

Q4FY18 Result Update
Accumulate

Industry	Logistics
CMP (Rs)	285
FY20E Target Price (Rs)	357
52 Week H/L(Rs)	350/144
Volumes (BSE+NSE)*	86,030
Shares O/S (mn)	76.6
Market Cap (Rs bn)	21.8
Free Float (%)	33.9
Bloomberg Code	TRPC IN
Reuters Code	TCIL.NS

* Three Month Daily Average

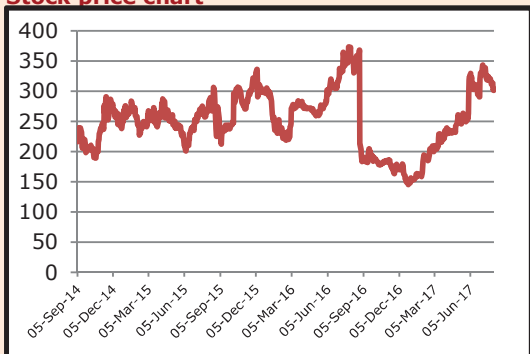
Share Holding Pattern (31/03/2018)

Particulars	Shares (mn)	Holding (%)
Promoters	50.6	66.1
FIIs	1.8	2.3
DIIs	5.8	7.6
Others	18.4	24.0
Total	76.6	100.0

Source : BSE

Financial Highlights - Consolidated

Particulars(Rs mn)	FY18	FY19E	FY20E
Sales	23,461	27,326	31,982
EBITDA	2,127	2,473	3,038
EBITDA Margin	9.1%	9.0%	9.5%
Net Profit	1,244	1,379	1,823
EPS (Rs)	16.2	18.0	23.8
EV/EBITDA (x)	12.1	10.6	8.5
P/E (x)	17.5	15.8	12.0
RoE	17.6%	16.9%	19.4%

Stock price chart

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Transport Corporation of India's (TCIL) reported standalone revenues of Rs 6.0bn, a y-o-y growth of 25.7%. We were expecting 24% y-o-y topline growth. We find that growth across the divisions has been robust through the last six quarters. The various divisions (standalone) revenues performed as thus :

- Transport division: 15.2% growth y-o-y vs. 15.6% y-o-y growth in Q3FY18
- Supply Chains Solution division: 32.8% growth y-o-y vs. vs. 26% y-o-y growth in Q3FY18
- Seaways division: 61.0% y-o-y growth vs. 66% growth in Q3FY18

EBITDA margins recorded a 180bps y-o-y increase vs our expectation of 130bps y-o-y improvement. EBIT margins of the various divisions are as under:

- 140bps increase y-o-y in Transport division to 3.3%
- 150bps increase y-o-y in the Supply Chain Solutions division to 7.8%
- 420bps increase y-o-y in Seaways division to 30.8%

Net profit growth was 96.7% y-o-y to Rs 365mn vs our expectation of 71% y-o-y growth. Net profit growth was driven by strong topline and EBITDA margin improvement.

Management upbeat on growth, guidance of 15% growth

Growth will be driven by GST and higher GDP primarily. A lot of the clients of TCIL are increasing capacity – some of this higher business would flow to TCIL.

Seaways division growth driven by addition of a new ship

The ship moves cargo on the West coast from Mundra to Cochin. The management is looking to add a new ship every 18 months. They are looking to add a new ship early next year.

EBITDA margin expansion to continue

EBITDA margin expansion in FY18 was driven by a product mix change i.e. the higher margin Supply Chain division is becoming larger due to faster growth. Other factors were focus on LTL (Lower Than Truck Load) cargo which yields higher margins. These factors will play out in the future also.

Capex of Rs 2500mn in FY19

This would be spent for : Rs 600mn on hub centres and warehouses, Rs 860mn on trucks & cars, Rs 780mn on ships & containers and Rs 260mn on strengthening the IT backup.

Management Outlook for FY19

- Topline growth to be 15% y-o-y
- PAT growth expected to be 15-20% y-o-y
- EBITDA margin expansion

Shift of business from the unorganized sector to the organized sector happening but slowly.

Outlook and Valuations

TCIL trades at a P/E of 15.8x and 12.0x FY19E and FY20E earnings respectively. We value TCIL at 15x FY20E EPS. On that basis, we assign a fair price of Rs 357 to TCIL. We therefore recommend an Accumulate rating.

Segmental Performance (Standalone)

Particulars (Rs mn)	Q4FY18	Q4FY17	Y-o-Y change	Q3FY18	Q-o-Q change	FY18	FY17	Y-o-Y change
Revenue (Rs mn)								
Transport	2,984	2,591	15.2%	2,586	15.4%	10,311	9,223	11.8%
Supply Chain Solutions	2,439	1,836	32.8%	2,364	3.2%	9,126	7,374	23.7%
Seaways Division	744	462	61.0%	661	12.7%	2,564	1,639	56.4%
Power Division	6	11	-47.6%	7	-22.5%	68	74	-7.5%
Unallocable & Corporate	28	35	-19.3%	62	-54.4%	161	119	35.8%
Less: Intersegment Revenues	56	54	2.8%	54	3.5%	-208	-210	+1.0%
Less: Other Income	93	64	44.3%	72	28.3%	252	177	42.1%
Total	6,053	4,816	25.7%	5,553	9.0%	21,771	18,042	20.7%
PBT (Rs mn)								
Transport	100	50	98.4%	83	19.8%	303	213	42.2%
Supply Chain Solutions	190	115	65.2%	141	35.2%	605	447	35.3%
Seaways Division	229	123	86.6%	145	58.0%	591	382	54.9%
Power Division	-1	1	NA	-2	+38.1%	35	39	-11.2%
Less : Interest	68	64	7.1%	79	-13.8%	299	274	9.2%
Less: Unallocable Expense	11	-35	NA	6	65.6%	40	44	-8.2%
Add: Unallocable Income	-28	15	NA	-62	+54.5%	-161	-125	-29.5%
Total	467	246	90.2%	343	36.2%	1,356	888	52.7%
EBIT Margins								
Transport	3.3%	1.9%	+140 bps	3.2%	+10 bps	2.9%	2.3%	+60 bps
Supply Chain Solutions	7.8%	6.3%	+150 bps	5.9%	+190 bps	6.6%	6.1%	+50 bps
Seaways Division	30.8%	26.6%	+420 bps	22.0%	+880 bps	23.1%	23.3%	-20 bps

Q4FY18 Results Highlights (Standalone)

Particulars (Rs mn)	Q4FY18	Q4FY17	Y-o-Y change	Q3FY18	Q-o-Q change	FY18	FY17	Y-o-Y change
Operating income	6,053	4,816	25.7%	5,553	9.0%	21,771	18,043	20.7%
Less: Expenditures								
Operating cost	4,835	3,903	23.9%	4,501	7.4%	17,490	14,541	20.3%
Staff costs	330	280	18.1%	295	11.8%	1,208	1,035	16.8%
Other operating costs	285	240	18.4%	231	23.2%	997	904	10.2%
EBITDA	603	393	53.2%	526	14.5%	2,077	1,563	32.9%
EBITDA margin	10.0%	8.2%	+180 bps	9.5%	+50 bps	9.5%	8.7%	+80 bps
Other income	93	64	44.3%	72	28.3%	252	177	42.1%
Depreciation	162	148	9.2%	176	-8.2%	673	578	16.5%
EBIT	533	309	72.5%	422	26.4%	1,655	1,162	42.5%
Interest	68	64	7.1%	79	-13.8%	299	274	9.2%
Profit before tax	465	246	89.4%	343	35.6%	1,356	887	52.7%
Tax	101	60	66.9%	64	57.3%	278	185	50.5%
Profit after tax	365	185	96.7%	279	30.6%	1,077	703	53.3%
EPS (Rs)	4.8	2.4	96.7%	3.6	30.6%	14.1	9.2	53.3%

Income Statement (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Income from operations	17,270	19,427	23,461	27,326	31,982
<i>Growth y-o-y</i>	-28.5%	12.5%	20.8%	16.5%	17.0%
Less: Expenditures					
Operating costs	14,034	15,821	19,068	21,915	25,426
Staff costs	980	1,068	1,245	1,640	1,919
Other operating & admin costs	974	931	1,021	1,298	1,599
EBITDA	1,283	1,607	2,127	2,473	3,038
<i>EBITDA Margin</i>	7.4%	8.3%	9.1%	9.0%	9.5%
Other income	78	122	182	219	256
Depreciation	521	592	687	858	942
EBIT	840	1,137	1,623	1,833	2,352
Interest	239	288	322	391	414
Share in Net Profit of JV	119	155	224	250	300
Profit before tax	719	1,004	1,525	1,692	2,238
Tax	154	191	287	322	425
Profit after tax	565	813	1,238	1,371	1,813
Minority interest	4	6	6	8	10
Adjusted net profit	561	807	1,244	1,379	1,823
<i>Growth y-o-y</i>	-31.0%	43.8%	54.2%	10.8%	32.2%
EPS (Rs)	7.4	10.5	16.2	18.0	23.8

Balance Sheet Statement (Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Share capital	152	153	153	153	153
Reserves and surplus	5,618	6,338	7,465	8,534	9,992
Shareholders' funds	4,540	6,491	7,618	8,687	10,145
Borrowed funds	2,746	3,795	3,953	4,453	4,453
Minority interest	39	43	47	47	47
Deferred tax liability (Net)	299	395	445	445	445
Total Liabilities	7,621	10,724	12,062	13,631	15,089
Net fixed assets	4,810	5,894	6,821	8,267	8,575
Goodwill on consolidation	0	0	0	0	0
Investments	779	899	1,358	950	950
Current assets, loans & advances	4,388	5,526	5,799	6,649	8,180
Less: Current liabilities & provisions	1,336	1,595	1,915	2,235	2,616
Net current assets	2,031	3,931	3,883	4,414	5,564
Total Assets	7,621	10,724	12,062	13,631	15,089

Cash Flow Statement(Consolidated)

Y/E March (Rs mn)	FY16	FY17	FY18	FY19E	FY20E
Profit before tax and appropriations	719	1,004	1,525	1,973	2,661
Adjustments for	0	0	0	0	0
Depreciation	521	592	687	858	942
Change in WC	2,843	267	2,533	1,935	2,369
Others	-2,078	-980	-2,498	-2,559	-3,279
CF from operations	2,005	882	2,247	2,208	2,692
Capex	932	-950	-1,440	-2,500	-1,250
Change in investments	-707	-120	-144	313	0
Others	47	-562	-545	0	0
CF from investing	272	-1,632	-2,129	-2,187	-1,250
Change in equity	1	1	0	0	0
Change in debt	310	649	158	500	0
Dividend and others	-2,892	172	671	-712	-847
CF from investing	-2,581	823	828	-212	-847
Net change in cash	-304	73	945	-191	595
Opening cash balance	421	117	190	1,135	944
Closing cash balance	117	190	1,135	944	1,539

Key Ratios(Consolidated)

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Profitability					
ROE	9.6%	13.2%	17.6%	16.9%	19.4%
ROCE	9.1%	11.4%	14.2%	14.3%	16.4%
Margins					
EBITDA	7.4%	8.3%	9.1%	9.0%	9.5%
Net Profit	5.0%	4.2%	5.3%	5.0%	5.7%
Leverage and Coverage					
Interest Coverage	28.5%	25.3%	19.8%	21.3%	17.6%
Debt/Equity	0.5	0.6	0.5	0.5	0.4
Per Share					
EPS (Rs)	7.3	10.5	16.2	18.0	23.8
Book Value Per Share (Rs)	75.3	84.7	99.4	113.4	132.4
Valuation					
P/E	38.9	27.1	17.5	15.8	12.0
P/BV	3.8	3.4	2.9	2.5	2.2
EV/Sales	1.4	1.3	1.1	1.0	0.8
EV/EBITDA	19.4	15.8	12.1	10.6	8.5

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