

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR724
Target Price	: INR845
Potential Return	: 17%

Prateek Kumar
+91 22 4031 3440
prateek.kumar@antiquelimited.com

Saurabh Dugar
saurabh.dugar@antiquelimited.com

Market data	
Sensex	: 57,277
Sector	: Transport
Market Cap (INRbn)	: 55.1
Market Cap (USDbn)	: 0.734
O/S Shares (m)	: 77.3
52-wk HI/LO (INR)	: 859/235
Avg Daily Vol ('000)	: 186
Bloomberg	: TRPC IN

Source: Bloomberg

	FY22e	FY23e	FY24e
EPS (INR)	36.0	38.3	44.5
P/E (x)	20.1	18.9	16.3
P/BV (x)	3.9	3.3	2.8
EV/EBITDA (x)	14.5	13.4	11.4
Dividend Yield (%)	0.3	0.4	0.4

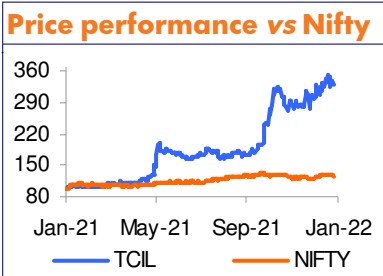
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	0	7	66	195
Relative	0	15	53	149

Source: Company, Antique

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

Source: Bloomberg



Source: Bloomberg, Indexed to 100

3QFY22 RESULT REVIEW

Transport Corporation of India

Shipping segment led Margin surprise continue in 3Q

TCIL's 3QFY22 consolidated performance was much ahead of expectations yet again on beat on margins. Topline grew 4% YoY to INR8.4bn (inline est: INR8.5bn) led by +4%/-7%/+43% YoY growth in Freight/Supply Chain/Seaways segment. Beat came on account of higher margins especially from the Seaways business. EBITDA grew 37% YoY to INR1.09bn (est: INR886mn) with margin expansion YoY to 13% vs. 9.9% YoY (12.7% QoQ) - with higher margins from Seaways segment boosting overall margins during the quarter. During the call, Management (1) maintained guidance on revenue growth of 15-20% and PAT growth of 35-40% for FY22 (although company is growing ahead of guidance); (2) Seeing some trends of demand slowdown in some sectors, additionally high base could impact growth in 4Q.; (3) Shipping revenues have benefitted from better turnaround of ships, increase in freight rates YoY and incremental volumes from Myanmar related business but it's unclear if this business will continue beyond FY22 end; (4) Capex for FY22 to be contained to INR500-600mn as Capex related to Ship purchase stands deferred due to high asset prices. Post 3Q, we have revised our FY22/FY23/FY24 EPS estimates by 15%/7%/7% factoring in sustained good performance in 3Q. We value the stock at 19x FY24 EPS at INR845 (INR755 earlier); maintain BUY on strong fundamentals and attractive valuations. The company is trading at invaluable P/E of 16x on FY24 EPS.

Segment-wise performance

- **Freight division:** Freight segment's revenue grew 4% YoY/+5% QoQ to INR4.3bn. PBIT grew 8% YoY/ 16% QoQ in 3QFY22. PBIT margins in the segment expanded to 4.3% vs. 3.9% QoQ (4.2%YoY).
- **Supply Chain Segment (SCS):** Segment revenue de-grew 7% YoY/-2% QoQ in 3QFY22. PBIT fell 17% YoY /flat QoQ. PBIT margins during 3Q expanded QoQ to 6% vs 5.8% QoQ (6.7% YoY).
- **Seaways division** registered revenue growth of 43% YoY/10% QoQ in 3QFY22. Segment PBIT margin grew YoY to 36.5% vs. 22.6% YoY (35.8% QoQ).

Margins scale new highs on the back of sustained shipping margins

During 3QFY22, EBITDA Margins expanded even further after a brilliant 2Q to 13% vs. 9.9% YoY (and 12.7% QoQ). Margins benefitted from yet again expansion in shipping segment margins. Supply Chain margins were lower YoY, on lower Topline & negative operating leverage with Auto segment being impacted by crisis related to semiconductor availability and other reasons. Overall Operating expenses remained flat YoY/+1% QoQ while Employee expenses grew 17% YoY/+6% QoQ. Other expenses fell 9% YoY/+8% QoQ. PAT grew nearly 60% YoY to INR828mn (est: INR602mn). Profit from associates was INR72mn, higher 39% YoY.

Other highlights from Results

- **Shipping segment** revenue has benefitted from better turnaround of ships, increase in freight rates YoY and incremental volumes from Myanmar related business which is active till 31-Mar; its unclear if this business will continue beyond FY22 end (to be determined by govt policies). Margins may moderate from current levels. Pre-Myanmar business, shipping segment EBITDA margins were at 25-30%. Need to see how much Myanmar business sustains in FY23.
- In **Supply Chain segment**, Auto segments continues to be marred by chip shortage and impact on agri related vehicle sales related to elections in North. Cold chain JV has grown by 78% in 9MFY22, Transystem JV (Toyota) has grown at 50%+ in 9MFY22.
- **Capex & leverage:** Due to inflated asset prices, Company has deferred Capex related to Ship purchase for FY22. Capex during FY22 is expected to remain contained at INR500-600mn vs. earlier guidance of INR2bn+, while company has incurred INR190mn in 9MFY22 so far. Net Debt levels at nil now versus over INR2bn last year.

Quarterly performance

Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance	Consensus	% Variance
Net sales	8,377	8,533	(1.8)	8,186	2.3
EBITDA	1,092	886	23.2	1,023	6.7
EBITDA margin (%)	13.0	10.4	265bps	12.5	54bps
Adj net income	828	602	37.6	685	20.9
FDEPS (Rs)	10.7	7.8	37.6	8.9	20.9

Source: Company, Antique

Quarterly snapshot

(Rs mn)	Q3FY22	Q3FY21	% Chg YoY	Q2FY22	% Chg QoQ
Net sales	8,377	8,071	3.8	8,251	1.5
Expenditure	7,285	7,274	0.2	7,206	1.1
EBITDA	1,092	797	37.0	1,045	4.5
Other income	53	46	15.9	29	82.2
Interest	26	63	(59.1)	33	(21.3)
Depreciation	255	233	9.6	256	(0.5)
PBT	936	494	89.3	858	9.1
Tax	108	65	65.6	96	12.3
PAT	828	520	59.3	762	8.7
EBITDA margin (%)	13.0	9.9	316bps	12.7	37bps
EPS (Rs)	10.7	6.7	59.3	9.9	8.7

Source: Company, Antique

Sales mix

(INR mn)	Q3FY22	Q3FY21	Chg YoY	Q2FY22	Chg QoQ
Freight Division	4,323	4,149	4.2	4,128	4.7
Supply Chain Solutions Division	2,788	3,011	(7.4)	2,843	(1.9)
Seaways division	1,479	1,038	42.6	1,342	10.2
Energy Division	6	3	111.5	21	(73.6)
Unallocable & Corporate	23	27	(16.2)	24	(4.6)
Less Inter Segment Revenue	188	111	69.9	78	143.1
Total Sales	8,430	8,117	3.9	8,281	1.8

Source: Company, Antique

PBIT Margin

%	Q3FY22	Q3FY21	Chg YoY	Q2FY22	Chg QoQ
Freight	4.3	4.2	16bps	3.9	41bps
Supply Chain Solutions	6.0	6.7	-67bps	5.8	13bps
Seaways	36.5	22.6	1384bps	35.8	71bps

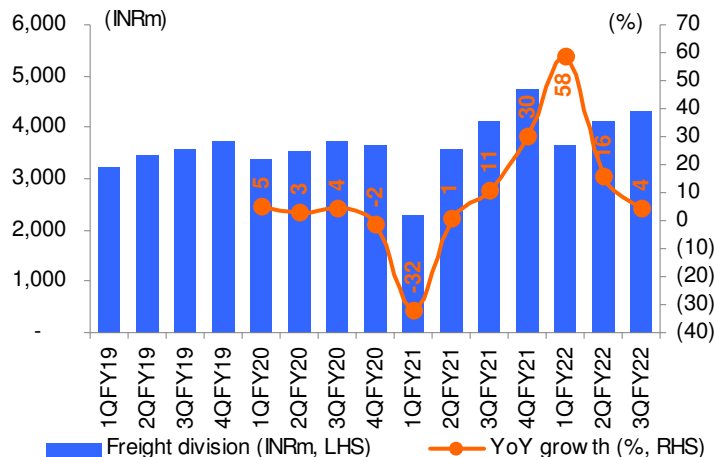
Source: Company, Antique

Change in estimates

Key parameters	FY22e			FY23e			FY24e		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	33,466	32,565	(2.7)	38,473	37,099	(3.6)	44,243	42,687	(3.5)
EBITDA (Rs mn)	3,575	3,886	8.7	4,050	4,117	1.7	4,664	4,739	1.6
EBITDA margin (%)	10.7	11.9	125bps	10.5	11.1	57bps	10.5	11.1	56bps
Net profit (Rs mn)	2,422	2,775	14.6	2,757	2,956	7.2	3,220	3,430	6.5
EPS (Rs)	31.4	36.0	14.6	35.8	38.3	7.2	41.8	44.5	6.5

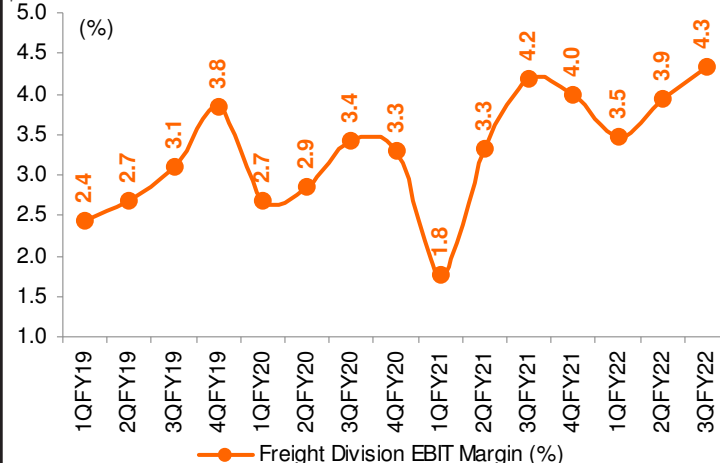
Source: Company, Antique

Freight division sales and growth trend



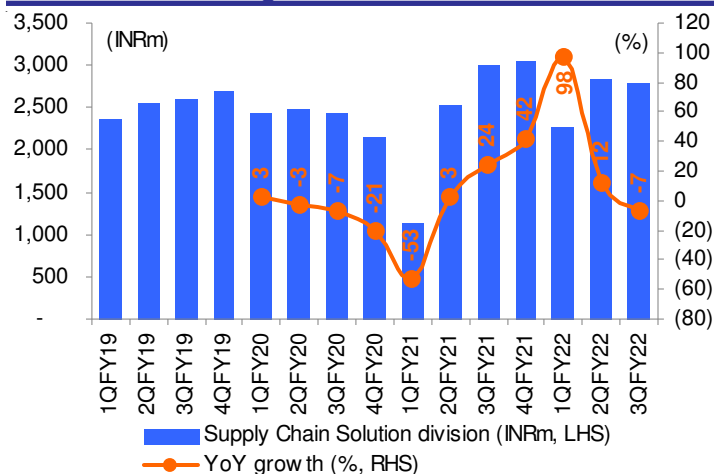
Source: Company, Antique

Freight division EBIT margin trend



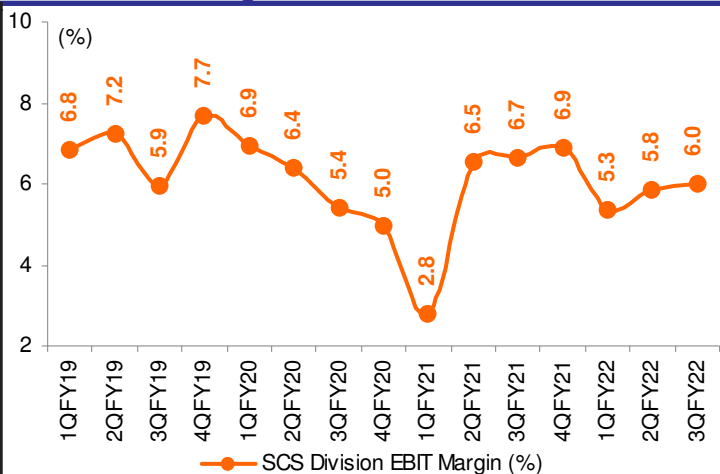
Source: Company, Antique

SCS division sales and growth trend



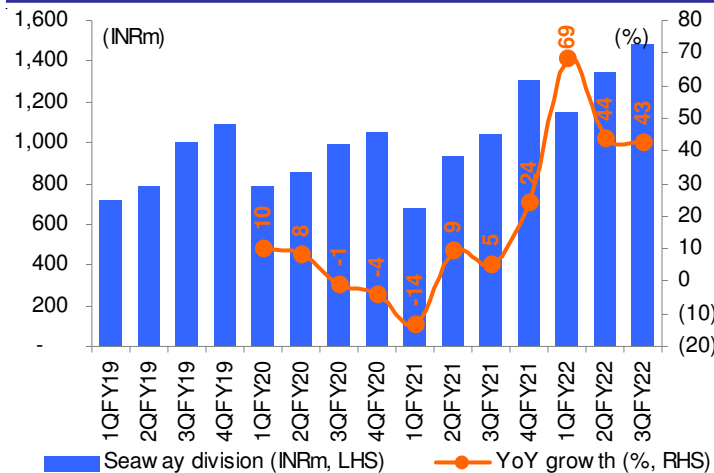
Source: Company, Antique

SCS division EBIT margin trend



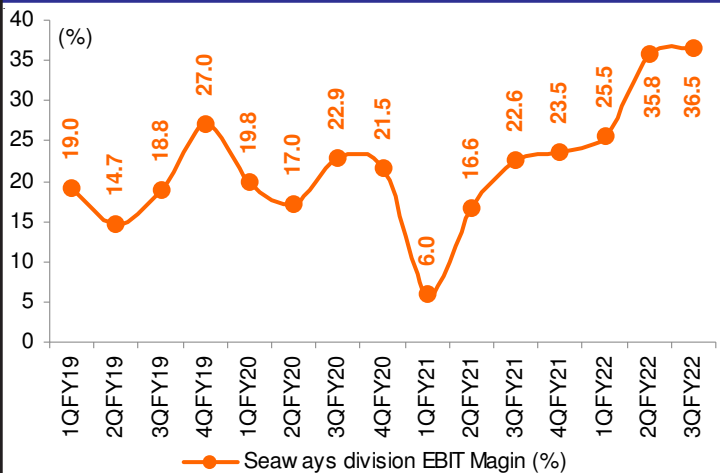
Source: Company, Antique

Seaway division sales and growth trend



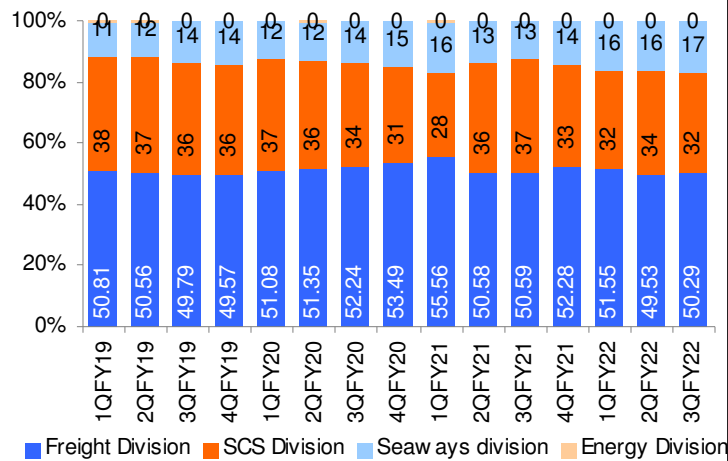
Source: Company, Antique

Seaway division EBIT margin trend



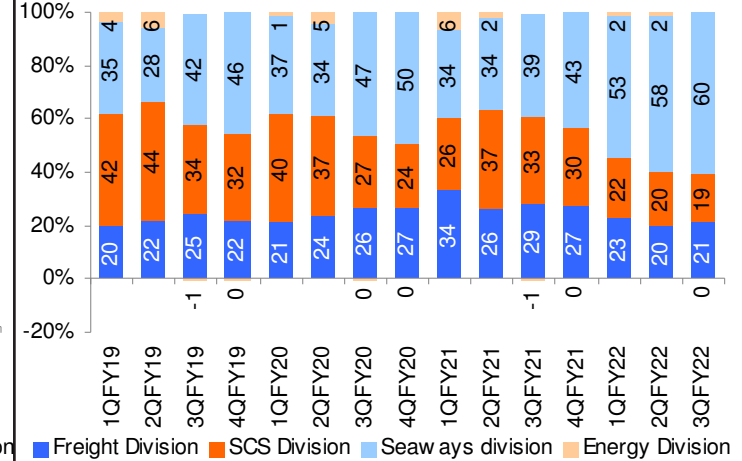
Source: Company, Antique

Sales Mix (%)



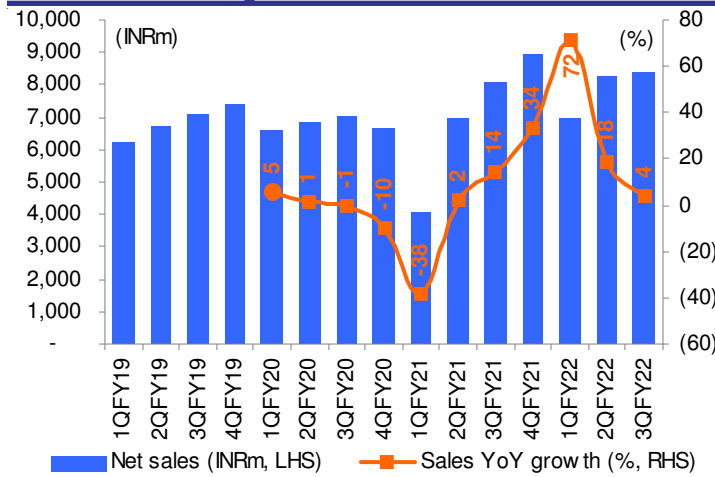
Source: Company, Antique

EBIT Mix (%)



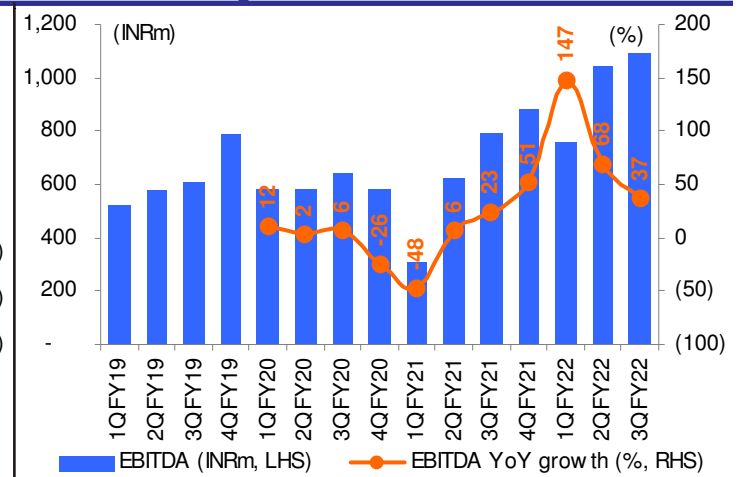
Source: Company, Antique

Total sales and sales growth trend



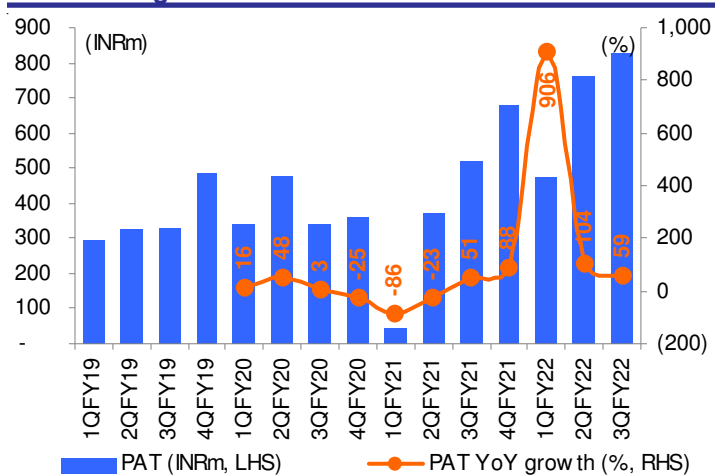
Source: Company, Antique

EBITDA and EBITDA growth trend



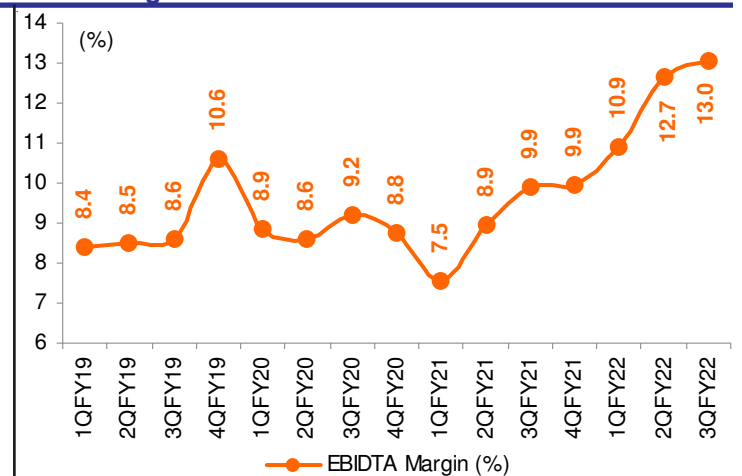
Source: Company, Antique

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	FY20	FY21	FY22e	FY23e	FY24e
Net Revenue	27,178	28,024	32,565	37,099	42,687
Op. Expenses	24,773	25,412	28,679	32,982	37,947
EBITDA	2,405	2,612	3,886	4,117	4,739
Depreciation	825	928	1,018	1,101	1,251
EBIT	1,580	1,684	2,868	3,017	3,489
Other income	201	255	204	214	225
Interest Exp.	343	267	151	86	67
Extra Ordinary Items -gain/(loss)	(99)	(131)	-	-	-
Reported PBT	1,438	1,672	2,920	3,145	3,646
Tax	159	238	380	464	538
Reported PAT	1,180	1,303	2,540	2,681	3,109
Minority Int./Profit (loss) From Asso.	252	201	250	290	336
Net Profit	1,432	1,504	2,790	2,971	3,445
Adjusted PAT	1,522	1,602	2,775	2,956	3,430
Adjusted EPS (INR)	19.9	20.8	36.0	38.3	44.5

Balance sheet (INRm)

Year ended 31 Mar	FY20	FY21	FY22e	FY23e	FY24e
Share Capital	154	154	154	154	154
Reserves & Surplus	10,085	11,543	14,084	16,760	19,910
Networth	10,239	11,697	14,239	16,914	20,064
Debt	4,186	2,767	1,267	1,017	767
Minority Interest	57	86	86	86	86
Net deferred Tax liabilities	302	273	273	273	273
Capital Employed	14,784	14,823	15,865	18,291	21,191
Gross Fixed Assets	10,617	10,692	11,194	12,994	14,494
Net Fixed Assets	7,933	8,098	7,707	8,406	8,629
Investments	1,354	1,500	1,749	2,039	2,375
Non Current Investments	1,354	1,500	1,749	2,039	2,375
Current Assets, Loans & Adv.	7,547	7,790	9,172	10,877	13,538
Inventory	66	71	71	71	71
Debtors	4,873	5,110	5,353	6,098	7,017
Cash & Bank balance	259	395	1,343	2,091	3,602
Loans & advances and others	2,349	2,214	2,405	2,615	2,848
Current Liabilities & Prov.	2,050	2,565	2,763	3,031	3,351
Liabilities	1,948	2,479	2,678	2,945	3,266
Provisions	102	86	86	86	86
Net Current Assets	5,497	5,226	6,409	7,846	10,187
Application of Funds	14,784	14,823	15,865	18,291	21,191

Per share data

Year ended 31 Mar	FY20	FY21	FY22e	FY23e	FY24e
No. of shares (m)	77	77	77	77	77
Diluted no. of shares (m)	77	77	77	77	77
BVPS (INR)	133.2	151.7	184.7	219.4	260.2
CEPS (INR)	26.1	28.9	46.1	49.1	56.5
DPS (INR)	2.0	2.5	2.5	3.0	3.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	FY20	FY21	FY22e	FY23e	FY24e
PBT	1,591	1,743	3,170	3,434	3,982
Depreciation & amortisation	825	928	1,018	1,101	1,251
Interest expense	343	267	151	86	67
(Inc)/Dec in working capital	232	181	(235)	(689)	(831)
Tax paid	(410)	52	(380)	(464)	(538)
Less: Interest/Div. Income Recd.	(11)	(59)	(204)	(214)	(225)
Other operating Cash Flow	(142)	(65)	(11)	(15)	(15)
CF from operating activities	2,428	3,047	3,510	3,239	3,691
Capital expenditure	(1,336)	(1,553)	(631)	(1,800)	(1,500)
Inc/(Dec) in investments	(61)	261	(250)	(290)	(336)
Add: Interest/Div. Income Recd.	117	157	204	214	225
CF from investing activities	(1,280)	(1,135)	(677)	(1,876)	(1,611)
Inc/(Dec) in share capital	24	40	-	-	-
Inc/(Dec) in debt	(517)	(1,419)	(1,500)	(250)	(250)
Dividend Paid	(545)	(365)	(384)	(366)	(347)
Others	(6)	(33)	-	-	27
CF from financing activities	(1,044)	(1,776)	(1,884)	(616)	(570)
Net cash flow	104	136	948	748	1,510
Opening balance	155	259	395	1,343	2,091
Closing balance	259	395	1,343	2,091	3,602

Growth indicators (%)

Year ended 31 Mar	FY20	FY21	FY22e	FY23e	FY24e
Revenue(%)	-1.3	3.1	16.2	13.9	15.1
EBITDA(%)	-3.6	8.6	48.8	6.0	15.1
Adj PAT(%)	4.9	5.2	73.2	6.5	16.0
Adj EPS(%)	4.9	4.6	73.2	6.5	16.0

Valuation (x)

Year ended 31 Mar	FY20	FY21	FY22e	FY23e	FY24e
P/E (x)	36.5	34.8	20.1	18.9	16.3
P/BV (x)	5.4	4.8	3.9	3.3	2.8
EV/EBITDA (x)	24.8	22.2	14.5	13.4	11.4
EV/Sales (x)	2.2	2.1	1.7	1.5	1.3
Dividend Yield (%)	0.3	0.3	0.3	0.4	0.4

Financial ratios

Year ended 31 Mar	FY20	FY21	FY22e	FY23e	FY24e
RoE (%)	15.9	14.6	21.4	19.0	18.5
RoCE (%)	12.4	13.1	20.0	18.9	18.8
Asset/T.O (x)	2.1	2.1	2.4	2.4	2.4
Net Debt/Equity (x)	0.38	0.20	-0.01	-0.06	-0.14
EBIT/Interest (x)	5.2	7.3	20.3	37.7	55.5

Margins (%)

Year ended 31 Mar	FY20	FY21	FY22e	FY23e	FY24e
EBITDA Margin(%)	8.9	9.3	11.9	11.1	11.1
EBIT Margin(%)	5.8	6.0	8.8	8.1	8.2
PAT Margin(%)	5.6	5.7	8.5	8.0	8.0

Source: Company Antique

Important Disclaimer:

This report has been prepared by Antique Stock Broking Limited (hereinafter referred to as ASBL) to provide information about the company(ies) and/or sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies).

ASBL is a Stock Broker having SEBI Registration No. INZ000001131 and Depository Participant having SEBI Registration No. IN-DP-CDSL-726-2014 registered with and regulated by Securities & Exchange Board of India.

ASBL and its affiliates are a full-service, integrated investment banking, investment management, brokerage and financing group.

This report is for personal information of the selected recipient/s and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and ASBL is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your general information and should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur.

We and our affiliates have investment banking and other business relationships with some companies covered by our Research Department. Our research professionals may provide input into our investment banking and other business selection processes. Investors should assume that ASBL and/or its affiliates are seeking or will seek investment banking or other business from the company or companies that are the subject of this material and that the research professionals who were involved in preparing this material may educate investors on investments in such business. The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Our research professionals are paid on the profitability of ASBL which may include earnings from investment banking and other business.

ASBL generally prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, ASBL generally prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover. Our salespeople, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing among other things, may give rise to real or potential conflicts of interest. ASBL and its affiliated company(ies), their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the affiliates of ASBL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

Reports based on technical and derivative analysis center on studying charts company's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamental analysis. In addition ASBL has different business segments / Divisions with independent research separated by Chinese walls catering to different set of customers having various objectives, risk profiles, investment horizon, etc, and therefore may at times have different contrary views on stocks sectors and markets.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt ASBL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold ASBL or any of its affiliates or employees responsible for any such misuse and further agrees to hold ASBL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays. The information contained herein is based on publicly available data or other sources believed to be reliable. Any statements contained in this report attributed to a third party represent ASBL's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. This Report is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. While we would endeavor to update the information herein on reasonable basis, ASBL and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent ASBL and/or its affiliates from doing so. ASBL or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ASBL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

ASBL and its associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

ASBL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.

Subject Company may have been a client of ASBL or its associates during twelve months preceding the date of distribution of the research report

ASBL and/or its affiliates and/or employees and/or relatives may have interests/positions, financial or otherwise of over 1% at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report. To enhance transparency, ASBL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

There are no material disciplinary action that been taken by any regulatory authority impacting equity research analysis activities

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of ASBL research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues

Disclosure of Interest Statement Companies where there is interest

- Analyst ownership of the stock - No
- Served as an officer, director or employee - No

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ASBL & its group companies to registration or licensing requirements within such jurisdictions.

For U.S. persons only: This research report is a product of Antique Stock Broking Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. This report is intended for distribution by Antique Stock Broking Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Antique Stock Broking Limited has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

SEBI Registration Number: INH000001089 as per SEBI (Research Analysts) Regulations, 2014.

CIN: U67120MH1994PLC079444

**Antique Stock Broking Limited**

20th Floor, A Wing, Naman Midtown
Senapati Bapat Marg, Elphinstone (West)
Mumbai 400013

Tel. : +91 22 4031 3444 • Fax : +91 22 4031 3445

www.antiquelimited.com