



Transport Corporation of India Ltd (TCI)

Ticking the right boxes

Revenue at Rs.9,667 mn - up by 15.4% yoy & 3.7% qoq
 EBITDA at Rs.1144 mn - up by 4.8% yoy & 19.2% qoq
 EBITDA margin at 11.8% - down 120 bps yoy & up 150 bps qoq
 PAT at Rs.858 mn - up by 4.7% yoy & 18.6% qoq

Operational performance better than expectations

- The Freight business, 50% of sales, posted robust growth at 11.6% yoy and 2.9% qoq.
- EBIT margins in the Freight business were at 5.7%, up 140bps yoy and 160 bps qoq.
- For the Freight business, in 9MFY23, less than truckload (LTL) was 36% of the business, up from 35% in FY22. LTL is a higher margin business, and hence a focus.
- The Supply Chain Solutions (SCS) business, 33% of sales, was up 19.6% yoy and down 6.7% qoq.
- EBIT margins in the SCS business were at 6.0%, flat yoy and down 30 bps qoq.
- The Seaways business, 17% of sales, was up 15.1% yoy and up 37.1% qoq.
- EBIT margins in the Seaways business were at 26.9%, down 960bps yoy and up 240 bps qoq.

Future Outlook

- Freight business:** the management sees some slowness; FY24 being an election year, sales could be impacted.
- SCS:** about 10-15% growth can be expected
- Seaways:** growth in the business is dependent on a new ship coming in. Yet, ship prices remain elevated. So, it is uncertain when the new ship will be coming in.

Key Risks

- India's GDP slows more than anticipated.
- More competition enters the SCS business and the Seaways business.

Valuation

- TCI is currently trading at P/E of 16.2x on FY24 basis. We value the stock based on P/E methodology and assign multiple of 23x on FY24E PAT of Rs 2,981mn to arrive at a target price of **Rs 895** per share, which is potential upside of 42% from current market price and recommend **"Buy"** on the stock.

East India Securities Ltd
 Excellent | Investment | Solutions

Rating: **Buy** Upside/(Downside): **42%**
 CMP: **631** Target Price: **895**

Market Data

Bloomberg:	TRPC:IN
52-week H/L (Rs):	844 / 528
Mcap (Rs bn/USD bn):	48.2/0.59
Shares outstanding (mn):	76.6
Free float:	33.30%
Daily vol. (3mth Avg)	0.08 mn
Face Value (Rs):	2

Source: ACE Equity, EISEC Research

Shareholding pattern

	Dec-22	Sep-22	Jun-22	Mar-22
Promoter	69.0	69.0	66.6	66.6
FIIs	3.3	3.3	3.1	2.7
DIIIs	11.7	11.8	11.8	11.9
Public/others	16.0	15.9	18.5	18.8

Source: Ace Equity

Price Performance (%)*

YE Mar (R)	1M	3M	6M	12M
Nifty 500	-3.3	-3.2	-1.2	3.2
TCI	1.7	-11.9	-13.1	-7.6

*As on 31 January 2023 Source: Ace Equity, EISEC Research

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY20	27,178	-1.30%	2,405	8.85%	1,506	4.23%	19.7	15.72%	12.18%	32.0	21.5
FY21	28,024	3.11%	2,612	9.32%	1,612	7.04%	21.0	14.70%	13.54%	29.9	19.2
FY22	32,227	15.00%	4,087	12.68%	2,901	79.96%	37.9	22.31%	21.09%	16.6	11.7
FY23E	37,578	16.60%	4,273	11.37%	3,175	9.45%	41.4	20.57%	20.11%	15.2	11.0
FY24E	40,308	7.26%	4,474	11.10%	2,981	-6.10%	38.9	17.06%	17.87%	16.2	10.3

Source: Company, EISEC Research Estimates

Conference Call Highlights

- **Consumer trends are a little weaker:** probably the impact of higher interest rates is being felt. However, B2B business is robust.
- **Freight business:**
 - growth momentum was strong amidst the festive seasons and year-end stocking.
 - is seeing optimum cost structure. Thus, margins and ROCE remained stable.
 - Freight rates have come off quite significantly. However, this is not true for the Indian market – it is true for the international markets.
- **Supply Chain business:**
 - Growth momentum continued amidst retention and expansion of clients and new business acquisitions.
 - Headwinds of general inflation and high-interest rates on consumer demand can be seen.
 - Margin remained stable with a controlled cost structure.
 - There is a lot of business from Electric Vehicles. This will not result in higher sales for the SCS business as the EV are merely replacing the ICE vehicles.
- **Seaways business:**
 - The business saw increased volumes post monsoon.
 - All ships were under operations.
 - There was negligible international business in Q3FY23. This is the reason for margins being lesser than FY22 margins.
- **Capex :** capex so far has been Rs 800mn. Capex for FY23 is likely to be Rs 1100-1250mn.
- **Cold Chain:** Turnover is stagnant as TCI has given up some business i.e. some e-commerce business which was not profitable.
- **Concor JV is not seeing good growth.** This is because container industry growth has been slow.

Quarterly financials, operating metrics and key performance indicators

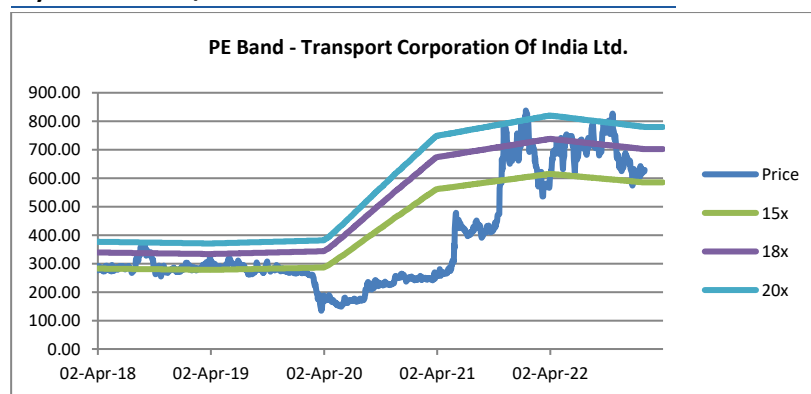
Quarterly Financials

Y/E March (Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Sales	8,927	6,961	8,251	8,377	8,977	9,029	9,321	9,667
Raw Materials	7,295	5,609	6,542	6,575	7,035	7,243	7,524	7,702
Employee Costs	440	413	412	437	439	471	492	493
Other Expenditure	305	182	253	273	310	276	345	328
EBITDA	886	758	1045	1092	1193	1041	960	1144
Depreciation	280	247	256	255	371	289	300	314
Interest	61	47	32	26	22	23	25	26
Other Income	113	41	29	53	76	53	74	71
PBT	736	539	859	936	972	879	846	977
Tax	81	64	93	108	109	94	116	110
Tax rate (%)	11%	12%	11%	12%	11%	11%	14%	11%
Adj. PAT	672	469	759	819	854	777	724	858
YoY Growth (%)								
Revenue	33.7%	71.6%	18.4%	3.8%	0.6%	29.7%	13.0%	15.4%
EBITDA	51.3%	-14.5%	67.9%	37.0%	34.6%	37.4%	-8.2%	4.8%
Adj. PAT	86.5%	893.0%	105.5%	56.7%	27.0%	65.7%	-4.7%	4.7%
QoQ Growth (%)								
Revenue	10.6%	-22.0%	18.5%	1.5%	7.2%	0.6%	3.2%	3.7%
EBITDA	11.2%	-14.5%	38.0%	4.5%	9.3%	-12.8%	-7.8%	19.2%
Adj. PAT	28.6%	-30.3%	62.0%	7.9%	4.2%	-9.0%	-6.8%	18.6%
Margin (%)								
EBITDA	9.9%	10.9%	12.7%	13.0%	13.3%	8.5%	10.3%	11.8%
PAT	7.5%	6.7%	9.2%	9.8%	9.5%	8.6%	7.8%	8.9%

Source: Company, EISEC Research

Valuation

2 year forward P/E chart



Source : Ace Equity

Financials Consolidated

Income Statement	FY20	FY21	FY22	FY23E	FY24E
YE March (Rs mn)					
Revenues	27,178	28,024	32,227	37,578	40,308
% Growth	-1.3%	3.1%	15.0%	16.6%	7.3%
Operating Expenses	22,143	22,972	25,766	30,089	32,367
% of sales	71.1%	67.1%	67.8%	67.3%	67.3%
Personnel	1,572	1,455	1,700	1,943	2,096
% of sales	5.8%	5.2%	5.3%	5.2%	5.2%
Other expenses	1,058	984	1,013	1,273	1,370
% of sales	3.9%	3.5%	3.1%	3.4%	3.4%
EBITDA	2,405	2,612	4,087	4,273	4,474
EBITDA Margin (%)	8.8%	9.3%	12.7%	11.4%	11.1%
Other Income	201	255	199	264	202
Depreciation & Amortization	825	928	1,130	1,217	1,358
EBIT	1,682	1,939	3,156	3,320	3,318
Finance cost	343	267	128	101	140
Share in Net profit of JV	251	201.3	276.7	439	300
PBT	1,590	1,743	3,305	3,659	3,478
Tax-Total	159	238	390	454	487
Reported PAT	1,431	1,504	2,915	3,205	2,991
Minority Interest	24	23	14	30	10
Adjusted PAT	1,506	1,612	2,901	3,175	2,981
PAT Margin	5.5%	5.3%	9.0%	8.4%	7.4%
Growth (%)	4.2%	7.0%	80.0%	9.5%	-6.1%

Source: Company, EISEC Research Estimates

Key Ratios	FY20	FY21	FY22	FY23E	FY24E
YE March					
Growth Ratios (%)					
Net Sales	-1.3%	3.1%	15.0%	16.6%	7.3%
EBITDA	-3.4%	8.6%	56.5%	4.6%	4.7%
Adjusted Net Profit	4.2%	-1.6%	95.8%	9.5%	-6.1%
Margin Ratio (%)					
EBITDA Margin	8.8%	9.3%	12.7%	11.4%	11.1%
PBT margins	5.9%	6.2%	10.3%	9.7%	8.6%
PAT Margin	5.5%	5.3%	9.0%	8.4%	7.4%
Return Ratios					
ROE	15.7%	14.7%	22.3%	20.6%	17.1%
ROCE	12.2%	13.5%	21.1%	20.1%	17.9%
Turnover Ratios (days)					
Gross Block Turnover (x)	2.6	2.4	2.6	2.8	2.7
Inventory	0.9	0.9	1.0	1.0	1.0
Debtors	65.4	66.6	57.6	67.0	67.0
Current liability	20.0	36.2	32.4	32.0	32.0
Cash Conversion Cycle	56.3	55.2	48.9	58.0	58.0
Solvency ratio (x)					
Debt-equity	0.4	0.2	0.0	0.0	0.0
Net Debt-Equity	0.3	0.2	0.0	-0.1	-0.1
Gross Debt/EBITDA	1.5	0.9	0.1	0.0	0.1
Current ratio	0.0	0.1	0.1	0.2	0.3
Per share (Rs.)					
Basic EPS (reported)	19.7	21.0	37.9	41.4	38.9
BV	133.7	152.7	186.7	216.2	240.1
CEPS	30.4	33.2	52.6	57.3	56.6
DPS	6.0	1.2	8.0	12.0	15.0
Dividend Payout (%)	30.5	5.7	21.1	29.0	38.5
Valuation					
P/E	32.0	29.9	16.6	15.2	16.2
P/BV	4.7	4.1	3.4	2.9	2.6
EV/EBITDA	21.5	19.2	11.7	11.0	10.3
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company, EISEC Research Estimates

Balance Sheet	FY20	FY21	FY22	FY23E	FY24E
YE March (Rs mn)					
Capital	154	154	155	155	155
Reserves & Surplus	10,085	11,543	14,148	16,404	18,236
Shareholders' Funds	10,239	11,697	14,303	16,558	18,391
Minority Interest	57	86	274	274	274
Total Loan Funds	3,686	2,347	228	178	250
Lease liability	31	118	265	265	265
Deferred tax liabilities	102	273	341	341	341
Total Liabilities	14,114	14,521	15,410	17,616	19,520
Gross Block	10,590	11,548	12,256	13,256	14,756
Accumulated Dep.	3111	4171	5045	6264.552	7622.104
Net Block	7,479	7,377	7,211	6,991	7,134
Capital WIP	216	52	73	80	80
Net Fixed Assets	7,933	7,492	8,087	7,875	8,017
Investments	1,354	1,500	1,780	3,280	3,780
Other non current assets	0	554	251	251	251
Total Non Current Assets	1,354	2,054	2,031	3,531	4,031
Inventories	66	71	85	100	110
Other current assets	1,123	2,184	2,241	1,030	1,104
Sundry Debtors	4,873	5,110	5,083	6,898	7,399
Cash & Bank Balances	259	385	745	1477	2393
Total Current Assets	6,321	7,750	8,153	9,505	11,006
Total Current Liabilities	1,493	2,776	2,860	3,294	3,534
Net Current Assets	4,828	4,974	5,293	6,210	7,472
Total Assets	14,115	14,520	15,410	17,616	19,520

Source: Company, EISEC Research Estimates

Cash Flow	FY20	FY21	FY22	FY23E	FY24E
YE March (Rs mn)					
Operating profit before WC changes	2,782	2,961	4,577	5,006	4,986
Changes in working capital	303	-21	41	-185	-347
Cash flow from operations	2,927	2,702	4,228	4,367	4,152
Capex	(1,542)	(1,072)	(1,584)	(1,883)	(2,383)
Cash flow from investments	-185	-146	-280	-1500	-500
Cash flow from financing	(1,096)	(1,357)	(2,004)	(251)	(354)
Net change in cash	103	126	359	733	915

Source: Company, EISEC Research Est

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TCI



Source: ACE Equity, EISEC Research

Analyst holding in stock: **YES**

Key to EISEC Investment Rankings

Buy: Upside by >15%, Accumulate: Upside by 5% to 15%, Hold: Downside/Upside by -5% to +5%,
Reduce: Downside by 5% to 15%, Sell: Downside by >15%

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