

Retail Equity Research Transport Corporation of India Ltd

Logistics

BSE CODE : 532349 NSE CODE: TCI
BLOOMBERG CODE: TRPC:IN SENSEX : 60,664

BUY

12Months Investment Period Rating as per Small Cap

CMP Rs. 630 TARGET Rs. 755 RETURN 20% ↑
(Closing: 08-02-23)

KEY CHANGES:

TARGET ↓

RATING ↑

EARNINGS ↓

Earnings outlook intact...

Transport Corporation of India Ltd. (TCI) is one of the largest integrated players in the organised logistics industry. Key business segments include,- Freight, supply chain, warehousing solutions, & shipping services.

- Revenue grew by 15% YoY, led by continued momentum in economic activities & higher freight rates.
- EBITDA grew by only a modest 5% YoY, and margins declined by 120bps YoY to 11.8% on account of an increase in operating expenses.
- Stable freight volumes, healthy volume from E-commerce, and a pick-up in supply chain business will maintain growth momentum.
- We expect PAT to grow at a 17% CAGR over FY23E-25E, led by stable growth in freight, supply chain business and recovery in the sea way business.
- We value TCI at a P/E of 16x on FY24E, given a 25% price correction from recent high, we upgrade to BUY with a target price of Rs. 755.

Revenue growth steady...

TCI's Q3FY23 revenue grew by 15% YoY, led by strong growth across segments. Revenue from Freight, Supply chain and seaway segment business, grew by 12%, 20%, & 15% YoY, respectively. Freight business growth was led by healthy growth momentum amidst the festive seasons and restocking. The revenue from the company's supply chain business increased due to stable auto sector volumes and diversification of business. During the quarter, the Seaway division witnessed revival in demand post monsoon. In the long term, higher government spending infrastructure, penetration of ecommerce, GST & e-way bill and improving consumer sentiments will drive growth. However, in the near term, consumer sentiments anticipated see some moderation due to current high inflation levels. Further, seaway division growth momentum to moderate due to the delay in addition of new ship. If ship rates remains higher, the purchase may be delayed. CAPEX for 9MFY23 was ~Rs.82cr. We expect revenue growth to normalise starting from FY24E and factor revenue to grow by 15% CAGR over FY23E-FY25E.

Profitability to improve...

Q3FY23, gross margin declined by 120bps YoY to 20.3%, on account of lower volumes from high margins seaway division and higher operating expenses. EBITDA margin declined by 120bps YoY to 11.8%, consequently PAT grew by a modest 6% YoY. We lower our EBITDA margin estimates by 55bps & 75bps for FY23E & FY24E, considering the inflationary environment and moderation in consumer demand. Therefore, our EPS stands reduced by 2% and 9% for FY23E & FY25E. Despite this, we expect PAT to grow by 17% CAGR over FY23E-25E.

Valuations

In the very short term, consumer sentiments might moderate due to high inflation. However, TCI's long term outlook remain positive, given strong economic growth prospects, increasing penetration of ecommerce, GST & e-way bill and its well diversified multi modal solutions. We value TCI at a P/E of 16x on FY24E, and upgrade to BUY with a target price of Rs.755.

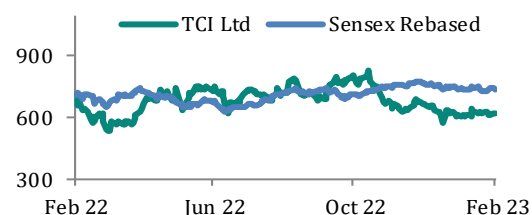
Company Data

Market Cap (cr)	Rs.47,70
Enterprise Value (cr)	Rs.4,794
Outstanding Shares (cr)	7.7
Free Float	31.0%
Dividend Yield	0.88%
52 week high	Rs.844
52 week low	Rs.529
6m average volume (cr)	0.01
Beta	0.77
Face value	Rs.2

Shareholding (%)	Q1FY23	Q2FY23	Q3FY23
Promoters	66.5	69.0	69.0
FII's	3.1	3.3	3.3
MFs/Institutions	12.0	11.8	11.7
Public	10.2	10.8	11.0
Others	8.2	5.1	5.0
Total	100.0	100.0	100.0

Price Performance	3 month	6 Month	1 Year
Absolute Return	-6.6%	-15.1%	-7.7%
Absolute Sensex	-1.2%	1.6%	3.7%
Relative Return*	-5.3%	-16.7%	-11.4%

*over or under performance to benchmark index



Consolidated (cr)	FY22A	FY23E	FY24E
Sales	3257	3,824	4,320
Growth (%)	16.2	17.4	13.0
EBITDA	409	434	495
EBITDA Margin(%)	12.6	11.4	11.5
PAT Adj.	290	319	365
Growth (%)	81.0	10.1	14.4
Adjusted EPS	37.5	41.2	47.2
Growth (%)	81.0	10.1	14.4
P/E	16.8	15.3	13.4
P/B	3.4	2.8	2.3
EV/EBITDA	11.7	11.0	9.3
ROE (%)	22.3	20.1	19.0
D/E	0.1	0.1	0.0

ANIL R
Research Analyst

Quarterly Financials

Profit & Loss

Rs (cr)	Q3FY23	Q3FY22	YoY growth (%)	9MFY23	9MFY22	YoY growth (%)
Sales	967	838	15.4	2,802	2,359	18.8
EBITDA	114	109	4.8	314	289	8.6
EBITDA margins	11.8	13.0	(120bps)	11.2	12.3	(100bps)
Depreciation	31	26	23.0	90	76	19.0
EBIT	83	79	(0.8)	224	214	4.9
Interest	3	3	-	7	11	(29.6)
Other Income	7	3	32.5	20	12	60.2
Share of profit from Associate	10	7	41.0	34	18	88.0
PBT	98	94	4.3	270	233	15.8
Exceptional Items	-	-	-	-	-	-
Tax	11	11	2.2	32	27	19.3
	-	-	-	-	-	-
Reported PAT	87	82	5.7	238	204	16.6
Adjustments	-	-	-	-	-	-
Adjusted PAT	87	82	5.7	238	204	16.6
No. of Shares	7.7	7.7		7.7	7.7	-
EPS (Rs)	11.2	10.6	5.7	30.9	26.5	16.6

Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	3,849	4,494	3,824	4,320	(0.6)	(3.9)
EBITDA	458	548	434	495	(5.2)	(9.7)
Margins (%)	11.9	12.2	11.4	11.5	(50bps)	(75bps)
Adj. PAT	325	401	319	365	(1.8)	(9.0)
EPS	42.0	51.8	41.2	47.2	(1.8)	(9.0)

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs Cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Sales	2,718	2,802	3,257	3,824	4,320
% change	(1.3)	3.1	16.2	17.4	13.0
EBITDA	241	261	409	434	495
% change	-3.6	8.6	56.5	6.2	14.0
Depreciation	82	93	113	122	136
EBIT	158	168	296	312	359
Interest	34	27	13	10	11
Other Income	20	25	20	28	32
Share of JV	25	20	28	45	50
PBT	159	174	330	375	429
% change	(10.9)	9.5	89.6	13.5	14.4
Tax	16	24	38	56	64
Tax Rate (%)	10.0	13.7	11.4	15.0	15.0
Reported PAT	142	147	290	319	365
Adj.*	10	13	-	-	-
Adj. PAT	152	160	290	319	365
% change	4.8	5.2	23.3	10.1	14.4
No. of shares (cr)	7.7	7.7	7.7	7.7	7.7
Adj EPS (Rs)	19.8	20.8	37.5	41.2	47.2
% change	4.6	4.8	80.3	10.1	14.4
DPS (Rs)	2.6	1.9	1.2	1.2	1.2

BALANCE SHEET

Y.E March (Rs Cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Cash	13	34	68	88	265
Accounts Receivable	487	511	508	608	675
Inventories	7	7	8	11	12
Other Cur. Assets	248	227	241	293	373
Investments	135	150	193	233	273
Gross Fixed Assets	1,083	1,133	1,314	1,564	1,714
Net Fixed Assets	771	802	798	926	940
CWIP	22	5	7	15	20
Intangible Assets	0	3	3	3	3
Def. Tax (Net)	(30)	(27)	(28)	(28)	(28)
Other Assets	-	-	-	-	-
Total Assets	1,653	1,711	1,799	2,149	2,533
Current Liabilities	239	267	219	260	285
Provisions	10	9	25	24	28
Debt Funds	374	257	98	98	98
Other Liabilities	6	9	27	27	27
Equity Capital	15	15	15	15	15
Reserves & Surplus	1,009	1,154	1,415	1,724	2,079
Shareholder's Fund	1,024	1,170	1,430	1,740	2,095
Total Liabilities	1,653	1,711	1,799	2,149	2,533
BVPS	133	152	185	225	271

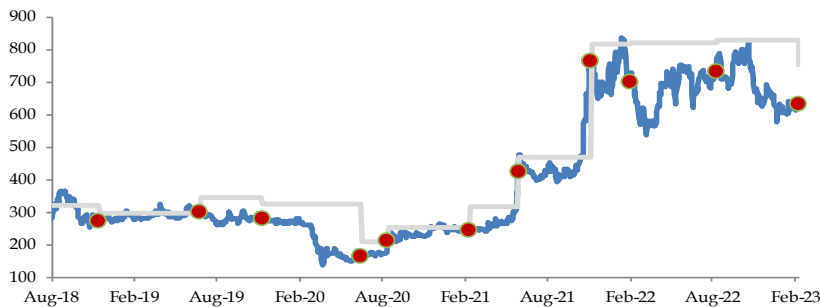
CASH FLOW

Y.E March (Rs Cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Net inc. + Depn.	226	243	406	441	501
Non-cash adj.	(6)	43	(22)	(63)	(71)
Changes in W.C	23	18	(16)	(114)	(119)
C.F. Operation	243	305	368	264	311
Capital exp.	(132)	(124)	(71)	(258)	(155)
Change in inv.	(5)	(2)	(3)	(40)	(40)
Other invest.CF	2	20	(3)	73	82
C.F - Investment	(135)	(106)	(76)	(224)	(113)
Issue of equity	2	4	3	-	-
Issue/repay debt	(52)	(145)	(226)	-	-
Dividends paid	(20)	(10)	(41)	(10)	(10)
Other finance.CF	(34)	(27)	6	(10)	(11)
C.F - Finance	(104)	(178)	(258)	(20)	(21)
Chg. in cash	3	21	34	20	177
Closing cash	13	34	68	88	265

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Profitab & Return					
EBITDA margin (%)	8.9	9.3	12.6	11.4	11.5
EBIT margin (%)	5.8	6.0	9.1	8.2	8.3
Net profit mgn.(%)	5.6	5.7	8.9	8.3	8.4
ROE (%)	15.9	14.6	22.3	20.1	19.0
ROCE (%)	11.0	10.4	18.0	16.6	15.9
W.C & Liquidity					
Receivables (days)	67.3	65.0	57.1	53.3	54.2
Inventory (days)	0.8	0.9	0.9	0.9	1.0
Payables (days)	0.7	0.9	2.0	2.6	2.3
Current ratio (x)	3.0	2.8	3.4	3.5	4.2
Quick ratio (x)	2.1	2.0	2.6	2.7	3.3
Turnover & Leverage					
Gross asset T.O (x)	2.7	2.5	2.7	2.7	2.6
Total asset T.O (x)	1.7	1.7	1.9	1.9	1.8
Int. covge. ratio (x)	4.6	6.3	23.1	31.2	31.5
Adj. debt/equity (x)	0.4	0.2	0.1	0.1	0.0
Valuation					
EV/Sales (x)	1.9	1.8	1.5	1.3	1.1
EV/EBITDA (x)	21.3	19.1	11.7	11.0	9.3
P/E (x)	31.8	30.3	16.8	15.3	13.4
P/BV (x)	4.7	4.2	3.4	2.8	2.3

Recommendation summary



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
01-February-22	Accumulate	820
12-August-22	Accumulate	829
09-February-23	Buy	755

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/Neutral	-	-	-

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/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

General Disclosures and Disclaimers

CERTIFICATION

I, ANIL R, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of GeojitFinancial Services Limited, herein-after referred to as Geojit.

COMPANY OVERVIEW

Geojit Financial Services Limited (hereinafter Geojit), a publically listed company, is engaged in services of retail broking, depository services, portfolio management and marketing investment products including mutual funds, insurance and properties. Geojit is a SEBI registered Research Entity and as such prepares and shares research data and reports periodically with clients, investors, stake holders and general public in compliance with Securities and Exchange Board of India Act, 1992, Securities And Exchange Board Of India (Research Analysts) Regulations, 2014 and/or any other applicable directives, instructions or guidelines issued by the Regulators from time to time.

DISTRIBUTION OF REPORTS

This document is not for public distribution and has been furnished to you solely for your information and must not be reproduced or redistributed to any other person. Geojit will not treat the recipients of this report as clients by virtue of their receiving this report.

GENERAL REPRESENTATION

The research reports do not constitute an offer or solicitation for the purchase or sale of any financial instruments, inducements, promise, guarantee, warranty, or as an official confirmation of any transaction or contractual obligations of any kind. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. We have also reviewed the research report for any untrue statements of material facts or any false or misleading information. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

RISK DISCLOSURE

Geojit and/or its Affiliates and its officers, directors and employees including the analyst/authors shall not be in any way be responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Investors may lose his/her entire investment under certain market conditions so before acting on any advice or recommendation in these material, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. This report does not take into account the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this report (including the merits and risks involved). The price, volume and income of the investments

FUNDAMENTAL DISCLAIMER

We have prepared this report based on information believed to be reliable. The recommendations herein are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. The stocks always carry the risk of being upgraded to buy or downgraded to a hold, reduce or sell. The opinions expressed are subject to change but we have no obligation to tell our clients when our opinions or recommendations change. This report is non-inclusive and does not consider all the information that the recipients may consider material to investments. This report is issued by Geojit without any liability/undertaking/commitment on the part of itself or any of its entities. We may have issued or may issue on the companies covered herein, reports, recommendations or information which is contrary to those contained in this report.

The projections and forecasts described in this report should be evaluated keeping in mind the fact that these are based on estimates and assumptions and will vary from actual results over a period of time. The actual performance of the companies represented in the report may vary from those projected. These are not scientifically proven to guarantee certain intended results and hence, are not published as a warranty and do not carry any evidentiary value whatsoever. These are not to be relied on in or as contractual, legal or tax advice. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

JURISDICTION

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. Distributing/taking/sending/dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Failure to comply with this restriction may constitute a violation of any foreign jurisdiction laws. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. Investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk.

REGULATORY DISCLOSURES:

Geojit's Associates consists of privately held companies such as Geojit Technologies Private Limited (GTPL- Software Solutions provider), Geojit Credits Private Limited (GCPL- NBFC Services provider), Geojit Investment Services Limited (GISL- Corporate Agent for Insurance products), Geojit Financial Management Services Private Limited (GFMSL) & Geojit Financial Distribution Private Limited (GFDPL), (Distributors of Insurance and MF Units). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

- (a) Have not received any compensation from the subject company;
- (b) Have not managed or co-managed public offering of securities for the subject company
- (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company.
- (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company
- (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report
- (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I ANIL R, Research Analyst(s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd., Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com, For grievances: grievances@geojit.com, For compliance officer: compliance@geojit.com.

Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No IN-H200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226

