

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR227
Target Price	: INR320
Potential Return	: 41%

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Market data	
Sensex	: 40,616
Sector	: Transport
Market Cap (INRbn)	: 17.3
Market Cap (USDbn)	: 0.232
O/S Shares (m)	: 77.0
52-wk HI/LO (INR)	: 303/121
Avg Daily Vol ('000)	: 16
Bloomberg	: TRPC IN

Source: Bloomberg

	FY21e	FY22e	FY23e
EPS (INR)	15.8	21.0	24.9
P/E(x)	14.4	10.8	9.1
P/BV(x)	1.5	1.4	1.2
EV/EBITDA(x)	9.4	7.5	6.4
Dividend Yield (%)	0.9	0.9	0.9

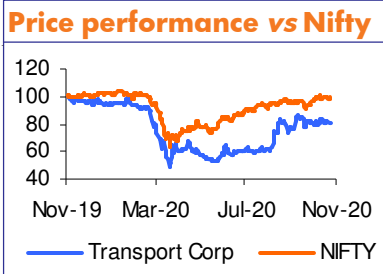
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	(1)	29	39	(22)
Relative	(6)	20	8	(22)

Source: Company, Antique

Shareholding pattern	
Promoters	: 67%
Public	: 33%
Others	: 0%

Source: Bloomberg



Source: Bloomberg, Indexed to 100

2QFY21 RESULT REVIEW

Transport Corporation of India

All round recovery

TCIL's 2QFY21 consolidated performance was better than expected as topline grew 2%YoY to INR6.96bn (vs. estimated decline YoY) led by flat/1%/+9% YoY growth in Freight/Supply Chain/Seaways segment. EBITDA grew 6% YoY to INR622mn (Antique est: INR530mn). EBITDA Margins expanded YoY to 8.9% vs. 8.6% YoY/7.5% QoQ. Adjusted PAT declined 23% YoY to INR373mn (Antique est: INR270mn) as last year period benefitted from tax credits. In 2Q, business reached to pre-covid levels driven by growth across segments aided by pent-up demand and movement ahead of festive season. Going forward, the management expects strength of 2Q to continue in 2H. However, it remains conservative on annual revenue guidance at 85-90% of last year sales. Management also suggested (1) Multimodal logistics is gaining pace as more customers look to optimize supply chain; (2) Sectors like Pharma, Ecommerce, consumer durables and Agri would continue to drive growth; (3) Planning to ramp-up cold chain business and also participate in vaccine logistics; (4) FY21 Capex spend targets at INR1.5bn (including ship). Post 2Q, we have only modestly tweaked estimates. We roll forward to FY23 and value the stock at 13x FY23 EPS at INR320 (INR275 earlier). Earnings will track macro recovery; maintain BUY on strong fundamentals and attractive valuations.

Segment-wise performance

Freight division: Freight segment's revenue was flat YoY at INR3.5bn while PBIT grew ~18%YoY in 2QFY20 to INR120mn. Among segments, there is pick up in textiles, dairy and food products. PBIT margins in the segment expanded to 3.4% vs. 2.9% YoY/1.8%QoQ. As per the company, higher margin trend may continue ahead. Freight rates have inched up due to fuel price hikes. TCI-Concor JV rail business has seen ~70%YoY growth in 1H and management suggested of healthy business pipeline ahead as well. There is very high movement of Food grains via rail; while margins are lower in segment but from Return perspective business is quite attractive.

Supply Chain Segment (SCS): Segment revenue/PBIT grew ~1%/5% YoY during 2Q. PBIT margins during 2Q expanded YoY to 6.6% vs 6.4% YoY/2.8% QoQ. The company indicated that growth is inline with pickup in Automobile sector. In Auto segment, demand is driven by restocking, launch of new products. However, the segment might see a slight dip in December due to model changes etc. Other segment like Ecommerce is growing very rapidly and currently seeing month long sales for festive period for e-tailers. In FMCG, demand has been flattish side in urban areas while for Consumer durables, inventory is at record levels at warehouses led by push related to pent-up demand, IPL, WFH etc. In 2Q, the company added 2 rakes for Automobile transportation. Company is also closely looking at cold chain business opportunity for vaccine logistics (Cold Chain business grew 21% YoY in 2Q); it has commenced capacity creation for this segment.

Seaways division registered revenue/PBIT growth of 9%/+6% YoY in 2Q. Segment PBIT margins during 2Q stood at 16.6% vs. 17% YoY (6% QoQ). Revenues YoY benefitted from addition of a ship last year. The company is looking to add another ship in near term. Fuel prices/bunker rates have come down in last 6-7 months which has aided overall margins.

Other highlights

- **Sector:** Demand has been steady from Food processing, Pharma, chemicals verticals. Also restocking is seen in Automobiles, Retail, ecommerce, consumer durable segments.
- **Modal mix:** Industry has also seen change in modal mix toward Rail and Shipping transport. The company is witnessing immense growth in Multimodal logistics.
- **Capex:** If Company is able to close the new Ship purchase, FY21 capex would stand at INR1.25bn-1.5bn. Without ship, Capex spend would be less than INR1bn for the year.

Quarterly performance

Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	6,969	6,293	10.7
EBITDA	622	530	17.5
EBITDA margin (%)	8.9	8.4	51bps
Adj net income	373	270	38.3
FDEPS (Rs)	4.9	3.5	38.3

Source: Company, Antique

Quarterly snapshot

(Rs mn)	2QFY21	2QFY20	% Chg YoY	1QFY21	% Chg QoQ
Net sales	6,969	6,846	1.8	4,057	71.8
Expenditure	6,346	6,258	1.4	3,751	69.2
EBITDA	622	587	6.0	306	103.2
Other income	66	41	60.0	30	115.8
Interest	69	82	(16.1)	74	(6.2)
Depreciation	209	203	2.8	206	1.4
PBT	457	336	36.0	56	719.7
Tax	84	-47	nm	9	887.1
PAT	373	481	(22.5)	47	689.6
EBITDA margin (%)	8.9	8.6	35bps	7.5	138bps
EPS (Rs)	4.9	6.3	(22.5)	0.6	689.6

Source: Company, Antique

Sales mix (INR mn)

	2QFY21	2QFY20	Chg YoY	1QFY21	Chg QoQ
Freight Division	3,549	3,548	0.0	2,301	54.2
Supply Chain Solutions Division	2,513	2,478	1.4	1,145	119.5
Seaways division	932	854	9.2	682	36.7
Energy Division	17	30	(43.4)	14	23.5
Unallocable & Corporate	62	53	17.9	26	141.2
Less Inter Segment Revenue	39	76	(48.2)	80	(50.9)
Total Sales	7,035	6,887	2.1	4,088	72.1

Source: Company, Antique

PBIT Margin %

	2QFY21	2QFY20	Chg YoY	1QFY21	Chg QoQ
Freight	3.4	2.9	52bps	1.8	162bps
Supply Chain Solutions	6.6	6.4	23bps	2.8	385bps
Seaways	16.6	17.0	-45bps	6.0	1062bps

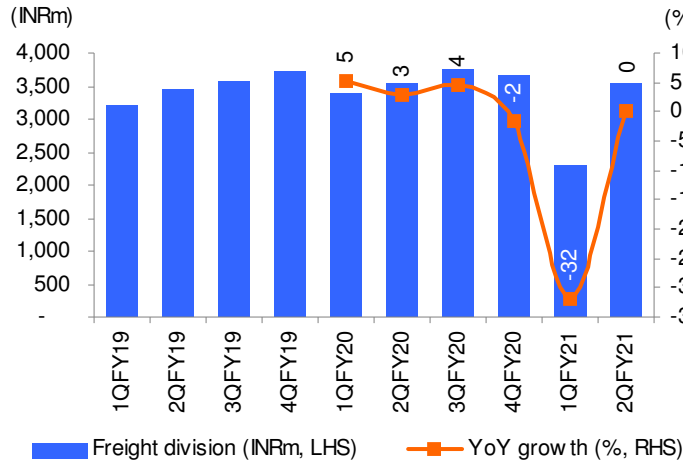
Source: Company, Antique

Change in estimates

Key parameters	FY21e			FY22e			FY23e
	Old	New	% Chg	Old	New	% Chg	New
Revenue (Rs mn)	24,886	25,615	2.9	29,802	29,735	(0.2)	33,705
EBITDA (Rs mn)	2,189	2,236	2.1	2,789	2,729	(2.1)	3,141
EBITDA margin (%)	8.8	8.7	-7bps	9.4	9.2	-18bps	9.3
Net profit (Rs mn)	1,166	1,211	3.8	1,622	1,605	(1.0)	1,904
EPS (Rs)	15.2	15.8	3.8	21.2	21.0	(1.0)	24.9

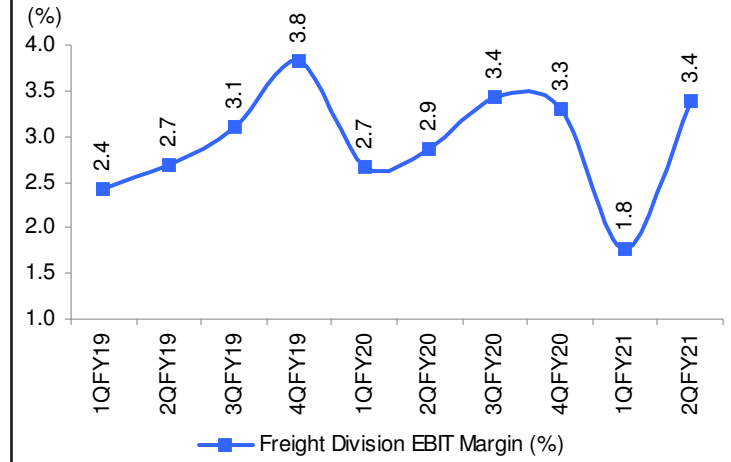
Source: Company, Antique

Freight division sales and growth trend



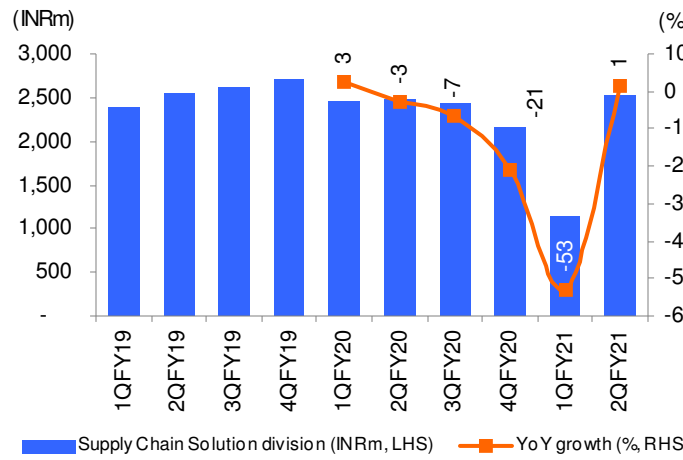
Source: Company, Antique

Freight division EBIT margin trend



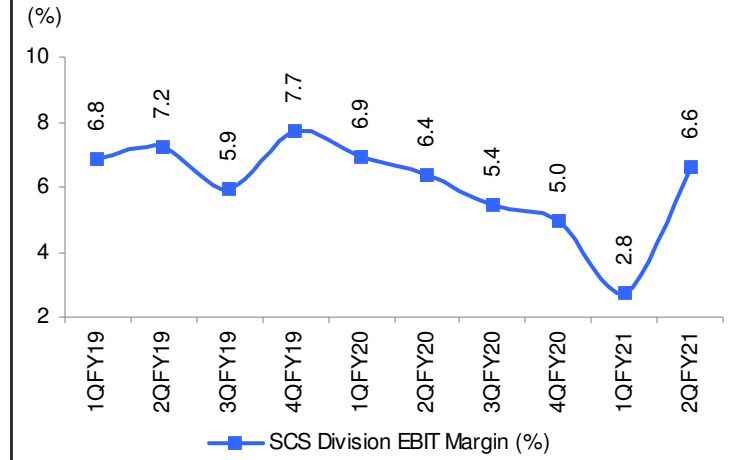
Source: Company, Antique

SCS division sales and growth trend



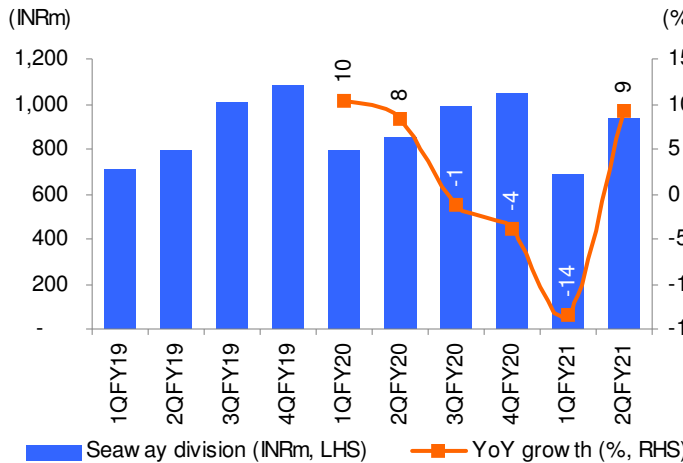
Source: Company, Antique

SCS division EBIT margin trend



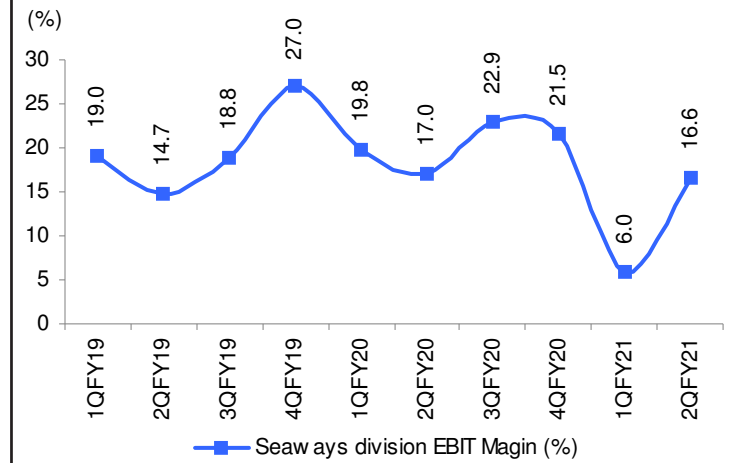
Source: Company, Antique

Seaway division sales and growth trend



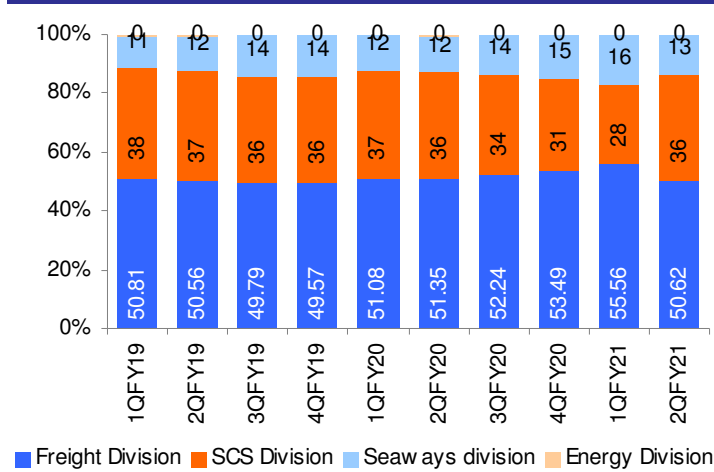
Source: Company, Antique

Seaway division EBIT margin trend



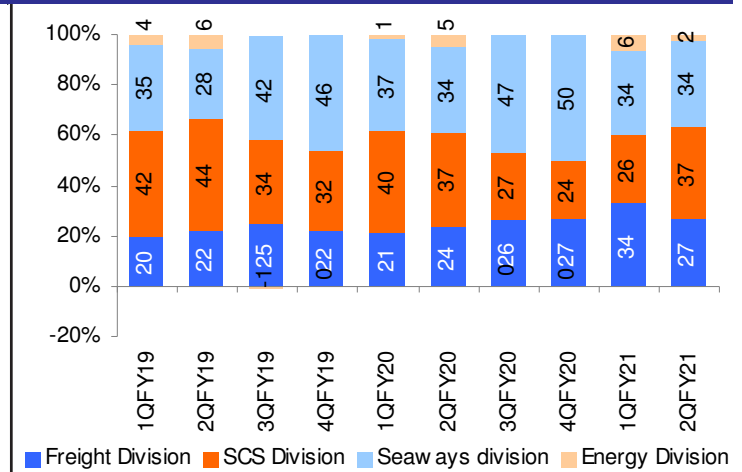
Source: Company, Antique

Sales Mix (%)



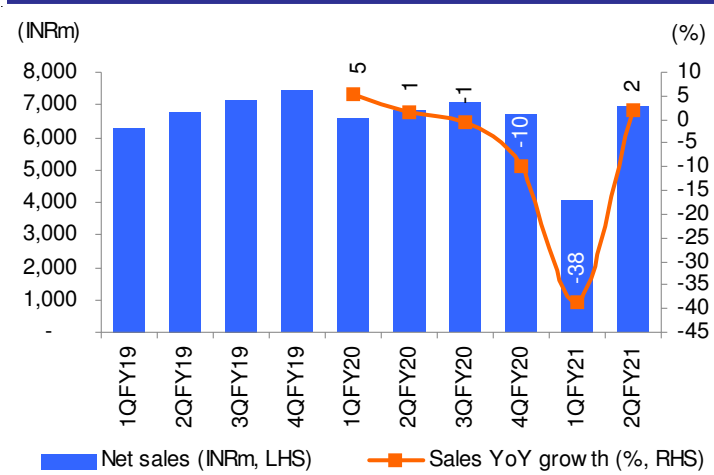
Source: Company, Antique

EBIT Mix (%)



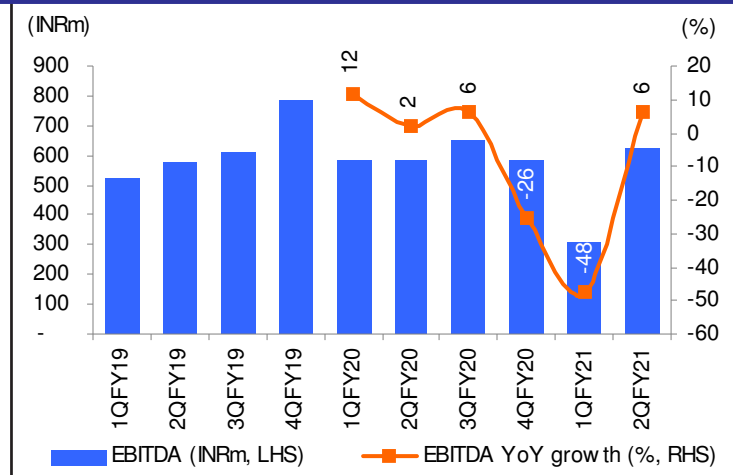
Source: Company, Antique

Total sales and sales growth trend



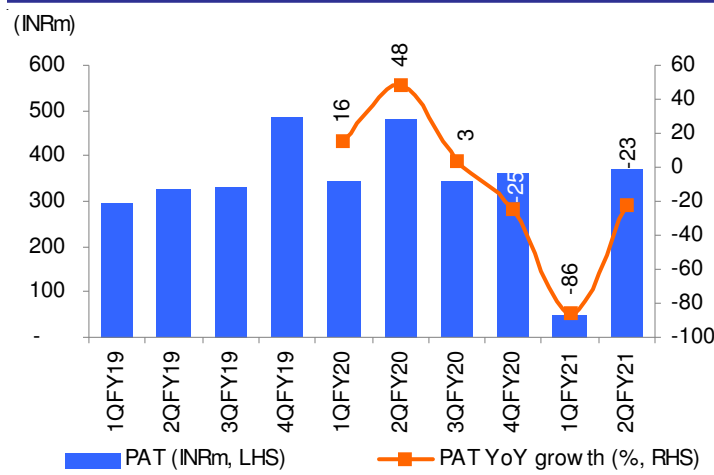
Source: Company, Antique

EBITDA and EBITDA growth trend



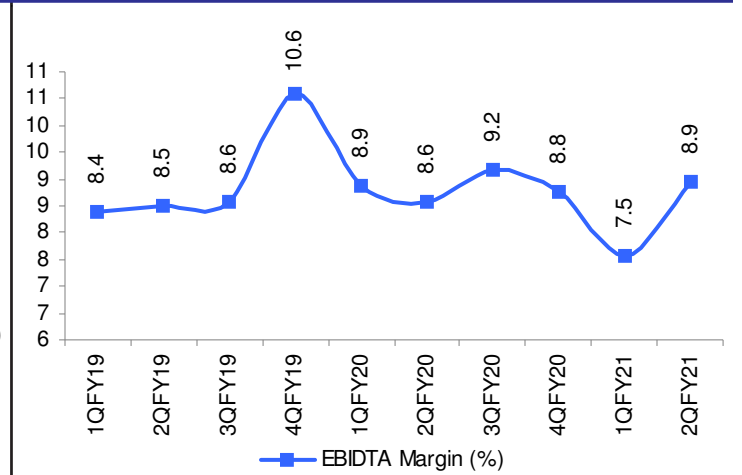
Source: Company, Antique

PAT and PAT growth trend



Source: Company, Antique

EBITDA margin trend



Source: Company, Antique

Financials (Consolidated)

Profit and loss account (INRm)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
Net Revenue	27,536	27,178	25,615	29,735	33,705
Op. Expenses	25,041	24,773	23,379	27,005	30,564
EBITDA	2,495	2,405	2,236	2,729	3,141
Depreciation	774	825	849	902	996
EBIT	1,721	1,580	1,386	1,827	2,144
Other income	195	201	205	209	214
Interest Exp.	374	343	313	305	285
Extra Ordinary Items -gain/(loss)	(7)	(99)	-	-	-
Reported PBT	1,542	1,438	1,279	1,731	2,073
Tax	333	159	257	352	418
Reported PAT	1,202	1,180	1,022	1,379	1,655
Minority Int./Profit (loss) From Asso.	251	252	189	226	249
Net Profit	1,453	1,432	1,211	1,605	1,904
Adjusted PAT	1,453	1,531	1,211	1,605	1,904
Adjusted EPS (INR)	19.0	20.0	15.8	21.0	24.9

Balance sheet (INRm)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
Share Capital	153	154	154	154	154
Reserves & Surplus	8,766	10,085	11,111	12,530	14,249
Networth	8,920	10,239	11,264	12,684	14,403
Debt	4,703	4,186	3,936	3,686	3,436
Minority Interest	52	57	57	57	57
Net deferred Tax liabilities	390	302	302	302	302
Capital Employed	14,065	14,784	15,559	16,729	18,197
Net Fixed Assets	7,308	7,933	8,484	8,881	9,185
Investments	1,168	1,354	1,542	1,768	2,017
Non Current Investments	1,168	1,354	1,542	1,768	2,017
Current Assets, Loans & Adv.	7,683	7,547	7,544	8,304	9,429
Inventory	53	66	66	66	66
Debtors	5,151	4,873	4,351	4,888	5,540
Cash & Bank balance	155	259	572	568	788
Loans & advances and others	2,324	2,349	2,554	2,782	3,035
Current Liabilities & Prov.	2,095	2,050	2,010	2,225	2,434
Liabilities	2,030	1,948	1,908	2,123	2,332
Provisions	65	102	102	102	102
Net Current Assets	5,589	5,497	5,533	6,079	6,995
Application of Funds	14,065	14,784	15,559	16,729	18,197

Per share data

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
No. of shares (m)	77	77	77	77	77
Diluted no. of shares (m)	77	77	77	77	77
BVPS (INR)	116.4	133.7	147.1	165.6	188.0
CEPS (INR)	25.8	26.2	24.4	29.8	34.6
DPS (INR)	1.8	2.0	2.0	2.0	2.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
PBT	1,786	1,591	1,468	1,958	2,322
Depreciation & amortisation	774	825	849	902	996
Interest expense	374	343	313	305	285
(Inc)/Dec in working capital	(719)	117	277	(550)	(697)
Tax paid	(342)	(410)	(257)	(352)	(418)
Less: Interest/Div. Income Recd.	(32)	(11)	(205)	(209)	(214)
Other operating Cash Flow	(11)	68	4	-	-
CF from operating activities	1,830	2,523	2,449	2,053	2,275
Capital expenditure	(1,291)	(1,336)	(1,405)	(1,300)	(1,300)
Inc/(Dec) in investments	(302)	(61)	(189)	(226)	(249)
Add: Interest/Div. Income Recd.	17	22	205	209	214
CF from investing activities	(1,576)	(1,375)	(1,388)	(1,317)	(1,335)
Inc/(Dec) in share capital	12	24	-	-	-
Inc/(Dec) in debt	307	(517)	(250)	(250)	(250)
Dividend Paid	(560)	(545)	(498)	(490)	(470)
Others	-	(6)	-	-	-
CF from financing activities	(241)	(1,044)	(748)	(740)	(720)
Net cash flow	13	104	313	(4)	219
Opening balance	142	155	259	572	568
Closing balance	155	259	572	568	788

Growth indicators (%)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
Revenue(%)	17.2	-1.3	-5.8	16.1	13.4
EBITDA(%)	15.3	-3.6	-7.0	22.1	15.1
Adj PAT(%)	18.0	5.4	-20.9	32.6	18.6
Adj EPS(%)	18.0	5.4	-20.9	32.6	18.6

Valuation (x)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
P/E	12.0	11.4	14.4	10.8	9.1
P/BV	1.9	1.7	1.5	1.4	1.2
EV/EBITDA	8.8	8.9	9.4	7.5	6.4
EV/Sales	0.8	0.8	0.8	0.7	0.6
Dividend Yield (%)	0.8	0.9	0.9	0.9	0.9

Financial ratios

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
RoE (%)	17.6	16.0	11.3	13.4	14.1
RoCE (%)	14.4	12.4	10.5	12.6	13.5
Asset/T.O (x)	2.3	2.1	1.9	2.1	2.2
Net Debt/Equity (x)	0.51	0.38	0.30	0.25	0.18
EBIT/Interest (x)	5.1	5.2	5.1	6.7	8.3

Margins (%)

Year ended 31 Mar	2019	2020	2021e	2022e	2023e
EBITDA Margin(%)	9.1	8.9	8.7	9.2	9.3
EBIT Margin(%)	6.2	5.8	5.4	6.1	6.4
PAT Margin(%)	5.3	5.6	4.7	5.4	5.6

Source: Company Antique

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