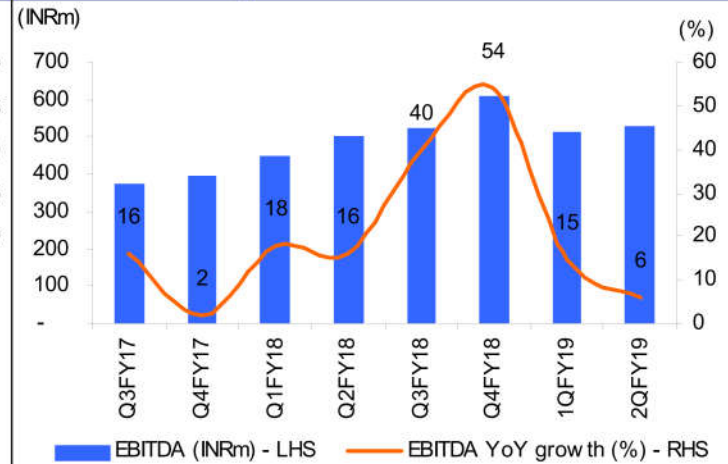
Source: Company, Antique

Total sales and sales growth trend



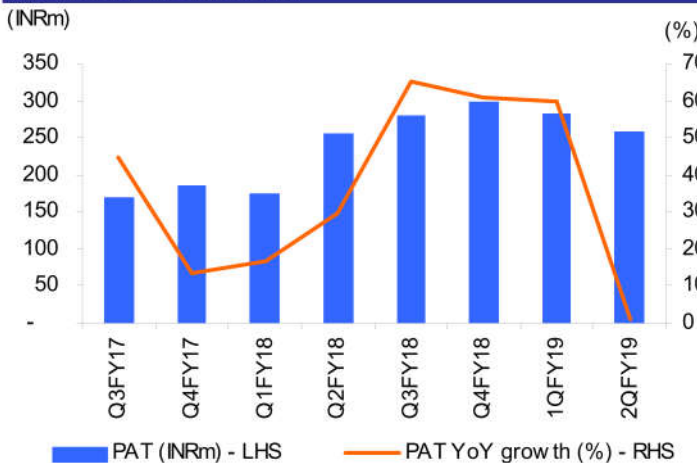
Source: Company, Antique

EBITDA and EBITDA growth trend



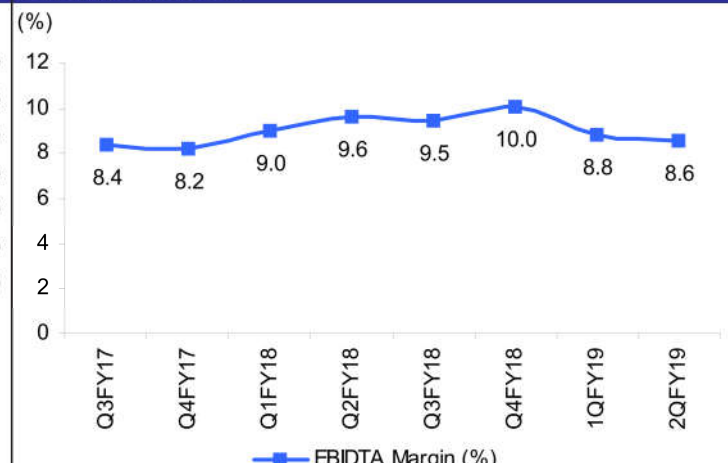
Source: Company, Antique

PAT and PAT growth trend



Source: Company, Antique

EBITDA margin trend



Source: Company, Antique

Financials (Consolidated)

Profit and loss account (INRm)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
Net Revenue	17,270	19,425	23,461	27,825	32,862
Op. Expenses	15,976	17,805	21,334	25,396	29,804
EBITDA	1,294	1,620	2,127	2,429	3,059
Depreciation	521	592	686	781	980
EBIT	773	1,028	1,441	1,648	2,079
Other income	78	122	182	204	208
Interest Exp.	250	301	322	365	419
Reported PBT	601	849	1,301	1,487	1,867
Tax	154	191	287	342	427
Reported PAT	447	658	1,014	1,145	1,440
Minority Int./Profit (loss) From Asso.	119	155	224	269	323
Net Profit	565	813	1,238	1,414	1,763
Adjusted PAT	561	807	1,232	1,414	1,763
Adjusted EPS (INR)	7.3	10.5	16.1	18.5	23.0

Balance sheet (INRm)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
Share Capital	152	153	153	153	153
Reserves & Surplus	5,598	6,312	7,465	8,730	10,345
Networth	5,750	6,466	7,618	8,883	10,498
Debt	3,542	4,213	4,396	5,596	5,896
Minority Interest	39	43	47	47	47
Net deferred Tax liabilities	323	395	445	445	445
Capital Employed	9,654	11,116	12,506	14,971	16,886
Net Fixed Assets	5,447	5,985	6,821	8,040	9,061
Investments	760	866	1,044	1,313	1,635
Non Current Investments	760	866	1,044	1,313	1,635
Current Assets, Loans & Adv.	4,377	5,443	6,113	7,314	8,095
Inventory	18	25	33	33	33
Debtors	3,253	3,584	4,249	4,955	5,852
Cash & Bank balance	105	187	142	484	197
Loans & advances and others	1,001	1,647	1,689	1,842	2,013
Current Liabilities & Prov.	930	1,179	1,472	1,696	1,905
Liabilities	867	1,126	1,417	1,640	1,850
Provisions	64	53	55	55	55
Net Current Assets	3,447	4,264	4,641	5,618	6,190
Application of Funds	9,654	11,116	12,506	14,971	16,886

Per share data

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
No. of shares (m)	77	77	77	77	77
Diluted no. of shares (m)	77	77	77	77	77
BVPS (INR)	75.1	84.4	99.4	116.0	137.0
CEPS (INR)	12.6	16.3	22.2	25.1	31.6
DPS (INR)	1.5	1.1	1.6	1.6	1.6

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
PBT	1,164	1,004	1,525	1,756	2,190
Depreciation & amortisation	521	592	686	781	980
Interest expense	250	301	322	365	419
(Inc)/Dec in working capital	(502)	(637)	(342)	(636)	(858)
Tax paid	(318)	(250)	(368)	(342)	(427)
Less: Interest/Div. Income Recd.	(16)	(10)	(8)	(204)	(208)
Other operating Cash Flow	(13)	(13)	(13)	-	-
CF from operating activities	1,087	988	1,801	1,720	2,096
Capital expenditure	(1,035)	(1,153)	(1,591)	(2,000)	(2,000)
Inc/(Dec) in investments	7	(75)	40	(269)	(323)
Add: Interest/Div. Income Recd.	14	5	9	204	208
CF from investing activities	(1,013)	(1,223)	(1,543)	(2,065)	(2,115)
Inc/(Dec) in share capital	16	25	-	-	-
Inc/(Dec) in debt	351	670	184	1,200	300
Dividend Paid	(485)	(404)	(486)	(513)	(568)
Others	-	25	-	-	-
CF from financing activities	(118)	316	(303)	687	(268)
Net cash flow	(44)	81	(44)	341	(287)
Opening balance	150	105	187	142	484
Closing balance	105	187	142	484	197

Growth indicators (%)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
Revenue(%)	(1.8)	12.5	20.8	18.6	18.1
EBITDA(%)	(8.5)	25.2	31.3	14.2	25.9
Adj PAT(%)	1.9	43.8	52.6	14.8	24.7
Adj EPS(%)	1.9	43.8	52.6	14.8	24.7

Valuation (x)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
P/E	36.9	25.6	16.8	14.6	11.7
P/BV	3.6	3.2	2.7	2.3	2.0
EV/EBITDA	18.6	15.3	11.7	10.8	8.5
EV/Sales	1.4	1.3	1.1	0.9	0.8
Dividend Yield (%)	0.6	0.4	0.6	0.6	0.6

Financial ratios

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
RoE (%)	9.3	13.2	17.5	17.1	18.2
RoCE (%)	9.9	12.6	15.6	15.4	16.4
Asset/T.O (x)	1.9	2.0	2.2	2.2	2.3
Net Debt/Equity (x)	0.60	0.62	0.56	0.58	0.54
EBIT/Interest (x)	3.4	3.8	5.0	5.1	5.5

Margins (%)

Year ended 31 Mar	2016	2017	2018e	2019e	2020e
EBITDA Margin(%)	7.5	8.3	9.1	8.7	9.3
EBIT Margin(%)	4.5	5.3	6.1	5.9	6.3
PAT Margin(%)	3.2	4.2	5.3	5.1	5.4

Source: Company Antique