

FY21-23E Earnings CAGR%	34%
CF & Return Profile	Moderate
Valuations	Attractive

Strong operating performance led by good recovery
BUY

CMP (Rs)	446
Target (Rs)	513
Upside (%)	15%

Nifty: 16,258 Sensex: 54,369
Key Stock Data

Bloomberg	TRPC IN
Shares O/s Mn (FV INR 10)	77.1
Mkt Cap (USD Bn/INR Bn)	0.5/34.4
52-week High/Low	510/168
6m Daily Avg Vol (Mn)	105

Price Performance

(%)	3M	1Y	3Y
TRPC	64.9	157.2	12.8
Nifty	12.8	48.4	14.2
NSE500	14.1	55.8	14.4

Shareholding Pattern

(%)	Dec20	Mar21	Jun21
Promoter	66.8	66.7	66.7
FII	1.5	1.7	2.4
DII	12.4	12.1	12.2
Others	19.3	19.5	18.7

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Despite demand side issues owing to second lockdowns, Transport Corporation of India (TCI) witnessed a healthy recovery across segments. Consolidated sales grew by 72% y-o-y to Rs 7bn (two years sales CQGR of ~3%). SCM segment grew by 98% y-o-y to Rs 2.2bn albeit on a lower base but when compared with June'19 quarter, SCM revenue is lower by 7% (~Rs 180mn) which we still consider healthy. Freight division continued to perform well as its revenue grew by 6% over June'19 quarter, and LTL segment is also recovering. Coastal shipping division grew by 46% over the similar period mainly on account freight increase along with better occupancy. Despite sharp rise in fuel prices, EBITDA margin improved by 330bps y-o-y and 100bps q-o-q to 10.9% (highest ever consol. Margin reported). Consolidated net profit grew by % y-o-y to Rs 646mn. Going ahead, we see better demand traction as it is expecting better demand from upcoming festive period (stocking already started) and overall recovery in most dependent industries.

Healthy recovery despite demand side challenges

TCI witnessed a better than expected recovery across segments as it saw a better demand in April due to pent-up demand of March'21 and sharp recovery in June. Despite demand side challenges across verticals, its diversified and multimodal service offerings is helping TCI in bucking the general trend. On a 2 year CQGR basis freight/SCM/coastal shipping reported a growth of 3%/-4%/21% respectively. We consider freight's performance very commendable as the LTL business (1/3rd of freight revenue) is yet recover fully due to its large dependency on MSME clients. Even growth in coastal shipping is also healthy given the fact that it was one ship short in this quarter (1 ship sold in Feb'21). SCM also performed well given the pressure on automobile industry.

Freight and coastal shipping should see a further uptick whereas SCM will see a gradual uptick

Going ahead, freight and coastal shipping should see a further uptick. Revival in LTL business and expected healthy demand from upcoming festive period will boost freight division whereas coastal shipping will benefit from better occupancy and high freight rates. SCM will see a gradual uptick. However, we remain positive on SCM business over the medium to longer term on the back of superior offerings, wide client base and hybrid business model. We strongly believe that its superior business model and ingrained expertise will continue to support SCM division in winning new accounts and increasing wallet share from the existing customers.

TCI remains our top pick in logistics space; Maintain 'Buy'

We maintain our positive stance on TCI on the back of its large logistics infrastructure and proven track record of execution across verticals which will help it winning new accounts/clients across verticals. Further, its return ratios will continue to improve due to favorable change in business mix and prudent capital allocation. **Despite, expected capex of Rs 3bn over the next two years, TCI will generate cumulative FCF of ~Rs 2.2bn over FY22-23E and its cash conversions remains healthy as its average pre-tax OCF/EBITDA over the last five years stands at 99%.** Despite good run in the recent past, we still consider it as good value compounder over the longer term. Maintain 'Buy' with a price target of Rs 513.

Exhibit 1: Key Financials (Consolidated)

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Sales	27,537	27,178	28,024	33,523	37,868
yoy (%)	17.4	-1.3	3.1	19.6	13.0
EBITDA	2,495	2,405	2,612	3,061	3,635
yoy (%)	17.3	-3.6	8.6	17.2	18.7
Reported PAT	1,209	1,279	1,433	1,838	2,300
yoy (%)	-2.4	5.8	12.1	28.2	25.2
EBITDAM(%)	9.1%	8.9%	9.3%	9.1%	9.6%
Equity	153.3	153.7	154.2	154.2	154.2
EPS	19.0	18.5	19.1	27.7	34.2

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

Y/E Mar	FY19	FY20	FY21	FY22E	FY23E
RoE (%)	17.6	14.9	13.4	16.9	17.8
RoCE (%)	15.6	13.2	13.9	15.9	17.1
ROIC (%)	15.8	14.1	15.4	17.1	19.0
DE	0.5	0.4	0.2	0.2	0.1
PER (x)	23.6	24.1	23.4	16.1	13.0
P/BV (x)	3.8	3.4	2.9	2.5	2.1
EV/Sales (x)	1.4	1.4	1.3	1.1	0.9
EV/EBITDA (x)	15.3	15.7	13.9	11.8	9.7
Div Yield (%)	0.5	0.6	0.3	0.6	0.6

Q1FY22 Earnings call KTA

- Demand is moving from 'Just in Time' to 'Just in Case' which is leading to higher demand for larger warehousing.
- Witnessed a more demand side challenges in second lockdown rather than supply side issues.
- LTL volume impacted in May but started recovering from June'21. Very much on track to achieve 40% revenue from LTL by FY25 compared to current 33% revenue share.
- Currently operating 12mn sq ft of warehousing space in SCM division.
- Witnessing a good trend in FMCG and auto SCM business.
- Higher freight rates and good cargo from Myanmar (pulse imports) supported a good growth in seaways division.
- Dry docks are scheduled for every quarter starting from Q2FY22
- Transystem witnessed a good growth (+169% y-o-y) with a good recovery.
- Incurred a capex of Rs 300mn in Q1FY22 mainly on hub centers, containers and trucks & rakes. FY22 will see a capex of Rs 1.5 -2bn.
- Targeting 15% revenue and 20% earnings growth in FY22.
- In SCM business, TCI is not chasing low yield/profitable business. Focus is on driving profitable growth rather than go for 'Revenue buyouts.
- From the past experience, it learnt that 'revenue buyout' is not a right strategy as the scaling up of margin through higher volumes is very difficult in SCM business.
- Demand was good in April as it benefited from some pent-up demand from March.
- Freight rates are moving up since last 2 quarters due to 1) fuel price hike 2) regional imbalances and lower capacity with a very negligible new addition.
- Expecting good demand from up-stocking for upcoming festive season. 5-10% revenue growth in shipping as it sold one ships. Most dry dock expenses capitalized so it will have a minimum impact on EBITDA margin.

Exhibit 3: 1QFY22 Quarterly Financials (Consolidated)

Particulars (Rs. mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	y-o-y change	q-o-q change	FY21	FY20	y-o-y change
Income from operations	4,057.2	6,968.9	8,070.9	8,926.9	6,961.3	71.6%	-22.0%	28,023.9	27,178.4	3.1%
Less: Expenditures										
Operating cost	3,312.6	5,762.6	6,601.9	7,295.3	5,609.3	69.3%	-23.1%	22,972.4	22,142.9	3.7%
Staff cost	300.8	341.1	373.1	439.9	412.5	37.1%	-6.2%	1,454.9	1,572.2	-7.5%
Other operating & admin cost	137.5	242.7	298.8	305.4	182.0	32.4%	-40.4%	984.4	1,058.0	-7.0%
EBITDA	306.3	622.5	797.1	886.3	757.5	147.3%	-14.5%	2,612.2	2,405.3	8.6%
Other Income	30.4	65.6	45.9	112.8	40.8	34.2%	-63.8%	254.7	201.2	26.6%
Depreciation	206.1	208.9	232.8	280.3	247.3	20.0%	-11.8%	928.1	824.9	12.5%
EBIT	130.6	479.2	610.2	718.8	551.0	321.9%	-23.3%	1,938.8	1,781.6	8.8%
Interest	73.7	69.1	63.3	60.9	47.1	-36.1%	-22.7%	267.0	343.2	-22.2%
Profit Before Tax	56.9	410.1	546.9	657.9	503.9	785.6%	-23.4%	1,671.8	1,438.4	16.2%
Tax	8.5	83.9	65.2	80.7	63.8	650.6%	-20.9%	238.3	159.1	49.8%
Profit after Tax	48.4	326.2	481.7	577.2	440.1	809.3%	-23.8%	1,433.5	1,279.3	12.1%
Extraordinary items	-	-	(104.3)	(26.3)	-	NA	NA	(130.6)	(98.8)	32.2%
Net Profit	48.4	326.2	377.4	550.9	440.1	809.3%	-20.1%	1,302.9	1,180.5	10.4%
share in profits	(1.2)	46.5	51.9	104.1	34.6	-2983.3%	-66.8%	201.3	251.4	-19.9%
Minority Int	6.4	6.7	10.9	8.9	6.0	-6.3%	-32.6%	32.9	8.3	296.4%
Net Profit	40.8	366.0	418.4	646.1	468.7	1048.8%	-27.5%	1,471.3	1,423.6	3.4%
EPS	0.5	4.8	5.4	8.4	6.1	1048.8%	-27.5%	19.1	18.5	3.4%
Operating Matrix						bps	bps			bps
Operating cost/Sales	81.6%	82.7%	81.8%	81.7%	80.6%	-107	-114	82.0%	81.5%	50
Staff cost/Sales	7.4%	4.9%	4.6%	4.9%	5.9%	-149	100	5.2%	5.8%	-59
Others/Sales	3.4%	3.5%	3.7%	3.4%	2.6%	-77	-81	3.5%	3.9%	-38
EBITDA Margin	7.5%	8.9%	9.9%	9.9%	10.9%	333	95	9.3%	8.9%	47
Net Margin	1.0%	5.3%	5.2%	7.2%	6.7%	573	-50	5.3%	5.2%	1
ETR	14.9%	20.5%	11.9%	12.3%	12.7%	-228	39	14.3%	11.1%	319

Source: Company, AMSEC Research,

Exhibit 5: 1QFY22 Segmental Highlights (Consolidated)

Particulars (Rs. mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	y-o-y change	q-o-q change	FY21	FY20	y-o-y change
Revenue (Rs mn)										
Freight	2,301.4	3,571.9	4,149.0	4,762.9	3,646.7	58.5%	-23.4%	14,785.2	14,395.4	2.7%
SCM	1,145.0	2,540.5	3,011.3	3,041.4	2,262.6	97.6%	-25.6%	9,738.2	9,490.4	2.6%
Coastal Shipping	682.0	932.2	1,037.6	1,301.0	1,149.7	68.6%	-11.6%	3,952.8	3,677.4	7.5%
Wind	(19.4)	16.8	2.6	5.3	15.0	-177.3%	183.0%	5.3	54.9	-90.3%
Others/inter segment	(51.8)	(92.5)	(129.6)	(183.7)	(112.7)	117.6%	-38.6%	(457.6)	(439.7)	4.1%
Total										
EBIT (Rs mn)										
Freight	40.5	120.0	173.4	189.6	126.9	213.3%	-33.1%	523.5	441.8	18.5%
SCM	31.7	166.4	200.3	208.9	120.7	280.8%	-42.2%	607.3	565.6	7.4%
Coastal Shipping	40.6	154.5	234.9	305.5	293.3	622.4%	-4.0%	735.5	753.2	-2.3%
Wind	7.7	10.8	(3.3)	(0.7)	9.8	27.3%	-1500.0%	14.5	24.3	-40.3%
Total	120.5	451.7	605.3	703.3	550.7	357.0%	-21.7%	1,880.8	1,784.9	5.4%
EBIT %						bps	bps			
Transport	1.8%	3.4%	4.2%	4.0%	3.5%	172	(50)	3.5%	3.1%	47
SCM	2.8%	6.5%	6.7%	6.9%	5.3%	257	(153)	6.2%	6.0%	28
Coastal Shipping	6.0%	16.6%	22.6%	23.5%	25.5%	1,956	203	18.6%	20.5%	(187)
Wind	-39.7%	64.3%	-126.9%	-13.2%	65.3%	NA	NA	273.6%	44.3%	22,932
Total	3.0%	6.5%	7.5%	7.9%	7.9%	494	3.0	6.7%	6.6%	14.0

Source: Company, AMSEC Research

Financials (Consolidated)
(Rs mn)
Profit and Loss Account

Y/E (Mar)	FY19	FY20	FY21	FY22E	FY23E
Operating Income	27,537	27,178	28,024	33,523	37,868
Less:					
Operating expenses	22,515	22,143	22,972	27,657	31,052
Staff expenses	1,402	1,572	1,455	1,673	1,893
Selling, & other exp.	1,124	1,058	984	1,132	1,288
EBITDA	2,495	2,405	2,612	3,061	3,635
Depreciation	774	825	928	979	1,042
Operating profit	1,721	1,580	1,684	2,082	2,594
Other income	195	201	255	305	344
EBIT	1,916	1,782	1,939	2,387	2,938
Interest	374	343	267	199	199
Exceptional items	-	-	-	-	-
Profit before tax	1,542	1,438	1,672	2,188	2,739
Tax	333	159	238	350	438
PAT	1,209	1,279	1,433	1,838	2,300
Share in Profit JVs	251	252	201	302	338
Minority Interest	-	(8)	(33)	-	-
EO Items	(7)	(99)	(131)	-	-
Net Profit	1,453	1,424	1,471	2,139	2,638
Share O/s mn	76.7	76.9	77.1	77.1	77.1
EPS Rs	19.0	18.5	19.1	27.7	34.2

Cash Flow Statement

Y/E (Mar)	FY19	FY20	FY21	FY22E	FY23E
PBT	1,786	1,591	1,743	2,188	2,739
Non-cash adjustments	1,141	1,273	1,344	1,179	1,241
Chg in working capital	(719)	231	181	(747)	(714)
Tax & Interest Paid	(342)	(410)	52	(350)	(438)
Cashflow from oper.	1,830	2,428	3,047	2,269	2,827
Capital expenditure	(1,259)	(1,321)	(1,241)	(1,500)	(1,500)
Chg in investments	56	(14)	(17)	-	-
Other invest. cashflow	(373)	(18)	196	-	-
Cashflow from invest	(1,576)	(1,353)	(1,062)	(1,500)	(1,500)
Issue of equity	12	24	40	-	-
Issue/repay debt	-	-	-	-	-
Interest Paid	(377)	(343)	(302)	(199)	(199)
Inc./(Dec.) Loan Funds	307	(517)	(1,419)	-	-
Dividends paid	(182)	(201)	(96)	(214)	(214)
Other finan.cashflow	-	67	(73)	-	-
Cashflow from finan.	(241)	(971)	(1,849)	(413)	(413)
Chg cash & cash eq	13	104	136	356	914
Open cash & cash eq	142	155	259	395	751
Clsq cash & cash eq	155	259	395	751	1,666
Free cashflow to firm	571	1,107	1,806	769	1,327

Key Ratios

Y/E (Mar)	FY19	FY20	FY21	FY22E	FY23E
PER SHARE					
EPS Rs	19.0	18.5	19.1	27.7	34.2
CEPS Rs	29.1	29.3	31.1	40.4	47.7
Book Value Rs	116.4	133.2	151.7	176.7	208.1
VALUATION					
EV / Net Sales	1.4	1.4	1.3	1.1	0.9
EV / EBITDA	15.3	15.7	13.9	11.8	9.7
P / E Ratio	23.6	24.1	23.4	16.1	13.0
P / BV Ratio	3.8	3.4	2.9	2.5	2.1
GROWTH YOY%					
Sales Growth	17.4	-1.3	3.1	19.6	13.0
EBITDA Growth	17.3	-3.6	8.6	17.2	18.7
Net Profit Growth	17.3	-2.0	3.3	45.4	23.3
Gross Fixed Asset Growth	15.2	7.7	5.8	9.7	8.8
PROFITABILITY					
Gross Profit/ Net sales (%)					
EBITDA / Net Sales (%)	9.1	8.9	9.3	9.1	9.6
EBIT / Net sales (%)	7.0	6.6	6.9	7.1	7.8
NPM / Total income (%)	5.3	5.2	5.3	6.4	7.0
ROE (%)	17.6	14.9	13.4	16.9	17.8
ROCE (%)	15.6	13.2	13.9	15.9	17.1
Tax / PBT %	21.6	11.1	14.3	16.0	16.0
TURNOVER					
Net Working Cycle					
Debtors Velocity (Days)	68.3	65.4	66.6	65.0	65.0
Inventory (Days)	0.9	1.1	1.1	1.0	1.0
Creditors Velocity (Days)					
Current Ratio	2.9	3.0	2.8	2.8	3.1
Quick Ratio	2.9	3.0	2.8	2.8	3.0
LIQUIDITY					
Gross Asset Ratio	2.2	1.9	1.9	2.1	2.1
Total Asset Ratio	2.2	2.0	1.9	2.2	2.1
Net Debt-Equity Ratio	0.4	0.3	0.2	0.1	0.0
Interest Coverage	4.6	4.6	6.3	10.4	13.0
PAYOUT					
Payout %	20.0	20.0	20.0	20.0	20.0
Dividend %	119.0	131.0	62.1	138.5	138.5
Yield %	0.5	0.6	0.3	0.6	0.6

Source: Company, AMSEC Research;

Balance Sheet

Y/E Mar	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS :					
Share Capital	153	154	154	154	154
Reserves	8,766	10,085	11,543	13,469	15,894
T. Shareholders Funds	8,920	10,239	11,697	13,623	16,048
Minority interest	52	57	86	86	86
Non-Current Liab.					
Long term borrowings	4,142	3,686	2,347	2,347	2,347
Lease Liability	-	35	208	208	208
Deferred tax liability	390	302	273	273	273
Current Liab. & Prov.	2,656	2,515	2,777	3,328	3,740
Total Equity & Liab.	16,160	16,833	17,388	19,866	22,702
APPLICATION OF FUNDS :					
Non Current Assets					
Fixed Assets	7,268	7,483	7,409	7,930	8,388
Capital work in progress	40	216	52	52	52
Right to use	-	234	638	638	638
Goodwill	-	-	-	-	-
Noncurrent investment	1,168	1,354	1,500	1,802	2,140
Current Assets					
Current investment					
Inventories	53	66	71	76	85
Sundry debtors	5,151	4,873	5,110	5,970	6,744
Cash and bank	155	259	395	751	1,666
Short loans & advances	2,324	2,349	2,213	2,647	2,990
Others current assets	-	-	-	-	-
Total Assets	16,160	16,833	17,388	19,866	22,702
Net working capital	4,872	4,772	4,618	5,365	6,079
Total Gross Debt	4,142	3,686	2,347	2,347	2,347
Total Net debt	3,987	3,426	1,952	1,595	681
Total capital employed	13,504	14,318	14,611	16,537	18,962

Recommendation rationale

Buy: Potential upside of	> +15% (absolute returns)
Accumulate:	> +5 to +15%
Hold/Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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