

Retail Equity Research (South India Focus)  
**Transport Corporation of India Ltd**

**BUY**

Logistics

BSE CODE : 532349 NSE CODE: TCI  
BLOOMBERG CODE: TRPC:IN SENSEX : 40,324

12M Investment Period Rating as per Small Cap  
**CMP Rs 277 TARGET Rs 325 RETURN 17%** ↑  
(Closing: 08-11-19)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↑

**Top-line growth disappoints...outlook positive**

Transport Corporation of India Ltd (TCI) is one of the largest integrated players in the organised logistics industry providing Freight, supply chain, warehousing solutions and shipping services.

- Revenue growth was flat YoY, as supply chain business was impacted by slowdown in Auto sector.
- But PAT grew by robust 29% YoY on account of tax cut.
- EBITDA margins improved by 40bps YoY to 9% on account of lower cost.
- Management focus on client addition in E-commerce, faster adoption of e-way bill and gradual pick-up in Auto sector will drive growth.
- We reiterate our positive stance on TCI given its strong presence in warehousing space, multimodal logistics services and supply chain management.
- We factor earnings to grow by 14% CAGR over FY19-FY21E.
- We value TCI at P/E of 15x with a target price of Rs325 and maintain "Buy" rating.

**Revenue growth flat...**

TCI's Q2FY20 revenue growth was flat by 1% YoY, on account of de-growth in Supply chain by 5% YoY. Revenue from Freight business grew by modest 4% YoY led by LTL (Less than trucked load) business continue to gain traction which now contributes one third of the overall freight business. TCI's supply chain business was impacted by slowdown in Auto sector, which is key contributor to its revenue. However, this was partly offset by steady growth in other Industry segments like Auto spare parts and addition of E-commerce clients. Going ahead, management focus is to add more client in E-commerce and capacity addition in warehousing & fulfilment centre which will drive growth in this segment. Seaway logistics business grew by 8% YoY which was lower than expected on account of slowdown, lower utilisation of new ship and higher competition. During the quarter, added 7th ship with a 28400 DWT vessel to bolster presence in South-West Coast. The CAPEX plan amounts to Rs125cr & Rs130cr for FY20 & FY21E. We expect revenue growth in H2FY20 to be better led by gradual pick-up Auto sector, stable growth in freight and higher capacity utilisation in seaways business. However, given lower than expected revenue growth in H1FY20, we lower our revenue growth estimates by 10.3% & 11.4% for FY20 & FY21E. We factor revenue to grow by 10% CAGR over FY19-FY21E.

**PAT to grow by healthy 15% CAGR over FY19-21E...**

Q2FY20 EBITDA grew by modest 7% YoY, while EBITDA margins improved by 40bps largely due to lower operating cost. PAT grew by 29% YoY to Rs 33cr on account of tax reversal. But after adjusting for one-off expenses PAT grew by 67% to Rs43. We lower our PAT estimates by 7% & 6% for FY20E & FY21E given downgrade in our revenue growth estimates. We expect PAT to grow by 14% CAGR over FY19-21E.

**Valuations**

TCI has potential for scaling-up of its business given its strong presence in warehousing space, multimodal logistics services, supply chain management and the third party logistics services. Going ahead, TCI will one of the key beneficiary from revival in the economy. The earnings outlook is healthy at 14% CAGR over FY19-20E. We value TCI at 15x on FY21E with target price of Rs325 and maintain "Buy" rating on the stock.

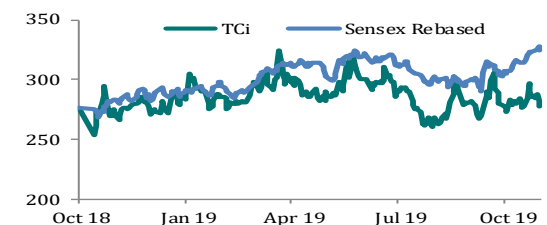
**Company Data**

Market Cap (cr)	Rs. 2,216
Enterprise Value (cr)	Rs. 2,514
Outstanding Shares (cr)	7.7
Free Float	33.1%
Dividend Yield	0.6%
52 week high	Rs. 329
52 week low	Rs. 255
6m average volume (cr)	0.01
Beta	1.4
Face value	Rs. 2

Shareholding (%)	Q4FY19	Q1FY20	Q2FY20
Promoters	66.9	66.9	66.8
FII's	1.9	1.9	1.8
MFs/Institutions	11.1	12.5	12.5
Public	15.6	14.6	14.9
Others	4.5	4.1	4.0
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	5.8%	-3.3%	0.9%
Absolute Sensex	9.1%	8.7%	14.4%
Relative Return*	-3.4%	-12.0%	-13.5%

\*over or under performance to benchmark index



Standalone (cr)	FY19A	FY20E	FY21E
Sales	2,558	2,691	3,106
Growth (%)	17.5	5.2	15.4
EBITDA	244	253	300
EBITDA Margin(%)	9.5	9.4	9.7
PAT Adj.	128	140	166
Growth (%)	23.0	10.0	18.5
Adjusted EPS	16.6	18.3	21.7
Growth (%)	23.0	10.0	18.5
P/E	16.7	15.2	12.8
P/B	2.5	2.2	1.9
EV/EBITDA	10.3	9.9	8.4
ROE (%)	16.9	15.6	16.1
D/E	0.5	0.4	0.4

Anil R  
Research Analyst

## Quarterly Financials

### Profit & Loss

	Q2FY20	Q2FY19	YoY Growth %	H1FY20	H1FY19	YoY Growth %
<b>Sales</b>	<b>628</b>	<b>620</b>	<i>1.3%</i>	<b>1,240</b>	<b>1,202</b>	<i>3.2</i>
<b>EBITDA</b>	<b>57</b>	<b>53</b>	<i>6.5</i>	<b>113</b>	<b>104</b>	<i>8.0</i>
EBITDA margins	<b>9.0</b>	<b>8.6</b>	<i>+40bps</i>	<b>9.1</b>	<b>8.7</b>	<i>+40bps</i>
Depreciation	19	19	-	38	36	4.9
<b>EBIT</b>	<b>38</b>	<b>34</b>	<i>10.4</i>	<b>75</b>	<b>69</b>	<i>9.7</i>
Interest	8	9	<i>(17.2)</i>	16	16	-
Other Income	8	8	-	16	16	-
<b>PBT</b>	<b>38</b>	<b>33</b>	<i>16.3</i>	<b>75</b>	<b>69</b>	<i>9.5</i>
Exceptional Items	10	7	-	10	-	-
Tax	(5)			2	15	
Share of profit from Associate	-	-	-	-	-	-
<b>Reported PAT</b>	<b>33</b>	<b>26</b>	<i>28.6</i>	<b>63</b>	<b>54</b>	<i>16.5</i>
Adjustments	-	-	-	-	-	-
<b>Adjusted PAT</b>	<b>33</b>	<b>26</b>	<i>28.6</i>	<b>63</b>	<b>54</b>	<i>16.5</i>
No. of Shares	<b>7.7</b>	<b>7.7</b>		<b>7.7</b>	<b>7.7</b>	-
<b>EPS (Rs)</b>	<b>4.3</b>	<b>3.4</b>	<i>28.6</i>	<b>8.2</b>	<b>7.1</b>	<i>16.5</i>

### Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	3,002	3,500	2,691	3,106	<i>(10.4)</i>	<i>(11.2)</i>
EBITDA	291	340	253	300	<i>(13.1)</i>	<i>(11.7)</i>
Margins (%)	9.7	9.7	9.4	9.7	<i>(30bps)</i>	-
Adj. PAT	151	177	140	166	<i>(6.8)</i>	<i>(5.9)</i>
EPS	19.6	23.0	18.3	21.7	<i>(6.8)</i>	<i>(5.9)</i>

## Standalone Financials

### PROFIT & LOSS

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
<b>Sales</b>	<b>1,804</b>	<b>2,177</b>	<b>2,558</b>	<b>2,691</b>	<b>3,106</b>
% change	12.9	20.7	17.5	5.2	15.4
<b>EBITDA</b>	<b>157</b>	<b>209</b>	<b>244</b>	<b>253</b>	<b>300</b>
% change	17.7	32.5	17.1	3.6	18.5
Depreciation	57	67	75	77	87
EBIT	100	141	169	176	213
Interest	29	31	36	34	36
Other Income	18	25	27	33	31
<b>PBT</b>	<b>89</b>	<b>132</b>	<b>160</b>	<b>175</b>	<b>208</b>
% change	18.8	48.2	21.8	9.4	18.5
Tax	18	28	33	35	42
Tax Rate (%)	20.8	21.1	20.4	20.0	20.0
<b>Reported PAT</b>	<b>71</b>	<b>107</b>	<b>128</b>	<b>140</b>	<b>166</b>
Adj.*	(1)	3	-	-	-
<b>Adj. PAT</b>	<b>70</b>	<b>104</b>	<b>128</b>	<b>140</b>	<b>166</b>
% change	(22.5)	47.7	23.0	9.9	18.5
No. of shares (cr)	7.7	7.7	7.7	7.7	7.7
<b>Adj EPS (Rs)</b>	<b>9.2</b>	<b>13.5</b>	<b>16.6</b>	<b>18.3</b>	<b>21.7</b>
% change	(22.5)	47.7	23.0	9.9	18.5
DPS (Rs)	2.9	2.9	2.1	2.1	2.1
CEPS (Rs)	<b>16.7</b>	<b>22.3</b>	<b>26.5</b>	<b>28.3</b>	<b>33.0</b>

### BALANCE SHEET

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	17	11	7	9	7
Accounts Receivable	332	390	477	464	536
Inventories	3	3	5	6	7
Other Cur. Assets	161	162	228	236	247
Investments	30	31	94	94	94
Gross Fixed Assets	609	762	894	1,069	1,249
Net Fixed Assets	532	623	705	803	897
CWIP	57	56	4	5	10
Intangible Assets	1	1	0	0	0
Def. Tax (Net)	(39)	(44)	(39)	(39)	(39)
Other Assets	-	-	-	-	-
<b>Total Assets</b>	<b>1,093</b>	<b>1,233</b>	<b>1,480</b>	<b>1,579</b>	<b>1,758</b>
Current Liabilities	138	169	240	215	248
Provisions	5	5	6	7	8
Debt Funds	368	382	397	397	392
Other Liabilities	-	-	-	-	-
Equity Capital	15	15	15	15	15
Reserves & Surplus	566	662	822	945	1,095
Shareholder's Fund	581	677	837	961	1,110
<b>Total Liabilities</b>	<b>1,093</b>	<b>1,233</b>	<b>1,480</b>	<b>1,579</b>	<b>1,758</b>
BVPS	<b>77</b>	<b>89</b>	<b>111</b>	<b>127</b>	<b>147</b>

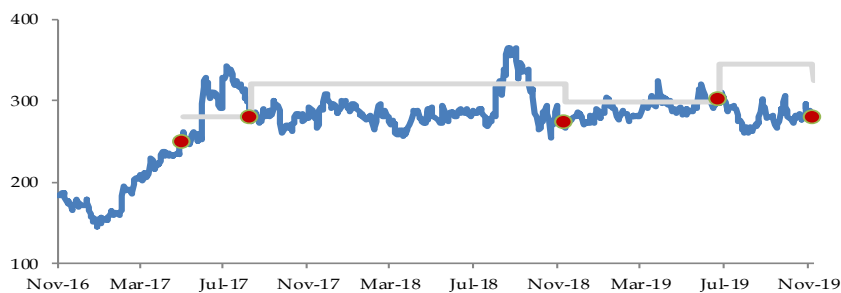
### CASH FLOW

Y.E March (Rs Cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Net inc. + Depn.	128	171	203	217	253
Non-cash adj.	16	15	23	1	5
Changes in W.C	(56)	(13)	(53)	(22)	(49)
<b>C.F. Operation</b>	<b>88</b>	<b>177</b>	<b>173</b>	<b>196</b>	<b>209</b>
Capital exp.	(114)	(159)	(105)	(176)	(185)
Change in inv.	(10)	(3)	(34)	-	-
Other invest.CF	6	8	11	33	31
<b>C.F - Investment</b>	<b>(117)</b>	<b>(154)</b>	<b>(148)</b>	<b>(143)</b>	<b>(154)</b>
Issue of equity	5	-	1	-	-
Issue/repay debt	114	65	83	-	(5)
Dividends paid	(8)	(12)	(14)	(17)	(17)
Other finance.CF	(73)	(81)	(96)	(34)	(36)
<b>C.F - Finance</b>	<b>37</b>	<b>(28)</b>	<b>(26)</b>	<b>(50)</b>	<b>(47)</b>
Chg. in cash	8	(5)	(1)	(3)	(3)
Closing cash	18	13	12	9	7

### RATIOS

Y.E March	FY17A	FY18A	FY19A	FYE20E	FY21E
<b>Profitab &amp; Return</b>					
EBITDA margin (%)	8.7	9.6	9.5	9.4	9.7
EBIT margin (%)	5.5	6.5	6.6	6.6	6.9
Net profit mgn.(%)	3.9	4.8	5.0	5.2	5.4
ROE (%)	12.8	16.5	16.9	15.9	16.1
ROCE (%)	10.8	13.5	14.1	13.3	14.9
<b>W.C &amp; Liquidity</b>					
Receivables (days)	64.2	60.5	61.8	63.8	58.8
Inventory (days)	0.5	0.6	0.8	0.9	0.9
Payables (days)	31.6	32.1	36.0	38.1	33.6
Current ratio (x)	3.6	3.2	2.9	3.2	3.1
Quick ratio (x)	2.5	2.4	2.0	2.2	2.2
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	3.1	3.2	3.1	2.7	2.7
Total asset T.O (x)	1.8	1.9	1.9	1.8	1.9
Int. covge. ratio (x)	3.5	4.6	4.8	5.3	6.0
Adj. debt/equity (x)	0.7	0.6	0.5	0.4	0.4
<b>Valuation</b>					
EV/Sales (x)	1.4	1.1	1.0	0.9	0.8
EV/EBITDA (x)	15.7	11.8	10.3	9.9	8.4
P/E (x)	30.3	20.5	16.7	15.2	12.8
P/BV (x)	3.6	3.1	2.5	2.2	1.9

## Recommendation summary



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
02-May-2017	Buy	280*
11-August-2017	Buy	320
14-November-2018	Accumulate	298
25-June-2019	Buy	346
11-November-19	Buy	325

\*Initiating Coverage

## Investment Criteria

Large Cap Stocks;		Mid Cap and Small Cap;	
<b>Buy</b>	- <b>Upside is above 10%.</b>	<b>Buy</b>	- <b>Upside is above 15%.</b>
<b>Hold</b>	- <b>Upside is between 0% - 10%.</b>	<b>Accumulate</b>	- <b>Upside is between 10% - 15%.</b>
<b>Reduce</b>	- <b>Downside is more than 0%.</b>	<b>Hold</b>	- <b>Upside is between 0% - 10%.</b>
<b>Neutral</b>	- <b>Not Applicable</b>	<b>Reduce/Sell</b>	- <b>Downside is more than 0%.</b>
		<b>Neutral</b>	- <b>Not Applicable</b>

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Neutral- The analyst has no investment opinion on the stock under review

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