

Transport Corporation of India

Rating: ◀▶ | Target price: ▲ | EPS: ▲

CMP
Rs. 446

Target Price
Rs. 500

Rating
BUY



ONE YEAR OUTLOOK

Business & Earnings ▲

- Maintain our positive stance on TRPC as it is expected to benefit from 1) recovery in automotive demand and scale up of new contracts (especially ecommerce) driving 3PL growth (TCI Supply Chain (SCS)), 2) thrust in demand for coastal shipping, 3) shift in focus towards multimodal transportation for cost-efficient logistics and 4) increasing contribution of less than truckload (LTL) to freight operations driving margins.
- Seaways segment reported a revenue growth of 21% 2Y CAGR in 1Q aided by healthy demand for coastal cargo movement. EBITDA margins at 35% expanded 160bps QoQ due to return cargo availability at Myanmar. We expect addition of new ship (higher capacity and better operating efficiencies) towards end of FY22E coupled with sustained demand and pricing to drive revenue/EBITDA CAGR of 29%/35% (F21-23E).
- In a COVID second wave impacted 1QFY22, SCS segment revenue grew 5% 2Y CAGR as operations revamped by Jun-21. Expect 1) strong automotive demand (~80% of SCS revenues in FY21), 2) addition of new clientele, 3) multimodal opportunities (3 trains to carry finished automotive) and 4) cold chain opportunities, to drive revenue/EBITDA CAGR of 24% and 26%, respectively through FY21-23E.
- Expect freight division to benefit from 1) higher LTL contribution (40% by FY25 from 33% in FY21), 2) shift from unorganised sector, and 3) growth in multimodal logistics (71% revenue growth by TCI-Concor for FY21). Expect revenue and EBITDA CAGR (FY21-23E) of 14%/22% respectively.

Valuation Multiples ◀▶

- Valuing based on SOTP (page 2) to arrive at TP of Rs.500 (FY23). Despite capex (~Rs. 4bn through FY22-23) towards addition of ship, infrastructure and technology, RoCEs likely to improve from 12% to 17% in FY23.

FINANCIAL SUMMARY

	NET SALES (Rs. mn)	EBITDA %	PAT	EPS	P/E	EV/ EBITDA	ROE (%)
FY20	25,134	9.3%	1,257	16.4	27.2	16.2	14%
FY21	24,520	10.1%	1,452	19.0	23.5	14.8	14%
FY22E	30,035	10.5%	1,980	25.9	17.2	11.7	17%
FY23E	35,613	11.8%	2,758	36.0	12.4	8.6	20%

THREE YEAR OUTLOOK

Business & Earnings ▲

- Expect TRPC to benefit from 1) shift in volumes from unorganised sector to organised, and 2) traction in multimodal logistics (TRPC is one of the few players with presence across value chain), which would drive revenue and EBITDA CAGR of 15%/22% respectively through FY21-25E.
- TRPC's established infrastructure, long-standing customer relationships and experienced management team (vintage of ~six decades) are expected to aid its position as a preferred 3PL partner. Furthermore, presence across multimodal logistics value chain (JV with Concor for rail transportation and fleet of ships for waterway transportation) allows TRPC to provide efficient end-to-end logistics solutions. Robust demand for multimodal logistics is expected to drive coastal shipping volume growth benefiting Seaways division. Expect addition of new ship every 12-15 months to cater to incremental demand. However, increasing competition may dilute realization and profitability (CONCOR expected to restart coastal shipping operations towards end of FY22E and other logistics service providers evaluate opportunities).
- Expect freight segment to benefit from higher contribution from LTL services. Freight segment's share of overall revenues to reduce from 47% in FY21 to ~39% by FY25E.

Valuation Multiples ◀▶

- Improving operating cashflows, combined with reducing debt, are expected to drive RoCE (12% in FY21 to ~18% in FY25E). Based on FY25E estimates, we see a potential upside of 51% (incl. dividends).

KEY ESTIMATES REVISION

	FY22E			FY23E		
	Old	New	Change	Old	New	Change
Sales	29,521	30,035	2%	33,684	35,613	6%
EBITDA %	10.4%	10.5%	13 bps	11.2%	11.8%	58 bps
PAT	1,794	1,980	10%	2,348	2,758	17%
EPS	23.4	25.9	10%	30.7	36.0	17%
Implied Target P/E	Before Results:		14x	After Results:		14x

All figures in Rs.Mn

OUTLOOK REVIEW 1QFY22

5 August 2021

Industry	LOGISTICS
Key Stock Data	
Bloomberg	TRPC IN
Shares o/s	77mn
Market Cap	Rs. 34bn (\$0.5bn)
52-wk High-Low	Rs. 510-168
3m ADV	Rs. 177mn (\$2mn)
Index	BSE SMALLCAP
F&O	No

Latest Shareholding (%)

	Dec 20	Mar 21	Jun 21
Promoters	66.8	66.7	66.7
Institutions	14.0	13.9	14.8
Public	19.2	19.4	18.5
Pledge			

Stock Performance (%)

	1m	3m	12m
TRPC	8.7	61.9	158.8
Sensex	2.8	11.7	44.4

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Quarterly Financial Statement

- Supply Chain segment reported revenues at Rs. 2.15bn, were down 5% 2Y CAGR and 27% QoQ. EBIT margins at 5.4%, were down 150bps sequentially.
- Seaways segment revenues at Rs. 1.2bn, were up 21% 2Y CAGR and down 12% QoQ. EBIT margins at 25.5% expanded 200bps YoY.
- Freight segment reported revenues of Rs. 2.88bn, down 2% 2Y CAGR and 26% QoQ. The segment's EBIT margins at 3.6%, were down 50bps sequentially.
- The company incurred a capex of Rs. 30mn during the quarter.

Consolidated Financial Results

Rs. mn\Period	1QFY22	1QFY21	yoy Growth	4QFY21	qoq Growth	FY20	FY21	Yoy Growth
Revenue	6,108	3,280	86.2%	7,966	-23.3%	25,134	24,520	-2.4%
Operating expense	4,835	2,587	86.9%	6,416	-24.6%	20,270	19,738	-2.6%
Emp. cost	391	289	35.4%	425	-8.0%	1,524	1,402	-8.0%
Other expenses	171	126	36.1%	271	-36.7%	1,005	902	-10.3%
Total Expenditure	5,397	3,001	79.8%	7,111	-24.1%	22,799	22,042	-3.3%
EBITDA	711	279	155.2%	856	-16.9%	2,335	2,479	6.2%
Margin %	11.6%	8.5%	315 bps	10.7%	90 bps	9.3%	10.1%	82 bps
D&A	234	195	19.6%	268	-12.8%	777	881	13.5%
EBIT	477	83	473.0%	588	-18.8%	1,558	1,598	2.5%
Other income	107	89	20.0%	105	1.3%	283	352	24.3%
Net Interest exp (inc)	41	70	-41.4%	56	-27.1%	324	248	-23.5%
PBT	543	103	429.0%	637	-14.7%	1,419	1,562	10.1%
Tax provision	59	4	1348.8%	73	-19.1%	155	214	38.7%
Tax rate %	10.9%	4.0%		11.5%		10.2%	12.6%	
PAT (Reported)	484	99	390.8%	529	-8.5%	1,264	1,348	6.6%
PAT (Adjusted)	484	99	390.8%	555	-12.8%	1,257	1,452	15.6%
Adjusted PAT Margin %	7.9%	3.0%	492 bps	7.0%	96 bps	5.0%	5.9%	92 bps
Shares Outstanding	77	77		77		77	77	
EPS (Reported)	6.3	1.3	390.8%	6.9	-8.5%	17.8	17.6	-1.1%
EPS (Adjusted)	6.3	1.3	390.8%	7.2	-12.8%	16.4	19.0	15.6%

*Adjusted for exceptional loss of Rs. 35mn in 4QFY21, Rs. 140mn in FY21 and Rs, 99mn in FY20

SOTP	Rs./Share	Value (Rs. mn)	Basis
TCI Freight		3,500	5x FY23e EV/EBITDA
TCI SCS		19,027	12x FY23e EV/EBITDA
TCI Seaways		14,701	7x FY23e EV/EBITDA
Others		46	2x FY23e EV/EBITDA
Net Cash(Net Debt)		-1,898	
Value from TCI	464	35,376	92.9% of Total
Value from JV	35	2,710	7.1% of Total; Adjusted for hold co discount
No. Of Shares O/s (mn)		77	
Target Price	500	38,086	

Financial Summary

Abridged Financial Statements

Rs. mn	FY16	FY17	FY18	FY19	FY20	FY21	FY22e	FY23e	FY24e	FY25e
Profit & Loss										
Revenue	22,578	18,042	21,778	25,583	25,134	24,520	30,035	35,613	38,753	43,620
Gross profit	4,742	3,502	4,288	4,888	4,864	4,782	5,868	7,123	7,828	8,898
EBITDA	1,823	1,575	2,083	2,442	2,335	2,479	3,160	4,195	4,594	5,485
Depreciation	539	578	673	752	777	881	1,003	1,137	1,258	1,370
EBIT	1,284	996	1,410	1,690	1,558	1,598	2,157	3,058	3,335	4,114
Other Income	122	177	245	269	283	352	361	375	429	527
Interest expense	282	286	299	356	324	248	174	168	135	103
Exceptional items	0	0	40	0	99	140	0	0	0	0
PBT	1,124	888	1,316	1,603	1,419	1,562	2,344	3,266	3,629	4,539
Reported PAT (after minority interest)	851	703	1,037	1,276	1,264	1,348	1,980	2,758	3,066	3,834
Adj PAT	850	703	1,037	1,276	1,257	1,452	1,980	2,758	3,066	3,834
EPS (Rs.)	11.2	9.2	13.5	16.7	16.4	19.0	25.9	36.0	40.0	50.1
Balance Sheet										
Net Worth	4,917	5,809	6,769	8,370	9,500	10,804	12,630	15,236	18,148	21,829
Deferred Tax	320	392	443	390	263	263	263	263	263	263
Total debt	3,394	4,066	4,238	4,496	4,083	2,735	3,035	2,535	2,035	1,535
Other liabilities and provisions	819	318	535	1,290	1,263	1,375	1,484	1,744	1,890	2,117
Total Networth and liabilities	9,449	10,584	11,985	14,546	15,109	15,177	17,413	19,778	22,337	25,744
Gross Fixed assets	8,021	8,761	10,345	11,917	13,159	14,305	16,555	18,425	20,295	21,865
Net fixed assets	5,169	5,325	6,236	7,055	7,521	7,786	9,033	9,766	10,378	10,577
Capital work-in-progress	123	568	563	40	216	52	52	52	52	52
Intangible Assets	0	0	0	0	0	0	0	0	0	0
Investments	231	298	313	938	888	858	858	858	858	858
Cash and bank balances	124	184	130	122	178	308	330	635	1,836	3,887
Loans & advances and other assets	1,192	1,601	1,604	2,221	2,324	2,223	2,469	2,927	3,185	3,585
Net working capital	2,609	2,608	3,139	4,170	3,982	3,951	4,672	5,539	6,028	6,785
Total assets	9,449	10,584	11,985	14,546	15,109	15,177	17,413	19,778	22,337	25,744
Capital Employed	8,630	10,266	11,450	13,256	13,846	13,802	15,929	18,034	20,447	23,628
Invested Capital (CE - cash - CWIP)	8,383	9,514	10,757	13,094	13,452	13,442	15,547	17,347	18,558	19,689
Net debt	3,270	3,882	4,109	4,375	3,905	2,427	2,706	1,900	199	-2,352
Cash Flows										
Cash flows from Operations (Pre-tax)	2,567	1,115	2,119	2,060	2,748	2,976	2,489	3,336	4,287	4,979
Cash flows from Operations (post-tax)	2,330	883	1,768	1,729	2,353	3,043	2,125	2,829	3,724	4,274
Capex	1,750	1,156	1,590	1,078	1,304	1,442	2,250	1,870	1,870	1,570
Free cashflows	580	-273	177	651	1,049	1,602	-125	959	1,854	2,704
Free cashflows (post interest costs)	298	-560	-122	295	726	1,354	-299	792	1,719	2,601
Cash flows from Investing	-988	-1,174	-1,538	-1,481	-1,346	-959	-2,250	-1,870	-1,870	-1,570
Cash flows from Financing	-1,383	370	316	-255	-964	-1,941	147	-653	-653	-653
Total cash & liquid investments	124	184	130	122	178	308	330	635	1,836	3,887

Financial Summary

	FY16	FY17	FY18	FY19	FY20	FY21	FY22e	FY23e	FY24e	FY25e
Key variables (sector-specific)										
Freight Revenues (Rs. Mn)	8,400	9,223	10,311	12,096	12,478	11,508	13,789	14,892	15,935	17,050
Supply Chain Revenues (Rs. Mn)	6,249	7,374	9,126	10,189	9,250	9,376	11,815	14,414	15,856	17,441
Seaways Revenues (Rs. Mn)	1,407	1,639	2,564	3,593	3,677	3,953	4,688	6,563	7,219	9,385
Growth ratios										
Revenue	2.8%	12.9%	20.7%	17.5%	-1.8%	-2.4%	22.5%	18.6%	8.8%	12.6%
EBITDA	7.0%	17.7%	32.3%	17.2%	-4.4%	6.2%	27.5%	32.8%	9.5%	19.4%
Adj PAT	12.0%	18.0%	47.6%	23.0%	-1.0%	6.6%	46.9%	39.3%	11.1%	25.1%
Margin ratios										
Gross	21.0%	19.4%	19.7%	19.1%	19.4%	19.5%	19.5%	20.0%	20.2%	20.4%
EBITDA	8.1%	8.7%	9.6%	9.5%	9.3%	10.1%	10.5%	11.8%	11.9%	12.6%
Adj PAT	3.8%	3.9%	4.8%	5.0%	5.0%	5.9%	6.6%	7.7%	7.9%	8.8%
Performance ratios										
Pre-tax OCF/EBITDA	140.8%	70.8%	101.7%	84.3%	117.7%	120.1%	78.8%	79.5%	93.3%	90.8%
OCF/IC (%)	27.8%	9.3%	16.4%	13.2%	17.5%	22.6%	13.7%	16.3%	20.1%	21.7%
RoE (%)	16.2%	13.1%	16.5%	16.9%	14.1%	14.3%	16.9%	19.8%	18.4%	19.2%
RoCE (%)	12.1%	9.8%	12.0%	12.6%	12.1%	12.2%	14.3%	17.1%	16.5%	17.8%
RoCE (Pre-tax)	16.0%	12.4%	15.2%	15.9%	13.6%	14.1%	16.9%	20.2%	19.6%	21.1%
RoIC (Pre-tax)	15.0%	11.1%	13.9%	14.2%	11.7%	11.9%	14.9%	18.6%	18.6%	21.5%
Fixed asset turnover (x)	2.9	2.2	2.3	2.3	2.0	1.8	1.9	2.0	2.0	2.1
Total asset turnover (x)	2.3	1.8	1.9	1.9	1.7	1.6	1.8	1.9	1.8	1.8
Financial stability ratios										
Net Debt to Equity (x)	0.7	0.7	0.6	0.5	0.4	0.2	0.2	0.1	0.0	(0.1)
Net Debt to EBITDA (x)	1.8	2.5	2.0	1.8	1.7	1.0	0.9	0.5	0.0	(0.4)
Interest cover (x)	8.3	3.1	5.9	4.9	7.3	12.3	12.2	16.9	27.6	41.7
Cash conversion days	42	53	53	59	58	59	57	57	57	57
Working capital days	48	79	71	73	73	71	69	69	69	69
Valuation metrics										
Fully Diluted Shares (mn)	76.1	76.1	76.6	76.6	76.6	76.6	76.6	76.6	76.6	76.6
Market cap (Rs.mn)			34,154							
P/E (x)	39.9	48.3	32.9	26.8	27.2	23.5	17.2	12.4	11.1	8.9
P/OCF(x)	14.7	38.7	19.3	19.8	14.5	11.2	16.1	12.1	9.2	8.0
EV (Rs.mn) (ex-CWIP)	37,300	37,467	37,699	38,488	37,842	36,581	36,859	36,053	34,353	31,802
EV/ EBITDA (x)	20.5	23.8	18.1	15.8	16.2	14.8	11.7	8.6	7.5	5.8
EV/ OCF(x)	16.0	42.4	21.3	22.3	16.1	12.0	17.3	12.7	9.2	7.4
FCF Yield			0.5%	1.9%	3.1%	4.7%	-0.4%	2.8%	5.4%	7.9%
Price to BV (x)	6.9	5.9	5.0	4.1	3.6	3.2	2.7	2.2	1.9	1.6
Dividend pay-out (%)	13.4%	12.0%	11.8%	10.8%	12.2%	6.4%	7.7%	5.6%	5.0%	4.0%
Dividend yield (%)			0.4%	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%	0.4%

Source: Company data, Spark Capital Research

Crystal Ball Gazing

Over FY20-25E, revenue growth is likely to be driven by 1) shift from unorganised sector to organised, 2) logistics supply chain outsourcing to 3PL players, and 3) traction in multimodal logistics. EBITDA growth is expected to be driven by higher contribution from supply chain services(3PL) and increase in movement of freight by multimodal logistics.



Healthy Revenue and EBITDA growth

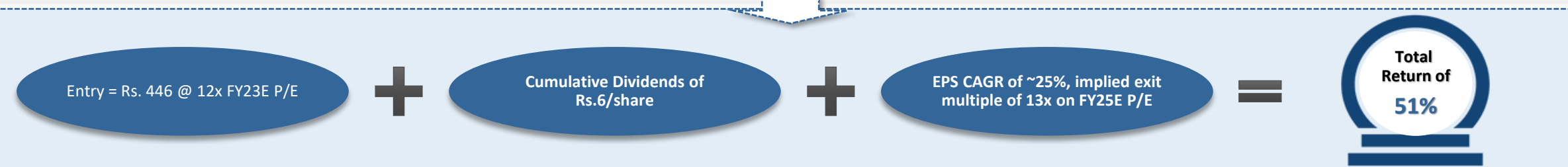
	FY11-FY14	FY14-FY19	FY20-FY25E
Revenues CAGR	5%	12%	12%
Gross Margin	19%	20%	20%
EBITDA CAGR	3%	19%	19%
EBITDA margin	7.6%	8.7%	11.0%
EPS CAGR	6%	27%	25%
Total Asset Turnover (x)	2.5	2.1	1.8
Total WC days	56	66	70
Pre-tax OCF/EBITDA (%)	87%	100%	97%
Post Tax OCF as a % of IC	15%	16%	19%
Debt/EBITDA	2.1	2.5	0.6

Improving operating efficiencies resulting in healthy returns

	FY11-FY14	FY14-FY19	FY20-FY25E
RoE (%)	15.2%	15.5%	17.1%
RoCE (%)	10.9%	11.6%	15.0%
RoIC (%)	15.6%	13.9%	16.2%
Average 1 yr fwd			
PE (x)	4.3	12.8	
EV/EBITDA (x)	4.4	9.1	
Peak 1 yr fwd			
PE (x)	6.8	19.2	
EV/EBITDA (x)	6.6	12.8	

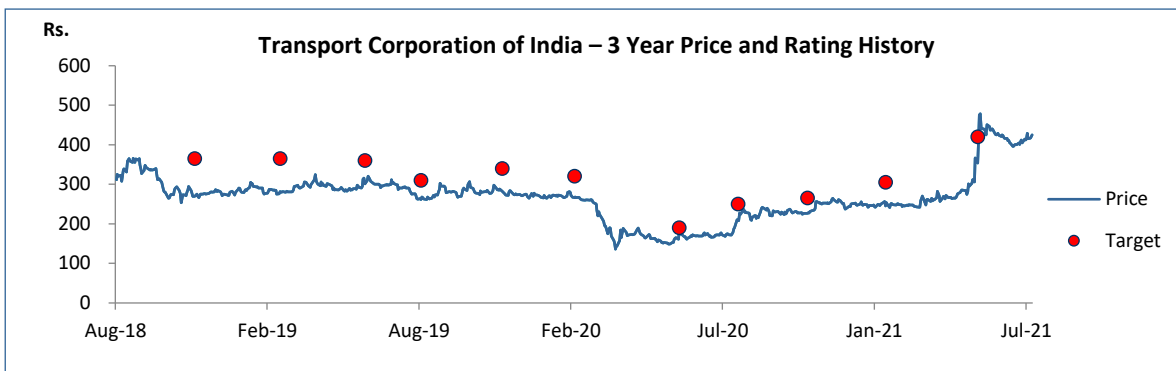
Healthy operating performance to sustain multiple

SOTP	FY25 EBITDA (Rs.mn)	EV/EBITDA (x)	EV (Rs.mn)
TCI Freight	801	5.0	4,007
TCI SCS	1,919	12.0	23,022
TCI Seaways	3,003	7.0	21,022
Others	23	2.0	46
Net Debt (Rs.mn)			199
Mkt Cap (Rs.mn)			47,899
Standalone TP			625
JV (Transystem)			41
Target Price			666



Source: Company data, Spark Capital Research

Spark Recommendation History



Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon
ADD	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon
REDUCE	Stock expected to provide returns of <5% – -10% over a 1-year horizon
SELL	Stock expected to fall >10% over a 1-year horizon

Symbol Interpretation

◀▶ No Change | ▼ Downgrade | ▲ Upgrade

Report Date	CMP (Rs.)	TP (Rs.)	Reco.
27-May-21	367	420	Buy
08-Feb-21	257	305	Buy
05-Nov-20	226	265	Buy
14-Aug-20	210	250	Buy
05-Jun-20	159	190	Buy
03-Feb-20	266	320	Buy
07-Nov-19	289	340	Buy
02-Aug-19	260	310	Buy
29-May-19	315	360	Buy
15-Feb-19	279	365	Buy
06-Nov-18	270	365	Buy
06-Aug-18	317	365	Buy
18-May-18	293	365	Buy
19-Mar-18	265	350	Buy

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