

Accumulate

Improved numbers with volume and value growth

For Q2FY19, the revenue grew by 19.2% YoY to ₹ 6,202.6mn; grew by 6.7% QoQ from ₹ 5815.4mn. EBITDA grew 5.8%YoY to ₹ 531mn, grew by 3.5% QoQ from ₹ 513.2mn. EBITDA margins declined by 108bps to 8.6%, decline by 26 bps QoQ from 8.8%. Net Profit grew by 1.3% YoY to ₹ 258.7mn; declined by 8.3% QoQ from ₹ 282mn due increase in interest and depreciation cost. Freight revenues were up 27.2% YoY to ₹ 2,931.9mn; grew 5.5% QoQ from ₹ 2,781.9mn driven by volumes and value growth and improved revenues from LTL business. The management expects the freight business to see moderate growth of 15-20% YoY. Maintained its guidance for revenue growth of 15-20% YoY and RoCE of +15% for FY19. The board approved interim dividend of ₹ 0.8/share (FV of ₹ 2/-)

Increase in freight rates taken across three segment despite challenges

Despite challenging external environment of increase in fuel prices, Kerala floods impacting retail demand and delay in festival the Freight, Supply Chain & Coastal Shipping business revenues grew by 27.2%, 9% & 36.2% YoY respectively. The growth can be attributed to the pass through of increase in fuel cost to the freight rates, robust orders from corporate clients and improvement in the product-service mix. In the freight segment with shift towards GST, the SME business is seeing improved business environment and before the festival it was expected that growth would be visible. Initially, the coastal shipping business was impacted by Kerala floods resulting in less container demand and increase in bunker oil prices by 30-35% YoY, but by end of the quarter with increase in freight rates the business was able to achieve growth. The management expects growth of 20-25% YoY for FY19 in this segment. The freight rates are expected to stabilise in Nov-Dec'18.

View - We continue to remain positive on the company with business environment improving, festivals in Q3 leading to demand pick-up and requirement for SCM (42-45% of total revenue mix) and Coastal shipping services for providing multi-modal transportation services over longer distances and higher tonnages post GST and E-way bill implementation with the customers preferring to deal with a single integrated service provider. We are likely to see earnings CAGR growth of ~20% FY18-20E and continue to maintain our **Accumulate** rating with TP ₹ 314.

Q2FY19 Result (₹ Mn)

Particulars	Q2FY19	Q2FY18	YoY (%)	Q1FY19	QoQ (%)
Revenue	6,203	5,203	19.2	5,815	6.7
Total Expense	5,672	4,701	20.6	5,302	7.0
EBITDA	531	502	5.8	513	3.5
Depreciation	191	175	8.9	168	13.4
EBIT	341	327	4.2	345	(1.4)
Other Income	81	71	14.2	82	(1.5)
Interest	93	75	23.5	70	32.3
EBT	329	323	4.2	357	(8.0)
Tax	70	67	4.0	75	(7.0)
RPAT	259	255	1.3	282	(8.3)
APAT	259	255	1.3	282	(8.3)
			(bps)		(bps)
Gross Margin (%)	18.3	19.8	(144)	18.9	(61)
EBITDA Margin (%)	8.6	9.6	(108)	8.8	(26)
NPM (%)	4.2	4.9	(74)	4.8	(68)
Tax Rate (%)	21.3	20.9	44	21.1	22
EBIT Margin (%)	5.5	6.3	(79)	5.9	(45)

CMP	₹ 269
Target / Upside	₹ 314 / 16%
BSE Sensex	34,951
NSE Nifty	10,524

Scrip Details

Equity / FV	₹ 153mn / ₹ 2
Market Cap	₹ 21bn
	US\$ 282mn
52-week High/Low	₹ 376/₹ 231
Avg. Volume (no)	118,427
NSE Symbol	TCI
Bloomberg Code	TRPC IN

Shareholding Pattern Sep'18(%)

Promoters	67.0
MF/Banks/FIs	10.6
FII	2.4
Public / Others	20.0

Valuation (x)

	FY18A	FY19E	FY20E
P/E	18.5	17.2	14.0
EV/EBITDA	11.7	10.3	8.5
ROE (%)	17.8	16.3	17.1
RoACE (%)	10.8	10.1	10.8

Estimates (₹ mn)

	FY18A	FY19E	FY20E
Revenue	21,771	26,319	31,433
EBITDA	2,086	2,369	2,908
PAT	1,118	1,198	1,471
EPS (₹)	14.6	15.6	19.2

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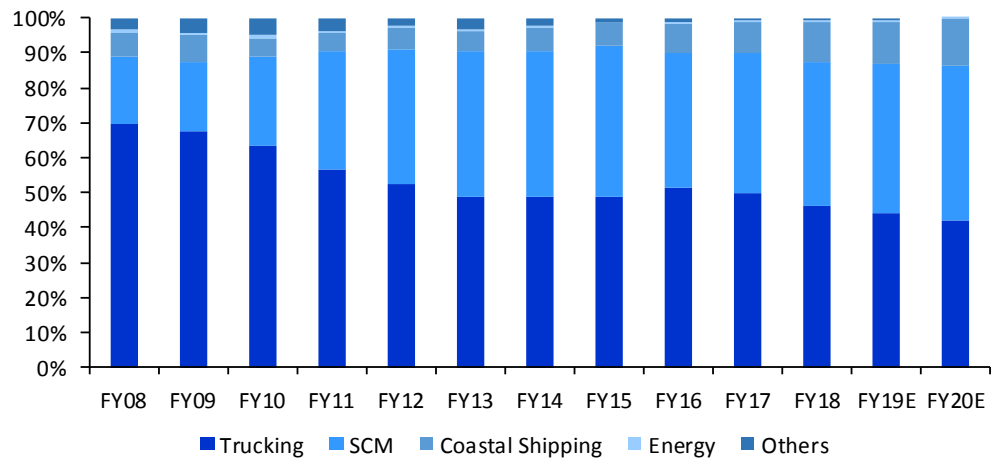
Additional capex for vehicle purchase in next two quarters

The management plans to do capex of ₹ 200-250mn primarily for purchase of new vehicles of higher tonnage more of pre-buying for BS6 norms as the management sees spike in trucks price of 10-15% in ensuing 2 years. The capex for FY19 is expected to be around ₹ 1,750-2,000mn and for next 3 years it expects capex of about ₹ 2000mn. As per the management, the next few years are growth periods for the logistics industry which it likes to capitalise by gaining market share.

Other key takeaways from the call

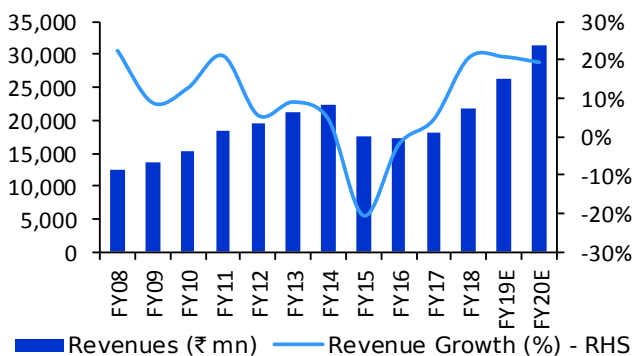
- In the SCM segment, incremental revenue addition for the quarter was minimal but the revenue pipeline looks goods with new contracts added in warehousing and non-auto segment. Additional auto clients were also added for inbound logistics.
- Majority of customers have moved towards in FCM compared to freight segment were majority are still in RCM.

Exhibit 1: Revenue Mix



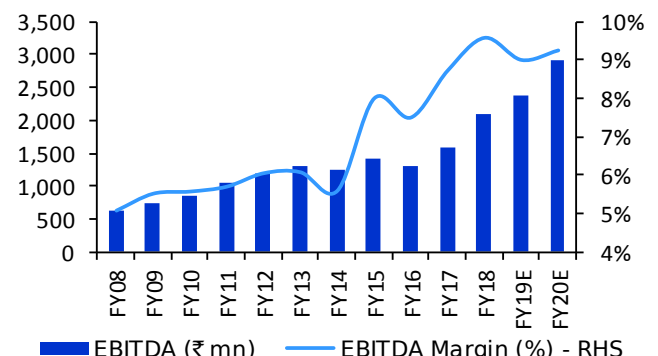
Source: DART, Company

Exhibit 2: Revenue & Growth YoY



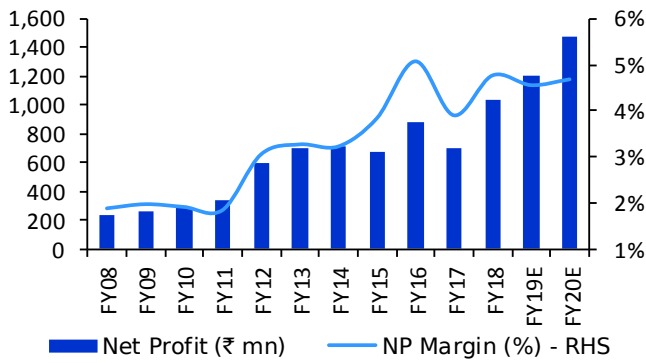
Source: DART, Company

Exhibit 3: EBITDA & EBITDA Margin YoY



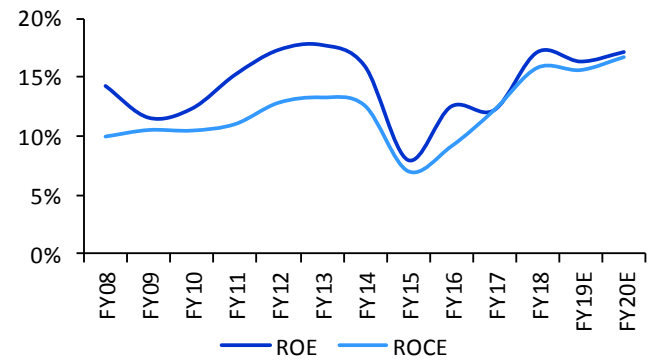
Source: DART, Company

Exhibit 4: Net profit & NP Margin YoY



Source: DART, Company

Exhibit 5: Return Ratios (%)



Source: DART, Company

Profit and Loss Account

(₹ Mn)	FY17A	FY18A	FY19E	FY20E
Revenue	18,043	21,771	26,319	31,433
Total Expense	16,468	19,685	23,951	28,525
COGS	14,541	17,490	21,319	25,382
Employees Cost	1,035	1,208	1,474	1,729
Other expenses	892	988	1,158	1,414
EBIDTA	1,574	2,086	2,369	2,908
Depreciation	578	673	859	1,068
EBIT	996	1,412	1,510	1,839
Interest	286	308	319	367
Other Income	177	252	329	393
Exc. / E.O. items	0	40	0	0
EBT	888	1,396	1,520	1,866
Tax	185	278	321	394
RPAT	703	1,118	1,198	1,471
APAT	703	1,118	1,198	1,471

Balance Sheet

(₹ Mn)	FY17A	FY18A	FY19E	FY20E
Sources of Funds				
Equity Capital	153	153	153	153
Reserves & Surplus	5,656	6,616	7,824	9,119
Net Worth	5,809	6,769	7,977	9,272
Total Debt	3,680	3,839	4,139	4,489
Net Deferred Tax Liability	392	443	443	443
Total Capital Employed	9,881	11,051	12,558	14,203

Applications of Funds

Net Block	5,325	6,235	7,276	7,908
CWIP	568	563	573	583
Investments	980	762	712	1,012
Current Assets, Loans & Advances	4,444	5,214	5,965	6,888
Inventories	25	33	38	45
Receivables	3,316	3,897	4,254	4,909
Cash and Bank Balances	184	130	303	470
Loans and Advances	919	1,155	1,370	1,464
Less: Current Liabilities & Provisions	1,437	1,725	1,969	2,188
Payables	1,437	1,725	1,969	2,188
Net Current Assets	3,008	3,490	3,997	4,700
Total Assets	9,881	11,051	12,558	14,203

E – Estimates

Important Ratios

Particulars	FY17A	FY18A	FY19E	FY20E
(A) Margins (%)				
Gross Profit Margin	19.4	19.7	19.0	19.3
EBIDTA Margin	8.7	9.6	9.0	9.3
EBIT Margin	5.5	6.5	5.7	5.9
Tax rate	20.8	19.9	21.1	21.1
Net Profit Margin	3.9	5.1	4.6	4.7
(B) As Percentage of Net Sales (%)				
COGS	80.6	80.3	81.0	80.8
Employee	5.7	5.6	5.6	5.5
Other	4.9	4.5	4.4	4.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.6	0.6	0.5	0.5
Interest Coverage	3.5	4.6	4.7	5.0
Inventory days	1	1	1	1
Debtors days	67	65	59	57
Average Cost of Debt	8.4	8.2	8.0	8.5
Payable days	29	29	27	25
Working Capital days	61	59	55	55
FA T/O	3.4	3.5	3.6	4.0
(D) Measures of Investment				
AEPS (₹)	9.2	14.6	15.6	19.2
CEPS (₹)	16.7	23.4	26.8	33.1
DPS (₹)	1.1	1.4	1.6	2.0
Dividend Payout (%)	12.4	9.4	10.3	10.3
BVPS (₹)	75.8	88.3	104.1	121.0
RoANW (%)	12.2	17.8	16.3	17.1
RoACE (%)	8.3	10.8	10.1	10.8
RoAIC (%)	10.6	13.7	13.0	14.2
(E) Valuation Ratios				
CMP (₹)	269	269	269	269
P/E	29.4	18.5	17.2	14.0
Mcap (₹ Mn)	20,653	20,653	20,653	20,653
MCap/ Sales	3.6	3.1	2.6	2.2
EV	24,149	24,362	24,489	24,672
EV/Sales	1.3	1.1	0.9	0.8
EV/EBITDA	15.3	11.7	10.3	8.5
P/BV	3.6	3.1	2.6	2.2
Dividend Yield (%)	0.4	0.5	0.6	0.7
(F) Growth Rate (%)				
Revenue	4.5	20.7	20.9	19.4
EBITDA	21.7	32.5	13.6	22.7
EBIT	28.9	41.8	6.9	21.8
PBT	47.7	57.2	8.9	22.8
APAT	57.3	59.0	7.2	22.8
EPS	57.3	59.0	7.2	22.8
Cash Flow				
(₹ Mn)	FY17A	FY18A	FY19E	FY20E
CFO	1,206	1,522	2,042	2,372
CFI	(495)	(1,308)	(1,859)	(2,008)
CFF	147	(272)	(163)	(193)
FCFF	487	(3)	132	662
Opening Cash	105	184	130	303
Closing Cash	184	130	303	470

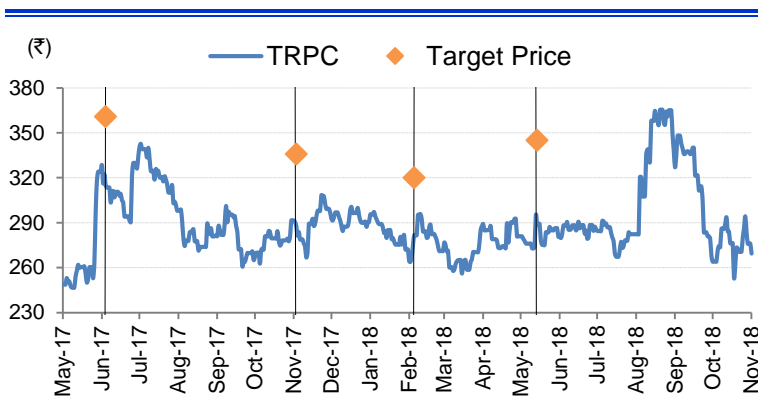
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (₹)	Price (₹)*
Jun-17	Accumulate	361	315
Nov-17	Accumulate	336	288
Feb-18	Accumulate	320	282
May-18	Accumulate	345	289

*Price as on recommendation date

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