

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

Logistics

BSE CODE : 532349 NSE CODE: TCI
BLOOMBERG CODE: TRPC:IN SENSEX : 38,310

BUY

12M Investment Period Rating as per Small Cap

CMP Rs.210 TARGET Rs.253 RETURN 21% ↑
(Closing: 13-08-20)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Near term weakness... an opportunity

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 declined by 46% YoY, on account of overall weak demand scenario & Covid-19 related disruptions.
- EBITDA margins contracted by 70bps YoY to 8.5% and PAT declined by 67% on account of weak operating leverage.
- The worst earnings downgrade has already been factored in the stock price and we expect revival from H2FY21E.
- Focus on client addition in E-commerce, pick-up in seaway business, demand from warehousing space, faster adoption of e-way bill and gradual pick-up in Auto sector will drive growth.
- We remain positive on TCI given its strong presence in warehousing space, multimodal logistics services and supply chain management.
- We value TCI at P/E of 16x on FY22E, with a target price of Rs.253 and maintain "Buy" rating.

Revenue growth to improve...

TCI's Q1FY21 revenue declined by 46% YoY, on account of lockdown, shortage in drivers and overall weakness in demand. Revenue was impacted by sharp de-growth in Supply chain which declined by 56% YoY, as 75% of this segment is catering to Auto which continues to be weak. Freight segment declined by 47% YoY was impacted by decline in LTL business (Less than trucked load) on account weak demand scenario and non-availability of drivers. Seaway business declined by 13% YoY due to lower volumes and on account higher competition. However, company is seeing better traction in agriculture, food processing, Pharma & chemicals and from E-commerce clients. Currently, the capacity utilisation has been in the range ~70-80%. Witnessed better traction in movement of tractors as well as pick-up in coastal shipping business. Going ahead, management focus is to add more clients in E-commerce and capacity addition in warehousing & fulfilment centre which will drive growth in this segment. The CAPEX plan amounts to Rs125cr FY21E and expects to add one more ship in the near term. We anticipate the overall weakness in revenue growth to continue in the near term, however, a gradual recovery in H2FY21E is expected.

Profitability to improve...

Q1FY21 gross margins improved by 150bps YoY 190bps to 21.1% led by lower fuel cost. However, EBITDA declined by 50% YoY and EBITDA margins declined by 70bps to 8.5% on account of weak revenue and higher cost. Consequently, PAT declined by 67% YoY to Rs.10cr. Going ahead, gradual revival in revenue growth starting from H2FY21E and we expect margins to improve supported by lower fuel cost. We expect EBITDA margin to be at 8.7% & 8.9% for FY21E & FY22E.

Valuations

We expect a gradual recovery in earnings starting from H2FY21E led by ease in lockdown and revival in demand. Further, we expect gradual shift of business to organized players like TCI which has strong presence in warehousing space, multimodal logistics services, supply chain management and the third party logistics services. We believe that worst earnings downgrade have already been factored, we value TCI at P/E of 13x (long term historical avg.) on FY22E with target price of Rs.253 and maintain "Buy" rating on the stock.

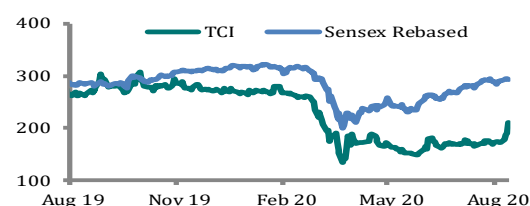
Company Data

Market Cap (cr)	Rs.1,610
Enterprise Value (cr)	Rs.1,959
Outstanding Shares (cr)	7.7
Free Float	33.0%
Dividend Yield	1.2%
52 week high	Rs.312
52 week low	Rs.121
6m average volume (cr)	0.01
Beta	1.4
Face value	Rs.2

Shareholding (%)	Q3FY20	Q4FY20	Q1FY21
Promoters	66.8	66.9	66.9
FII's	1.8	1.8	1.7
MFs/Institutions	10.0	10.1	10.2
Public	14.7	14.7	14.4
Others	6.7	6.6	6.8
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	37.3%	-19.0%	-20.4%
Absolute Sensex	23.2%	-7.1%	2.7%
Relative Return*	14.1%	-11.9%	-23.1%

*over or under performance to benchmark index



Standalone (cr)	FY20A	FY21E	FY22E
Sales	2,513	2,195	2,676
Growth (%)	(1.8)	(13.0)	22.0
EBITDA	233	191	238
EBITDA Margin(%)	9.3	8.7	8.9
PAT Adj.	126	86	122
Growth (%)	(1.0)	(32.0)	41.2
Adjusted EPS	16.5	11.2	15.8
Growth (%)	(1.0)	(32.0)	41.2
P/E	12.8	18.7	13.3
P/B	1.7	1.6	1.4
EV/EBITDA	8.4	9.8	7.9
ROE (%)	14.1	8.7	11.4
D/E	0.4	0.3	0.3

Anil R
Research Analyst

Quarterly Financials

Profit & Loss

	Q1FY21	Q1FY20	YoY Growth %	Q4FY20	YoY Growth %
Sales	328	612	<i>(46.4)</i>	626	<i>(48.0)</i>
EBITDA	28	56	<i>(50.5)</i>	58	<i>(52.0)</i>
EBITDA margins	8.5	9.2	<i>(70bps)</i>	9.3	<i>(80bps)</i>
Depreciation	20	19	5.0	20	(0.7)
EBIT	8	38	<i>(78.0)</i>	38	<i>(78.3)</i>
Interest	7	8	(15.5)	8	(13.0)
Other Income	9	8	18.2	7	(34.0)
	-	-	-	-	-
PBT	10	37	<i>(72.2)</i>	37	<i>(72.2)</i>
Exceptional Items	-	-	-	-	-
Tax	0.4	7	(94.3)	6	(93.0)
Share of profit from Associate	-	-	-	-	-
Reported PAT	10	30	<i>(66.3)</i>	31	<i>(68.5)</i>
Adjustments	-	-	-	-	-
Adjusted PAT	10	30	<i>(66.3)</i>	31	<i>(68.5)</i>
No. of Shares	7.7	7.7		7.7	-
EPS (Rs)	1.3	3.9	<i>(66.3)</i>	4.1	<i>(68.5)</i>

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	2,268	2,655	2,195	2,676	(3.2)	0.8
EBITDA	190	234	191	238	0.2	1.9
Margins (%)	8.4	8.8	8.7	8.9	+30bps	+10bps
Adj. PAT	88	124	86	122	(2.4)	(1.7)
EPS	11.5	16.1	11.2	15.8	(2.4)	(1.7)

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Sales	2,181	2,558	2,513	2195	2676
% change	20.7	17.3	(1.8)	(13.0)	22.0
EBITDA	212	244	233	191	238
% change	34.6	15.2	(4.4)	(18.2)	24.7
Depreciation	67	75	78	81	90
EBIT	145	169	156	110	148
Interest	31	36	32	34	31
Other Income	22	27	28	32	35
PBT	132	160	142	108	152
% change	48.2	21.8	(11.5)	(24.2)	41.2
Tax	28	33	15	22	30
Tax Rate (%)	21.1	20.4	10.9	20.0	20.0
Reported PAT	107	128	126	86	122
Adj.*	3	-	-	-	-
Adj. PAT	104	128	126	86	122
% change	47.7	23.0	(1.0)	(32.0)	41.2
No. of shares (cr)	7.7	7.7	7.7	7.7	7.7
Adj EPS (Rs)	13.5	16.6	16.5	11.2	15.8
% change	47.7	23.0	(1.0)	(32.0)	41.2
DPS (Rs)	2.1	2.2	2.4	2.4	2.4
CEPS (Rs)	22.3	26.5	26.6	21.8	27.6

CASH FLOW

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Net inc. + Depn.	171	203	204	167	212
Non-cash adj.	15	23	(4)	2	(4)
Changes in W.C	(37)	(57)	25	51	(78)
C.F. Operation	153	169	235	220	130
Capital exp.	(158)	(105)	(129)	(113)	(120)
Change in inv.	19	(34)	(15)	(8)	(9)
Other invest.CF	8	11	9	32	35
C.F - Investment	(130)	(148)	(135)	(89)	(93)
Issue of equity	-	1	2	-	-
Issue/repay debt	65	83	42	(40)	(20)
Dividends paid	(12)	(14)	(15)	(18)	(18)
Other finance.CF	(81)	(96)	(125)	(34)	(31)
C.F - Finance	(28)	(26)	(96)	(92)	(69)
Chg. in cash	(5)	(6)	4	39	(33)
Closing cash	13	7	11	50	17

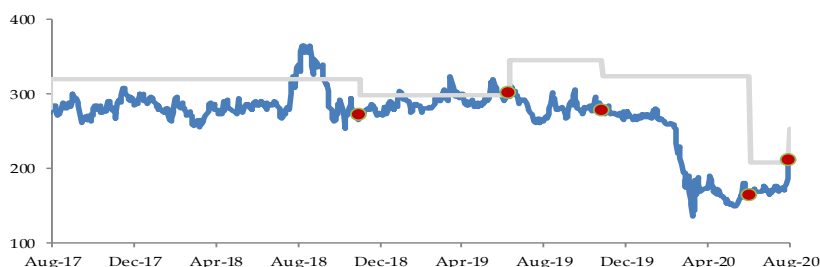
BALANCE SHEET

Y.E March (Rs Cr)	FY18A	FY19A	FY20A	FY21E	FY22E
Cash	11	7	11	50	17
Accounts Receivable	390	477	454	421	499
Inventories	3	5	6	7	8
Other Cur. Assets	162	228	239	216	235
Investments	31	94	89	96	105
Gross Fixed Assets	762	911	1,041	1,156	1,281
Net Fixed Assets	623	705	752	785	820
CWIP	56	4	22	20	15
Intangible Assets	1	0	0	0	0
Def. Tax (Net)	(44)	(39)	(30)	(30)	(30)
Other Assets	-	-	-	-	-
Total Assets	1,233	1,480	1,544	1,566	1,669
Current Liabilities	169	240	224	218	236
Provisions	5	6	10	10	12
Debt Funds	382	397	360	320	320
Other Liabilities	-	-	-	-	-
Equity Capital	15	15	15	15	15
Reserves & Surplus	662	822	935	1,002	1,105
Shareholder's Fund	677	837	950	1,018	1,121
Total Liabilities	1,233	1,480	1,544	1,566	1,669
BVPS	89	111	126	134	138

RATIOS

Y.E March	FY18A	FY19A	FY20A	FYE21E	FY22E
Profitab & Return					
EBITDA margin (%)	9.7	9.5	9.3	8.7	8.9
EBIT margin (%)	6.6	6.6	6.2	5.0	5.5
Net profit mgn.(%)	4.8	5.0	5.0	3.9	4.5
ROE (%)	16.5	16.9	14.1	8.7	11.4
ROCE (%)	13.8	14.1	11.8	8.1	10.7
W.C & Liquidity					
Receivables (days)	60.4	61.8	67.6	72.8	62.7
Inventory (days)	0.6	0.8	1.1	1.4	1.3
Payables (days)	32.1	36.0	41.7	45.6	38.5
Current ratio (x)	3.2	2.9	3.0	3.0	3.1
Quick ratio (x)	2.4	2.0	2.1	2.2	2.2
Turnover & Leverage					
Gross asset T.O (x)	3.2	3.1	2.6	2.0	2.2
Total asset T.O (x)	1.9	1.9	1.7	1.4	1.7
Int. covge. ratio (x)	4.7	4.8	4.8	3.2	4.8
Adj. debt/equity (x)	0.6	0.5	0.4	0.3	0.3
Valuation					
EV/Sales (x)	0.9	0.8	0.8	0.9	0.7
EV/EBITDA (x)	9.3	8.2	8.4	9.8	7.9
P/E (x)	15.6	12.6	12.8	18.7	13.3
P/BV (x)	2.3	1.9	1.7	1.6	1.4

Recommendation summary



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
16-June-20	Buy	209
14-August-20	Buy	253

Source: Bloomberg, Geojit Research.

*Initiating Coverage

Investment Criteria

Ratings	Large caps	Midcaps	Small caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10% - 15%	Upside is between 10% - 20%
Hold	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated : The analyst has no investment opinion on the stock.

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

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