

# Transport Corporation of India (TRPC IN)

## Recovery in Supply Chain

### INDIA | LOGISTICS | Quarterly Update

01 November 2022

#### Top takeaways from 2QFY23

- Results lower than expectations. Dry docking Shipping.
- Benefit of integrated diversified services and multi-modal capabilities.

#### Key highlights

Standalone revenue grew by 15.5% yoy (up 5.4% qoq) to Rs 8.5bn (1.5% higher than estimates of Rs 8.4bn). Freight division revenue up by 16.3%yoy (up 4.8% qoq) to Rs 3.9bn; Supply Chain revenue increased by 27.04%yoy (+19.8% qoq) to Rs 3.4bn; Seaway's revenue declined by 7.5%yoy (-18.6%qoq) to Rs 1.2bn. Gross margins declined by 211bps yoy to 20.1% in 2QFY23 due impact in shipping division. EBITDA declined by 7.3% yoy (-7.6% qoq) to Rs 916mn, 11% lower than estimates of Rs 1bn. EBITDA margins down from 13.4% in 2QFY22 to 10.8% in 2QFY23. EBIT in supply chain increased by 37.2%yoy to Rs 220mn while it is up by 13.0% to Rs 158mn in freight division. EBIT in seaways declined by 36.6%yoy from Rs 480mn in 2QFY22 to Rs 304mn in 2QFY23. Interest cost declined by 23.8%yoy to Rs 21mn. PBT declined by 12.0% yoy to Rs 682mn. Adjusted profit down by 16.0%yoy at Rs 574mn in 2QFY23, lower than estimates of Rs 702mn. Consolidated profit declined by 4.1%yoy to Rs 723mn in 2QFY23.

#### Conference call takeaways

- EBITDA in freight division grew by 12.0%yoy to Rs 168mn with margin decline of 10bps yoy to 4.3% in 2QFY23; EBITDA in SCM increased by 15.3%yoy to Rs 324mn and in seaways down by 18.3%yoy to Rs 481mn. EBITDA margins in SCM declined by 96bps to 9.4% and Seaways down from 43.9% in 2QFY22 to 38.7% in 2QFY23.
- Seaways division impacted mainly due to dry docking of three ships and lower volume from international Myanmar route. Management expects normalization of shipping profits with EBITDA margins in range of 35-40%. Strong growth and improving economic activities helped freight and SCM business.
- LTL is c. 35% of freight business supporting the margins and expect LTL share to increase to 40% by 2025. Freight rates are stable across major routes with growth momentum amidst festive seasons. Uptrend in Auto segment accounting c.75% of revenue is positive for SCM business and TCI is actively using rail transport to offset fuel price impact.
- JV performance: TCI Concor operating asset light rail operations reported marginal 1.8% growth in revenue to Rs 1.5bn in 1HFY23. Transystem focused on automotive logistics reported revenue growth of 55.5%yoy to Rs 3.1bn while TCI Cold chain reported revenue growth of 13.7%yoy to Rs 316mn in 1HFY23.
- TCI had capital expenditure of Rs 468mn in FY22 and has planned capex of Rs 3.15bn in FY23 including ship purchase of c. Rs 900mn and container addition of Rs 600mn. Capex in 1HFY23 was Rs 599mn.

**Outlook and valuation:** At CMP, stock trades at 17.8x our FY24 earnings. TCI has a strong history of maintaining growth in different economic cycles. It is best placed to provide a cost-effective solution to the customized needs of its clients due to its national network (historical asset base at strategic locations) and multimodal capabilities. We maintain valuation at 20x FY24EPS and target of Rs 810 (Unchanged).

### NEUTRAL (Maintain)

CMP RS 716

TARGET RS 810 (+13%)

SEBI CATEGORY: SMALL CAP

#### COMPANY DATA

O/S SHARES (MN) :	78
MARKET CAP (RSBN) :	55
MARKET CAP (USDBN) :	0.7
52 - WK HI/LO (RS) :	859 / 527
LIQUIDITY 3M (USDMN) :	1
PAR VALUE (RS) :	2

#### SHARE HOLDING PATTERN, %

	Sep 22	Jun 22	Mar 22
PROMOTERS :	66.6	66.6	66.6
DII :	12.0	12.0	12.2
FII :	3.1	3.1	2.7
OTHERS :	18.3	18.3	18.5

#### KEY FINANCIALS

Rs mn	FY22E	FY23E	FY24E
Net Sales	32,567	36,556	41,857
EBITDA	4,087	4,204	4,806
Net Profit	2,896	2,711	3,098
EPS, Rs	37.6	35.2	40.2
PER, x	19.1	20.4	17.8
EV/EBITDA, x	13.5	13.3	11.4
PBV, x	3.9	3.3	2.8
ROE, %	22.0	17.0	16.5

#### CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY23E	FY24E	FY23E	FY24E
Revenue	36,556	41,857	0%	0%
EBITDA	4,204	4,806	0%	0%
Core PAT	2,711	3,098	0%	0%
EPS (Rs)	35.2	40.2	0%	0%

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Consolidated (Rs mn)	2QFY23	2QFY22	yoy	1QFY23	qoq %	vs. expect. %	Comments
Revenue	8509	7365	15.5	8072	5.4	1.5	Freight +16.3%yoy; SCM +27.0%yoy; Seaways -7.5%yoy
EBITDA	916	988	-7.3	992	-7.6	-11.0	Revenue mix and decline in shipping
EBITDA margins	10.8%	13.4%	-265bps	12.3%	-152bps		Drydocking in shipping, lower international volume
Other income	76	56	36.0	159	-52.3	-15.7	
Depreciation	289	242	19.6	278	3.9	2.9	
Interest	21	28	-23.8	19	12.8	-4.1	Repayment of debt in Shipping
PBT	682	775	-12.0	854	-20.2	-16.5	
PAT	574	684	-16.0	766	-25.1	-18.2	

**Standalone**

Year End March (Rs mn)	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Revenue	7365	7593	7979	8072	8509
Operating expense	5730	5839	6144	6374	6799
Opex as % of sales	77.8%	76.9%	77.0%	79.0%	79.9%
Employee	404	422	422	453	475
Other expenses	243	264	277	254	319
EBITDA	988	1069	1136	992	916
EBITDA margins (%)	13.4%	14.1%	14.2%	12.3%	10.8%
Other Income	55.8	71.2	77.6	159.2	75.9
Depreciation	241.9	241.0	359.5	278.4	289.3
Interest	27.7	21.5	19.0	18.7	21.1
PBT	774.6	877.6	835.4	853.9	681.6
Tax	91.1	101.7	104.4	87.6	107.5
Tax rate (%)	11.8%	11.6%	12.5%	10.3%	15.8%
Adj PAT	684	776	731	766	574
Extraordinary	0.0	0.0	0.0	0.0	0.0
Reported PAT	684	776	731	766	574
EPS (Rs)	8.9	10.1	9.5	10.0	7.5

Source: PhillipCapital India Research

**Segmental details**

Standalone	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23
Freight Division	3393	3540	3906	3764	3944
Supply chain	2700	2644	2564	2862	3429
Seaways	1342	1479	1607	1525	1242
Energy	21	6	12	16	19
<b>EBIT (Rs mn)</b>					
Freight Division	140	162	170	133	158
Supply chain	161	155	183	155	220
Seaways	480	540	477	461	304
Energy	15	1	6	8	10
<b>EBIT (%)</b>					
Freight Division	4.1%	4.6%	4.4%	3.5%	4.0%
Supply chain	5.9%	5.9%	7.1%	5.4%	6.4%
Seaways	35.8%	36.5%	29.7%	30.2%	24.5%

Source: PhillipCapital India Research

**Coverage Universe**

Company	Size	Fw PE	Reco/UpSide	
Container Corporation	M	35.3	BUY	-2%
Praj Industries Ltd	S	27.9	Neutral	17%
Pennar Industries Ltd	S	12.0	BUY	3%
Indo Count Industries	S	10.1	BUY	57%
KDDL	S	37.5	BUY	-13%
Gateway Distriparks Ltd	S	18.7	BUY	51%
Navkar Corporation	S	10.2	BUY	69%
Allcargo Logistics Ltd	S	11.5	BUY	4%
Aegis Logistics	S	27.4	Neutral	-18%
Mahindra Logistics Limited	S	47.6	BUY	24%
Transport Corporation of India	S	20.3	Neutral	13%
VRL Logistics Ltd	S	24.8	BUY	25%

Source: Company, PhillipCapital India Research (Note: L/M/S = Large/Mid/Small Cap)

## Financials

### Income Statement

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
<b>Net sales</b>	<b>28,024</b>	<b>32,567</b>	<b>36,556</b>	<b>41,857</b>
Growth, %	3.1	16.2	12.2	14.5
Other operating income	-	-	-	-
Raw material expenses	22,972	25,766	29,172	33,485
Employee expenses	1,455	1,700	1,901	2,260
Other Operating expenses	984	1,013	1,280	1,305
<b>EBITDA (Core)</b>	<b>2,612</b>	<b>4,087</b>	<b>4,204</b>	<b>4,806</b>
Growth, %	8.6	56.5	2.8	14.3
Margin, %	9.3	12.6	11.5	11.5
Depreciation	928	1,130	1,480	1,598
<b>EBIT</b>	<b>1,684</b>	<b>2,957</b>	<b>2,724</b>	<b>3,208</b>
Growth, %	6.6	75.6	(7.9)	17.8
Margin, %	6.0	9.1	7.5	7.7
Interest paid	267	128	100	97
Other Income	255	199	221	232
Non-recurring Items	-	-	-	-
<b>Pre tax profit</b>	<b>1,672</b>	<b>3,028</b>	<b>2,845</b>	<b>3,344</b>
Tax provided	238	377	427	568
<b>Profit after tax</b>	<b>1,602</b>	<b>2,896</b>	<b>2,711</b>	<b>3,098</b>
Minorities/JV shares	168	245	294	323
<b>Net Profit</b>	<b>1,471</b>	<b>2,896</b>	<b>2,711</b>	<b>3,098</b>
Growth, %	26.6	(21.8)	11.1	5.0
<b>Net Profit (adjusted)</b>	<b>1,471</b>	<b>2,896</b>	<b>2,711</b>	<b>3,098</b>
Unadj. shares (m)	77	77	77	77
Wtd avg shares (m)	77	77	77	77

### Balance Sheet

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Cash & bank	395	745	176	1,052
Marketable securities at cost	29	147	153	159
Debtors	5,110	5,083	7,011	8,027
Inventory	71	85	93	102
Loans & advances	265	13	15	18
Other current assets	1,340	1,776	2,131	2,557
Total current assets	7,181	7,700	9,426	11,757
Investments	1,883	2,031	2,335	3,270
Gross fixed assets	10,653	11,616	14,116	15,616
<b>Less: Depreciation</b>	<b>(3,275)</b>	<b>(4,405)</b>	<b>(5,885)</b>	<b>(7,484)</b>
Add: Capital WIP	52	73	183	183
Net fixed assets	7,461	7,314	8,466	8,368
Non - current assets	638	773	880	900
<b>Total assets</b>	<b>17,191</b>	<b>17,965</b>	<b>21,261</b>	<b>24,453</b>
Trade Payables	759	851	901	1,032
Provisions	86	252	277	305
Total current liabilities	2,308	2,141	2,781	3,057
Non - current liabilities	2,816	934	905	850
Total liabilities	14,884	15,823	18,480	21,397
Paid - up capital	154	154	154	154
Reserves & surplus	11,543	14,148	16,822	19,781
Minorities	86	274	279	285
Shareholders' equity	11,783	14,576	17,256	20,220
<b>Total equity &amp; liabilities</b>	<b>17,191</b>	<b>17,964</b>	<b>21,261</b>	<b>24,453</b>

### Cash Flow

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Pre-tax profit	1,672	3,028	2,845	3,344
Depreciation	928	1,130	1,480	1,598
Chg in working capital	(187)	(336)	(1,655)	(1,179)
Total tax paid	(238)	(377)	(427)	(568)
<b>Cash flow from operating activities</b>	<b>2,355</b>	<b>3,619</b>	<b>2,416</b>	<b>3,382</b>
Capital expenditure	101	(984)	(2,610)	(1,500)
Chg in investments	(113)	(266)	(311)	(940)
Chg in marketable securities	-	-	-	-
<b>Cash flow from investing activities</b>	<b>243</b>	<b>(1,051)</b>	<b>(2,700)</b>	<b>(2,208)</b>
Free cash flow	2,827	2,680	(198)	1,254
Equity raised/(repaid)	80	338	-	-
Debt raised/(repaid)	(1,177)	(1,747)	(22)	(49)
Dividend (incl. tax)	(92)	(139)	(139)	(139)
<b>Cash flow from financing activities</b>	<b>(2,462)</b>	<b>(2,227)</b>	<b>(391)</b>	<b>(414)</b>
Net chg in cash	136	341	(675)	760

### Valuation Ratios

	FY21	FY22E	FY23E	FY24E
<b>Per Share data</b>				
EPS (INR)	19.1	37.6	35.2	40.2
Growth, %	3.3	96.8	(6.4)	14.3
Book NAV/share (INR)	151.7	185.5	220.2	258.6
FDEPS (INR)	19.1	37.6	35.2	40.2
CEPS (INR)	31.1	52.2	54.4	60.9
CFPS (INR)	30.6	46.9	31.3	43.9
DPS (INR)	1.2	1.5	1.5	1.5

### Return ratios

Return on assets (%)	8.8	16.5	13.8	13.6
Return on equity (%)	13.3	22.0	17.0	16.5
Return on capital employed (%)	11.2	17.5	13.5	13.3
ROIC (%)	10.0	17.2	12.6	13.1

### Turnover ratios

Asset turnover (x)	3.8	4.5	4.3	5.0
Sales/Net FA (x)	3.8	4.5	4.3	5.0
Working capital/Sales (%)	17.4	17.1	18.2	20.8
Receivable days	65.0	57.1	60.4	65.6
Inventory days	1.1	1.1	1.1	1.1
Payable days	9.1	9.0	8.7	8.4
Working capital days	63.5	62.3	66.4	75.9

### Liquidity ratios

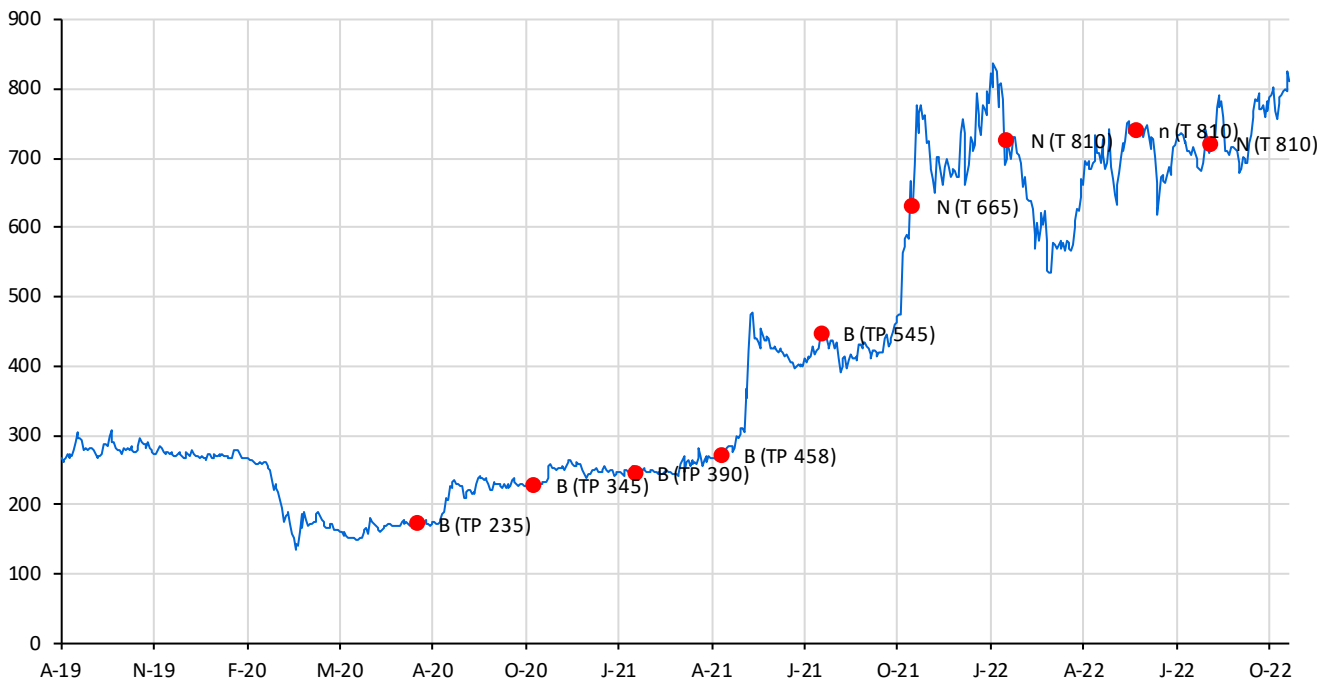
Current ratio (x)	3.1	3.6	3.4	3.8
Quick ratio (x)	0.5	0.5	0.5	0.5
Interest cover (x)	6.3	23.0	27.1	33.2
Total debt/Equity (x)	0.2	0.1	0.1	0.0
Net debt/Equity (x)	0.2	0.0	0.0	0.0

### Valuation

PER (x)	37.5	19.1	20.4	17.8
PEG (x) yoy growth	11.2	0.2	(3.2)	1.2
Price/Book (x)	4.7	3.9	3.3	2.8
EV/Net sales (x)	2.1	1.7	1.5	1.3
EV/EBITDA (x)	22.1	13.5	13.3	11.4
EV/EBIT (x)	34.2	18.7	20.5	17.1

Source: Company, PhillipCapital India Research

**Stock Price, Price Target and Rating History**



Source: PhillipCapital India Research

## Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

### Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$(10\% > \text{to} < +10\%)$	Target price is less than +10% but more than (10%
SELL	$\leq (10\%)$	Target price is less than or equal to (10%.

### Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$(15\% > \text{to} < +15\%)$	Target price is less than +15% but more than (15%
SELL	$\leq (15\%)$	Target price is less than or equal to (15%.

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