

Accumulate

Improvement in demand for logistics from Brown goods, CV and SME segment

- The company sees improved demand for logistics services from Consumer goods primarily from brown goods, machine tools and SME segment
- Logistics services for Tractors along with Commercial vehicles segment is also seeing visible traction.
- Passenger vehicle segment is seeing slowdown for logistics requirement.
- Auto logistics contributes 78-79% of total SCM revenue. No new client's addition was made but new additional services like new routes, route extension, warehousing services etc. were provided to the existing clients.
- In the first half of Q3FY19 with diesel prices at its peak, there was an increase in the freight rates which remained at that levels upto Diwali
- Post Diwali, the freight rates were down 4-5% which is a general trend followed post the festivities and improvement in rates to be seen few days before Christmas. Hence, the Q3 Margins are likely to be better than Q2 at similar levels as in Q1.
- With current reduction in Diesel prices and expectation of passing on the benefits in terms of reduction in freight rates to its customers, in majority of cases there was no decrease in freight rates but pressure continues to remain to decrease rates post axle load increase and faster turnaround time of vehicles from majority of routes.
- There were only select few cases like for certain Blue-chip clients across industries where the benefits of decrease in freight rates were passed on after hard negotiation. As per the management, the diesel prices are likely to remain stable with +/- 10% variation
- As per the management for FY19 the capex is likely to be ₹ 1800-1900mn with RoE and topline growth of 17% and 18-19% respectively. Overall EBITDA margins to be 9-9.5%

View – With visible demand pick up in logistics especially from Commercial vehicle, Brown goods and SME segment showing improvement in business environment, we remain positive on the company with major growth drivers for the company coming from the SCM and coastal services segments. Post GST, customer's preference for an integrated player providing end to end solutions serves well for the company. We are likely to see earnings growth CAGR growth of ~10% FY18-20E and continue to maintain our **Accumulate** Rating with TP ₹ 317

FINANCIALS (₹ Mn)

Particulars	FY16A	FY17A	FY18A	FY19E	FY20E
Revenue	17,270	18,043	21,771	26,319	31,433
Growth(%)	(2.2)	4.5	20.7	20.9	19.4
EBITDA	1,294	1,574	2,086	2,369	2,908
OPM(%)	7.5	8.7	9.6	9.0	9.3
PAT	447	703	1,118	1,198	1,471
Growth(%)	0.9	57.3	59.0	7.2	22.8
EPS(₹)	5.8	9.2	14.6	15.6	19.2
Growth(%)	29.0	57.3	59.0	7.2	22.8
PER(x)	46.9	29.8	18.7	17.5	14.2
ROANW(%)	7.4	12.2	17.8	16.3	17.1
ROACE(%)	7.4	10.4	13.2	12.9	13.7

CMP	₹ 273
Target / Upside	₹ 318 / 16%
BSE Sensex	35,963
NSE Nifty	10,806

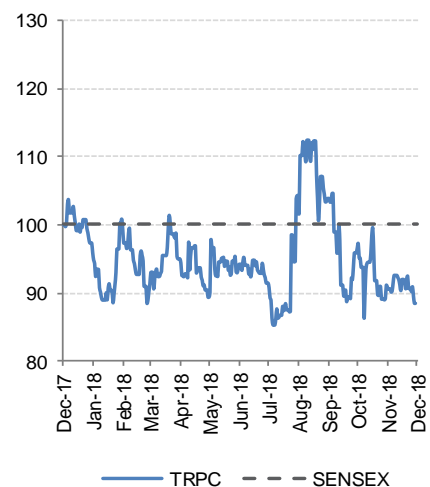
Scrip Details

Equity / FV	₹ 153mn / ₹ 2
Market Cap	₹ 21bn
	US\$ 291mn
52-week High/Low	₹ 376/₹ 231
Avg. Volume (no)	53,622
NSE Symbol	TCI
Bloomberg Code	TRPC IN

Shareholding Pattern Sep'18(%)

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

TCI Relative to Sensex



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- Post-GST, the company does not see major improvement in receivables which continues to be at ~60-90 days.
- Logistics requirements from the state of Kerala is slow and as per the management it is likely to see uptick in demand in FY20 and FY21.
- The management does not notice major shift in mode of transport from road to rail.
- The preference for RCM GST rates is still prevalent among the SME segment.
- For 2HFY19, the company plans to spend ₹ 200-250mn on vehicle purchase showing signs of increase demand requirement from its customers.
- For FY19, the freight division is likely to see a topline growth of 20% with growth for FY20 likely to be at ~12-14%.
- The company plans to add one ship of 25,000 Dwt (Cost of acquisition- ₹ 800-900mn) for the west coast. Dry docking of two ships completed with all 6 ships available for 2HFY19.
- As per the management for FY19, the coastal shipping segment is likely to see revenues at ₹ 2.8-3bn with EBIT Margins at 16.5-17%
- Throughput from warehouses are high with consolidation of cluster warehouses into large warehouses done in Mumbai and NCR regions.
- As per the management the slowdown in consolidation of warehouses at other centers is due to preference for warehouses being closer to consumption centers.

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
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	703	1,118	1,198	1,471

Balance Sheet

(₹ Mn)	FY17A	FY18A	FY19E	FY20E
Sources of Funds				
Equity Capital	153	153	153	153
Minority Interest	0	0	0	0
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
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	1,437	1,725	1,969	2,188
Payables	1,437	1,725	1,969	2,188
Other Current Liabilities	0	0	0	0
<i>sub total</i>				
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 (%)	10.4	13.2	12.9	13.7
RoAIC (%)	10.6	13.7	13.0	14.2
(E) Valuation Ratios				
CMP (₹)	273	273	273	273
P/E	29.8	18.7	17.5	14.2
Mcap (₹ Mn)	20,948	20,948	20,948	20,948
MCap/ Sales	1.2	1.0	0.8	0.7
EV	24,444	24,657	24,784	24,967
EV/Sales	1.4	1.1	0.9	0.8
EV/EBITDA	15.5	11.8	10.5	8.6
P/BV	3.6	3.1	2.6	2.3
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

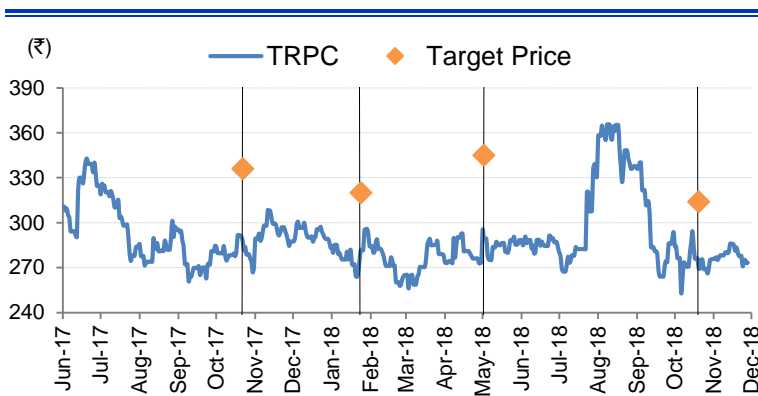
E – Estimates

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 (₹)
Nov-17	Accumulate	336	288
Feb-18	Accumulate	320	282
May-18	Accumulate	345	289
Nov-18	Accumulate	314	269

*Price as on recommendation date

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