

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

Logistics

BSE CODE : 532349 NSE CODE: TCI
BLOOMBERG CODE: TRPC:IN SENSEX : 60,068

Hold

12Months investment Period Rating as per Small Cap

CMP Rs. 765 TARGET Rs. 818 RETURN 7% ↑
(Closing: 04-11-21)

KEY CHANGES:

TARGET ↑

RATING ↓

EARNINGS ↑

Earnings momentum gaining strength...

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 grew by 21% YoY, led by strong revival in economic activities and improved realization.
- EBITDA margins expanded by 380bps YoY to 13.4% on account of improved scale and mix. Consequently, PAT was up by 114% YoY.
- Momentum is gaining on account of normalization of freight operations, strong growth in E-commerce and shipping business.
- We continue to maintain positive view on TCI, given strong earnings outlook of 28% CAGR over FY21-24E.
- We roll forward to FY24E and value TCI at P/E of 19x given earnings upgrade. However, given sharp up-move in stock prices we downgrade to Hold, with a target price of Rs.818.

Higher realisation supports growth...

TCI's Q2FY22 revenue grew by 20% YoY, led by strong growth in freight and seaway business which grew by 22% & 44% YoY respectively. Freight division was supported by strong recovery in economic activities and improved realisation on account of LTL volume pick-up. Seaway division was supported by higher freight rates and high value cargo in the revenue mix. Further, despite volatility in Auto sector volume stable growth in retail and FMCG volumes the overall revenue growth was 9% YoY. CAPEX for H1FY22 was limited to Rs.14cr, was significantly lower given full year guidance of Rs.225cr. This was largely on account of higher cost for marine assets. With increasing vaccine coverage and strong revival in economy boosted by higher government is expected to drive revenue growth. Announced Joint venture with MITSUI for catering to increasing domestic cold chain demand. We factor revenue to grow by 17% CAGR over FY21-FY24E.

EBITDA margin improves...

Q2FY22, Gross margin improved by 350bps YoY to 22.2%, on account of higher realisation and better margin from seaway division. EBITDA grew by 67% YoY, while EBITDA margin improved by 380 bps to 13.4% on account of lower cost. Segmental EBIT, seaway business grew by 211% YoY and margin expanded by 19.2%, which is not expected to continue. Consequently, PAT grew by 114% YoY to 68cr. With economic activities gradually touching to pre-Covid levels, we expect current growth momentum to continue. We expect EBITDA margin to improve led by better scale and higher realisation. We marginally upgrade our EBITDA margin estimates by 80bps & 40bps for FY22E & FY23E. Consequently, our EPS estimates stands increased by 14% & 5% for FY22E & FY23E. We expect PAT to grow by 28% CAGR over FY21-24E.

Valuations

TCI has a pan India network, with technology driven capabilities, providing customized solutions in warehousing, multimodal logistics services and supply chain management. We expect profitability to grow by 28% CAGR over FY21-24E. We roll forward to FY24E and value TCI at P/E of 19x, however given sharp run-up in stocks prices, we downgrade to Hold with target price of Rs.818

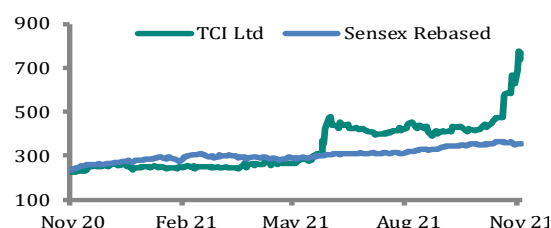
Company Data

Market Cap (cr)	Rs.5,787
Enterprise Value (cr)	Rs.6,044
Outstanding Shares (cr)	7.7
Free Float	33.0%
Dividend Yield	0.33%
52 week high	Rs.805
52 week low	Rs.225
6m average volume (cr)	0.01
Beta	1.4
Face value	Rs.2

Shareholding (%)	Q4FY21	Q1FY22	Q2FY22
Promoters	66.7	66.7	66.5
FII's	1.7	2.4	2.1
MFs/Institutions	12.2	12.4	12.7
Public	10.9	10.6	10.5
Others	8.5	7.9	8.2
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	69.4%	171.1%	237.5%
Absolute Sensex	10.7%	22.1%	47.9%
Relative Return*	58.7%	149.0%	189.6%

*over or under performance to benchmark index



Standalone (cr)	FY22E	FY23E	FY24E
Sales	3,415	3,903	4,540
Growth (%)	22.0	14.3	16.3
EBITDA	359	422	481
EBITDA Margin(%)	10.5	10.8	10.6
PAT Adj.	231	283	332
Growth (%)	45.0	22.4	17.1
Adjusted EPS	30.0	36.7	43.0
Growth (%)	45.0	22.4	17.1
P/E	25.5	20.8	17.8
P/B	4.2	3.5	3.5
EV/EBITDA	16.9	14.3	12.6
ROE (%)	18.1	18.5	18.2
D/E	0.2	0.2	0.1



Quarterly Financials

Profit & Loss

	Q2FY22	Q2FY21	YoY growth %	H1FY22	H1FY21	YoY growth %
Sales	737	612	<i>20.3</i>	1,347	940	<i>43.3</i>
EBITDA	99	59	<i>67.5</i>	170	87	<i>13.4</i>
EBITDA margins	13.4	9.6	<i>+380bps</i>	12.6	9.2	<i>+340bps</i>
Depreciation	24	20	<i>22.2</i>	48	39	<i>21.0</i>
EBIT	75	39	<i>90.3</i>	122	48	<i>157.4</i>
Interest	3	6	<i>(56.5)</i>	7	13	<i>(49.0)</i>
Other Income	6	7	<i>(21.2)</i>	16	16	-
	-	-	-	-	-	-
PBT	77	40	<i>94.0</i>	132	50	<i>162.0</i>
Exceptional Items	-	-	-	-	-	-
Tax	9	8	<i>15.0</i>	12	8	<i>80.5</i>
Share of profit from Associate	-	-	-	-	-	-
Reported PAT	68	32	<i>114.0</i>	117	42	<i>179.0</i>
Adjustments	-	-	-	-	-	-
Adjusted PAT	68	32	<i>114.0</i>	117	42	<i>179.0</i>
No. of Shares	<i>7.7</i>	<i>7.7</i>	-	<i>7.7</i>	<i>7.7</i>	-
EPS (Rs)	8.9	4.2	<i>114.0</i>	15.1	5.4	<i>179.0</i>

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	3,079	3,601	3,415	3,903	<i>11.0</i>	<i>8.4</i>
EBITDA	311	367	359	422	<i>15.3</i>	<i>15.0</i>
Margins (%)	10.1	10.2	10.5	10.8	<i>+70bps</i>	<i>+40bps</i>
Adj. PAT	178	219	231	283	<i>30.0</i>	<i>29.4</i>
EPS	23.2	28.4	30.0	36.7	<i>30.0</i>	<i>29.4</i>

Standalone Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Sales	2,718	2,802	3,415	3,903	4,540
% change	-1.3	3.1	21.9	14.3	16.3
EBITDA	241	261	359	422	481
% change	-3.6	8.6	37.3	17.5	14.2
Depreciation	82	93	104	121	131
EBIT	158	168	255	301	351
Interest	34	27	21	21	19
Other Income	20	25	17	25	29
Share of JV	25	20	23	28	30
PBT	159	174	274	333	390
% change	-10.9	9.5	57.2	21.7	17.1
Tax	16	24	41	50	59
Tax Rate (%)	10.0	13.7	15.0	15.0	15.0
Reported PAT	142	147	231	283	332
Adj.*	10	13	-	-	-
Adj. PAT	152	160	231	283	332
% change	4.8	5.2	44.5	22.4	17.1
No. of Shares (cr)	7.7	7.7	7.7	7.7	7.7
Adj EPS (Rs)	19.8	20.8	30.0	36.7	43.0
% change	-1.0	-7.1	38.4	15.2	15.2
DPS (Rs)	2.4	2.4	2.4	2.4	2.4
CEPS (Rs)	26.6	26.2	33.9	38.4	38.4

BALANCE SHEET

Y.E March (Rs Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash	13	34	65	145	245
Accounts Receivable	487	511	608	695	796
Inventories	7	7	8	10	11
Other Cur. Assets	248	227	267	306	356
Investments	135	150	162	192	242
Gross Fixed Assets	1,083	1,133	1,313	1,493	1,653
Net Fixed Assets	771	802	878	937	966
CWIP	22	5	10	30	50
Intangible Assets	0	3	3	3	3
Def. Tax (Net)	(30)	(27)	(27)	(27)	(27)
Other Assets	-	-	-	-	-
Total Assets	1,653	1,711	1,974	2,291	2,642
Current Liabilities	239	267	305	346	374
Provisions	10	9	11	13	15
Debt Funds	374	257	257	257	257
Other Liabilities	6	9	9	9	9
Equity Capital	15	15	15	15	15
Reserves & Surplus	1,009	1,154	1,376	1,650	1,972
Shareholder's Fund	1,024	1,170	1,392	1,665	1,988
Total Liabilities	1,653	1,711	1,974	2,291	2,642
BVPS	133	152	180	216	258

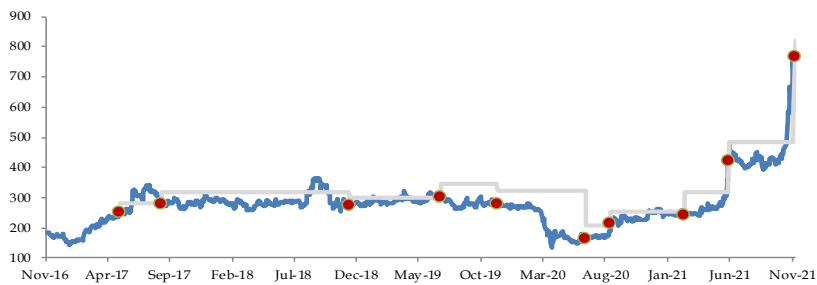
CASH FLOW

Y.E March (Rs Cr)	FY20A	FY21A	FY22E	FY23E	FY24E
Net inc. + Depn.	204	223	302	343	395
Non-cash adj.	(4)	35	(14)	(22)	(27)
Changes in W.C	23	18	(98)	(84)	(123)
C.F. Operation	243	305	220	287	300
Capital exp.	(132)	(124)	(185)	(200)	(180)
Change in inv.	(5)	(2)	(12)	(30)	(50)
Other invest.CF	2	20	40	53	59
C.F - Investment	(135)	(106)	(157)	(177)	(171)
Issue of equity	2	4	-	-	-
Issue/repay debt	(52)	(145)	-	-	-
Dividends paid	(20)	(10)	(10)	(10)	(10)
Other finance.CF	(34)	(27)	(21)	(21)	(19)
C.F - Finance	(104)	(178)	(31)	(30)	(29)
Chg. in cash	3	21	32	80	100
Closing cash	13	34	65	145	245

RATIOS

Y.E March	FY20A	FY21A	FY22E	FY23E	FY24E
Profitab & Return					
EBITDA margin (%)	8.9	9.3	10.5	10.8	10.6
EBIT margin (%)	5.8	6.0	7.5	7.7	7.7
Net profit mgn.(%)	5.6	5.7	6.8	7.3	7.3
ROE (%)	15.9	14.6	18.1	18.5	18.2
ROCE (%)	11.0	10.4	14.0	14.5	14.3
W.C & Liquidity					
Receivables (days)	67.3	65.0	59.8	60.9	59.9
Inventory (days)	0.8	0.9	0.8	0.8	0.8
Payables (days)	0.7	0.9	0.9	0.8	0.7
Current ratio (x)	3.0	2.8	3.0	3.2	3.6
Quick ratio (x)	2.1	2.0	2.2	2.4	2.8
Turnover & Leverage					
Gross asset T.O (x)	2.7	2.5	2.8	2.8	2.9
Total asset T.O (x)	1.7	1.7	1.9	1.8	1.8
Int. covge. ratio (x)	4.6	6.3	12.1	14.6	18.2
Adj. debt/equity (x)	0.4	0.2	0.2	0.2	0.1
Valuation					
EV/Sales (x)	2.3	2.2	1.8	1.5	1.3
EV/EBITDA (x)	25.6	23.1	16.9	14.3	12.6
P/E (x)	38.6	36.8	25.5	20.8	17.8
P/BV (x)	5.7	5.0	4.2	3.5	3.0

Recommendation summary (Last 3 years)



Dates	Rating	Target
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
09-Novemebr-20	Buy	262
11-February-21	Buy	317
31-May-21	Accumulate	471
08-November-21	Hold	818

Source: Bloomberg, Geojit Research.

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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