

Q4FY19 Result Update

Buy

Industry	Logistics
CMP (Rs)	300
FY21E Target Price (Rs)	423
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 (31/03/2019)

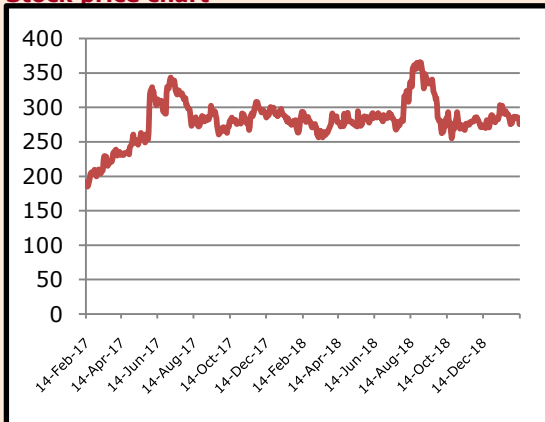
Particulars	Shares (mn)	Holding (%)
Promoters	51.2	66.9
FIIs	1.5	1.9
DIIs	8.3	10.8
Others	15.6	20.4
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars(Rs mn)	FY19	FY20E	FY21E
Sales	27,537	32,268	37,643
EBITDA	2,489	2,904	3,501
EBITDA Margin	9.0%	9.0%	9.3%
Net Profit	1,456	1,754	2,161
EPS (Rs)	19.0	22.9	28.2
EV/EBITDA (x)	10.8	9.3	7.7
P/E (x)	15.8	13.1	10.6
RoE	17.6%	18.2%	19.3%

Stock price chart


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Transport Corporation of India (TCIL) reported standalone revenues of Rs 3.2bn, a y-o-y growth of 14.3% vs our expectation of 19.9% y-o-y growth. We find that y-o-y growth across the Divisions has been good through the last six quarters, but there has been a slowdown in Q4FY19. The various Divisions (standalone) revenues performed as thus :

- Transport Division: 9.6% growth y-o-y vs. 20.3% y-o-y growth in Q3FY19
- Supply Chains Solution Division: 8.8% growth y-o-y vs. 10.3% y-o-y growth in Q3FY19
- Seaways Division: 46.2% y-o-y growth vs. 51.7% y-o-y growth in Q2FY19

EBITDA margins recorded a 40bps y-o-y decline because of Supply Chain Solutions Division, which being a higher EBIT margin business, contributed a lesser portion to the turnover. EBIT margins of the various Divisions are :

- 70bps increase in margin y-o-y in Transport Division to 4.0%
- 10bps margin y-o-y in the Supply Chain Solutions Division to 7.9%
- 380bps decline y-o-y in Seaways Division to 27.0%

Net profit growth was at 19.0% y-o-y to Rs 436mn, higher than our expectation of 2.2% y-o-y decline. Net profit growth was driven by higher EBITDA.

Transport Division posted robust growth driven by volumes and price

Growth in the Division was driven by MSE / MSME customers. Focus is on large client and key account management with value added services and LTL (less than truck load).

TCI Supply Chains Division to also focus on non-auto segment

As per the management, they are now also focusing on the non-auto segment as well as newer segments like in-bound logistics. The management expects growth to pick up for these reasons.

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

TCI is further adding a small ship to its portfolio in Q4FY20.

EBITDA margin increased by 110bps y-o-y

Crude oil correcting led to an increase in EBITDA margin.

Capex of Rs 110mn in Q4FY19

Capex for FY19 was at Rs 151mn. This has been used towards acquiring trucks and acquiring a new ship and containers, more hub centres and warehouses.

Outlook and Valuations

TCIL trades at a P/E of 13.1x and 10.6x FY20E and FY21E earnings respectively. We value TCIL at 15x FY21E EPS. On that basis, we assign a fair price of Rs 423 and recommend a Buy rating on TCIL.

Segmental Performance (Standalone)

	Q4FY19	Q4FY18	Y-o-Y Change	Q3FY19	Q-o-Q Change	FY19	FY18	Y-o-Y Change
Revenue (Rs mn)								
Transport	3,270	2,984	9.6%	3,112	5.1%	12,097	10,311	17.3%
Supply Chain Solutions	2,654	2,439	8.8%	2,608	1.8%	10,189	9,126	11.7%
Seaways Division	1,088	744	46.2%	1,002	8.5%	3,593	2,564	40.1%
Power Division	7	6	30.9%	6	20.0%	69	68	1.5%
Unallocable& Corporate	26	28	-9.3%	65	-60.5%	214	161	32.5%
Less: Intersegment Revenue	80	56	43.5%	87	-8.3%	310	208	-249.5%
Less: Other Income	46	93	-50.6%	81	-43.8%	269	252	6.7%
Total	6,918	6,053	14.3%	6,625	4.4%	25,583	21,805	17.3%
PBT (Rs mn)								
Transport	132	100	31.9%	100	31.2%	384	303	26.8%
Supply Chain Solutions	208	190	9.7%	155	34.4%	710	605	17.4%
Seaways Division	294	229	28.4%	188	56.2%	735	591	24.3%
Power Division	-2	-1	46.2%	-3	-29.6%	34	35	-2.6%
Less : Interest	91	68	33.4%	102	-10.9%	356	299	18.9%
Less: Unallocable Expense	30	11	183.0%	24	25.5%	118	40	192.1%
Add: Unallocable Income	-26	-28	-8.9%	-65	-60.5%	-214	-161	32.5%
Total	537	467	15.0%	380	41.4%	1,603	1,356	18.2%
EBIT Margins								
Transport	4.0%	3.3%	+70 bps	3.2%	+40 bps	3.2%	2.9%	+100 bps
Supply Chain Solutions	7.9%	7.8%	+10 bps	5.9%	-130 bps	7.0%	6.6%	+40 bps
Seaways Division	27.0%	30.8%	-360 bps	18.8%	+410 bps	20.5%	23.1%	-310 bps

Quarterly Financials (Standalone)

	Q4FY19	Q4FY18	Y-o-Y Change	Q3FY19	Q-o-Q Change	FY19	FY18	Y-o-Y Change
Operating income	6,918	6,053	14.3%	6,625	4.4%	25,583	21,805	17.3%
Less: Expenditures								
Operating cost	5,475	4,833	13.3%	5,438	0.7%	20,695	17,490	18.3%
Staff costs	338	330	2.4%	340	-0.4%	1,358	1,208	12.4%
Other operating costs	334	285	17.3%	242	38.2%	1,088	997	9.2%
EBITDA	771	605	27.5%	605	27.4%	2,442	2,111	15.7%
EBITDA margin	11.1%	10.0%	+110 bps	9.1%	-200 bps	9.5%	9.7%	0 bps
Other income	46	93	-50.6%	81	-43.8%	269	218	23.4%
Depreciation	189	162	16.6%	205	-7.7%	752	673	11.7%
EBIT	628	535	17.3%	482	30.3%	1,959	1,655	18.4%
Interest	91	68	33.4%	102	-10.9%	356	299	18.9%
Profit before tax	537	467	15.0%	380	41.4%	1,603	1,356	18.2%
Tax	101	101	0.3%	80	25.5%	326	278	17.3%
Profit after tax	436	367	19.0%	300	45.6%	1,276	1,077	18.5%
EPS (Rs)	5.7	4.8	19.0%	3.9	45.6%	16.7	14.1	18.5%

Income Statement(Consolidated)

Y/E March (Rsmn)	FY17	FY18	FY19	FY20E	FY21E
Income from operations	19,427	23,461	27,537	32,268	37,643
<i>Growth y-o-y</i>	12.5%	20.8%	17.4%	17.2%	16.7%
Less: Expenditures					
Operating costs	15,821	19,068	22,515	26,396	30,679
Staff costs	1,068	1,245	1,408	1,646	1,920
Other operating & admin costs	931	1,021	1,124	1,323	1,543
EBITDA	1,607	2,127	2,489	2,904	3,501
<i>EBITDA margin</i>	8.3%	9.1%	9.0%	9.0%	9.3%
Other income	122	182	195	226	264
Depreciation	592	687	774	958	1,092
EBIT	1,137	1,623	1,910	2,172	2,673
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	2,153	2,655
Tax	191	287	333	409	504
Profit after tax	813	1,238	1,447	1,744	2,150
Minority interest	6	6	9	10	11
Adjusted net profit	807	1,244	1,456	1,754	2,161
<i>Growth y-o-y</i>	43.8%	54.2%	17.0%	20.5%	23.2%
EPS (Rs)	10.5	16.2	19.0	22.9	28.2

Balance Sheet Statement (Consolidated)

Y/E March	FY17	FY18	FY19	FY20E	FY21E
Share capital	153	153	153	153	153
Reserves and surplus	6,338	7,465	8,766	10,170	11,899
Shareholders' funds	6,491	7,618	8,920	10,323	12,052
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	14,907	16,636
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	8,820	10,272
Less: Current liabilities & provisions	1,595	1,915	2,656	3,432	4,003
Net current assets	3,931	3,883	5,027	5,388	6,268
Total Assets	10,724	12,062	13,504	14,907	16,636

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 payables	259	320	740	776	572
Change in other current liabilities					
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 (Rs mn)	FY17	FY18	FY19	FY20E	FY21E
Profitability					
ROE	13.2%	17.6%	17.6%	18.2%	19.3%
ROCE	11.4%	14.2%	14.9%	15.3%	16.9%
Margins					
EBITDA	8.3%	9.1%	9.0%	9.0%	9.3%
Net Profit	4.2%	5.3%	5.3%	5.4%	5.7%
Leverage and Coverage					
Interest Coverage	25.3%	19.8%	19.6%	14.7%	11.9%
Debt/Equity	0.6	0.5	0.5	0.4	0.3
Per Share					
EPS (Rs)	10.5	16.2	19.0	22.9	28.2
Book Value Per Share (Rs)	84.7	99.4	116.4	134.8	157.3
Valuation					
P/E	28.5	18.5	15.8	13.1	10.6
P/BV	3.5	3.0	2.6	2.2	1.9
EV/Sales	1.4	1.1	1.0	0.8	0.7
EV/EBITDA	16.5	12.6	10.8	9.3	7.7

Notes :

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