

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR159
Target Price	: INR255
Potential Return	: 61%

Asiamoney Brokers' Poll 2020

✓ Vote for ANTIQUE

Voting closes on 7th August

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Market data

Sensex	:	33,981
Sector	:	Transport
Market Cap (INRbn)	:	12.2
Market Cap (USDbn)	:	0.161
O/S Shares (m)	:	76.8
52-wk HI/LO (INR)	:	315/121
Avg Daily Vol ('000)	:	57
Bloomberg	:	TRPC IN

Source: Bloomberg

Valuation

	FY20	FY21e	FY22e
EPS (INR)	20.0	15.3	21.2
P/E	8.0	10.4	7.5
P/BV	1.2	1.1	1.0
EV/EBITDA	6.7	7.3	5.4
Dividend Yield (%)	1.3	1.3	1.3

Source: Company, Antique

Returns (%)

	1m	3m	6m	12m
Absolute	(2)	(29)	(42)	(48)
Relative	(9)	(20)	(30)	(39)

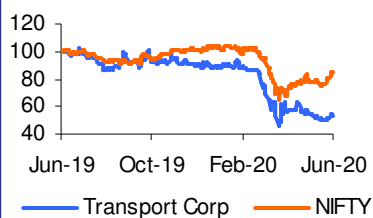
Source: Company, Antique

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg, Indexed to 100

4QFY20 RESULT REVIEW

Transport Corporation of India

Difficult year ahead

TCIL's 4QFY20 topline (standalone) fell 10% YoY driven by 1%/22%/4% YoY declines in Freight/Supply Chain/Seaways segment. EBITDA fell 25% YoY to INR580mn as EBITDA Margins contracted YoY in 4Q to 9.3% vs. 11.1% YoY (and 9.7% QoQ). PAT fell 28% YoY to INR 313mn (Antique est: INR 396mn) due to lower operating profit. Company lost INR1bn sale in March due to Lockdown which impacted operating performance. For 1QFY20, Company had set initial targets of 10-15% (of normal revenue run rate) in April, 25-30% in May and 50-60% in June to remain at cash break-even; however it has done better than these targets. Management highlighted that for Industry ~40% of trucks are currently operational due to shortage of drivers/labours, whereas, the rail movement is better at 50-60% utilization. The recent increase in spot freight rates (due to truck shortage) is unlikely to impact business margins as company has been able to pass the same to customers. Going forward, Management expects (1) boost in Agriculture, food processing, pharma and chemicals segment; (2) Increase demand for warehousing for safety stock with consolidation of locations; (3) Increase in modern handling systems: pallets, conveyors etc to be short to medium term drivers. TCI is targeting to spend INR1bn capex in FY21 including capex on Hub centers, warehouses, and trucks/other vehicles. The company has also passed a resolution to raise NCD of INR2bn, however, it is not expected to be utilized. Reflecting weak macro trends, we trim our EPS estimates by 21%/10% for FY21/FY22; accordingly, we lower our Price Target to INR255 (earlier INR280). Earnings will track macro recovery; maintain BUY on inexpensive valuations.

Segment-wise performance

Freight division: Freight segment's revenue fell ~1% YoY in 4QFY20 while PBIT margins in the segment contracted to 3.6% vs. 4.0% YoY/3.6%QoQ. Diversified portfolio of Multimodal offering continues to aid the business performance. During current times, company has moved 2LacT of Agri material versus 1/3rd of this in normal environment. In FY21, it expects to maintain business at same level as last year. Currently ratio of LTL mix is 1/3rd of freight segment operation which could be impacted in FY21 due to lower SME business. During FY20, Company continued to improve ROCE in the segment (YoY).

Supply Chain Segment (SCS) revenue fell ~22% YoY during 4Q due to large exposure in Auto segment (~75%). Company is seeing good growth in warehousing and tractor segment. PBIT margins during 4Q contracted YoY to 4.9% (multi quarter low) vs 7.9% YoY/5.6% QoQ on account of negative operating leverage. Segment EBIT declined 51% YoY and is expected to be see further impact in first quarter. The company is taking efforts to cut costs to enable cash breakeven during 1Q. Going forward, ecommerce space is expected to contribute to the growth as regular companies are putting Ecommerce capabilities and Ecommerce companies are adding space. The company has balanced approach of Asset ownership which has helped the business versus Companies operating on Full asset light model. No guidance on increase in warehousing space for FY21. In TCI Supply Chain JV segment, revenue dipped 16%, while income from JV looked flat on account of better cost management, some optimization of vehicles and lower Tax rates

Seaways division registered revenue decline of 4% YoY in 4Q. The company recorded single digit decline amid lower volumes specially at West Coast and hypercompetitive environment (impacting prices). Segment PBIT margins during 4Q stood at 21.5% vs. vs. 27% YoY (23% QoQ). The quarter had a negative impact due to regulatory use of high cost low Sulphur fuel (fuel costs are 40-45% of segment Cost) and COVID-19 interruptions. It added one ship in Oct-2019, which impacted the segment ROCE in FY20. Some ships are expected to go for dry dock in FY21, although company is trying if that can get extended. In FY21 it, targets to maintain margins like in FY20.

Quarterly performance

Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance	Consensus	% Variance
Net sales	6,257	6,713	(6.8)	6,986	(10.4)
EBITDA	580	712	(18.6)	656	(11.6)
EBITDA margin (%)	9.3	10.6	-135bps	9.4	-13bps
Adj net income	313	396	(20.9)	329	(5.0)
FDEPS (Rs)	4.1	5.2	(20.9)	4.3	(5.0)

Source: Company, Antique

Quarterly snapshot

(Rs mn)	4QFY20	4QFY19	% Chg YoY	3QFY20	% Chg QoQ
Net sales	6,257	6,918	(9.6)	6,473	(3.3)
Expenditure	5,677	6,148	(7.7)	5,846	(2.9)
EBITDA	580	771	(24.8)	627	(7.5)
Other income	67	46	45.7	58	15.8
Interest	80	91	(12.0)	84	(5.3)
Depreciation	197	189	4.1	204	(3.6)
PBT	370	537	(31.1)	396	(6.6)
Tax	57	101	(43.3)	75	(23.6)
PAT	313	436	(28.3)	321	(2.6)
EBITDA margin (%)	9.3	11.1	-187bps	9.7	-42bps
EPS (Rs)	4.1	5.7	(28.3)	4.2	(2.6)

Source: Company, Antique

Sales mix (INR mn)

	4QFY20	4QFY19	Chg YoY	3QFY20	Chg QoQ
Freight Division	3,227	3,270	(1.3)	3,203	0.7
Supply Chain Solutions Division	2,078	2,654	(21.7)	2,368	(12.2)
Seaways division	1,046	1,088	(3.9)	989	5.7
Energy Division	6	7	(18.1)	5	28.3
Unallocable & Corporate	35	26	38.0	29	21.8
Less Inter Segment Revenue	68	80	(14.9)	63	8.1
Total Sales	6,323	6,964	(9.2)	6,531	(3.2)

Source: Company, Antique

PBIT Margin %

	4QFY20	4QFY19	Chg YoY	3QFY20	Chg QoQ
Freight	3.6	4.0	-41bps	3.6	-2bps
Supply Chain Solutions	4.9	7.9	-298bps	5.6	-68bps
Seaways	21.5	27.0	-552bps	22.9	-136bps

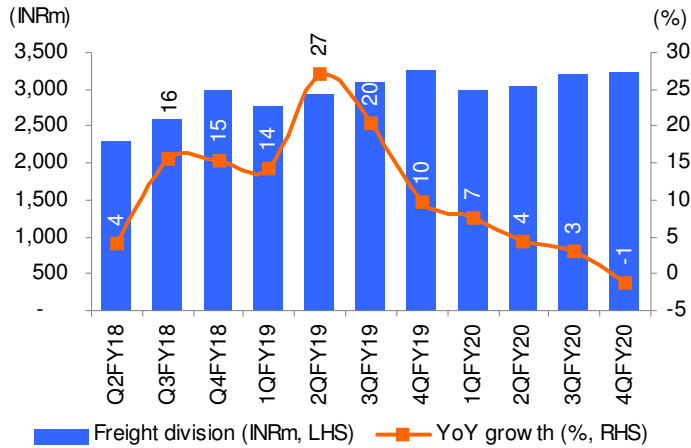
Source: Company, Antique

Change in estimates

Key parameters	FY21e			FY22e		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	27,721	24,865	(10.3)	32,066	29,778	(7.1)
EBITDA (Rs mn)	2,627	2,195	(16.4)	3,088	2,782	(9.9)
EBITDA margin (%)	9.5	8.8	-65bps	9.6	9.3	-29bps
Net profit (Rs mn)	1,484	1,171	(21.1)	1,802	1,623	(9.9)
EPS (Rs)	19.4	15.3	(21.1)	23.5	21.2	(9.9)

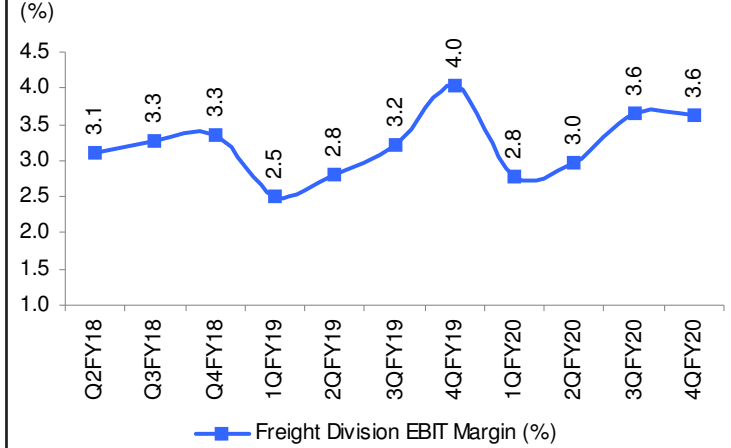
Source: Company, Antique

Freight division sales and growth trend



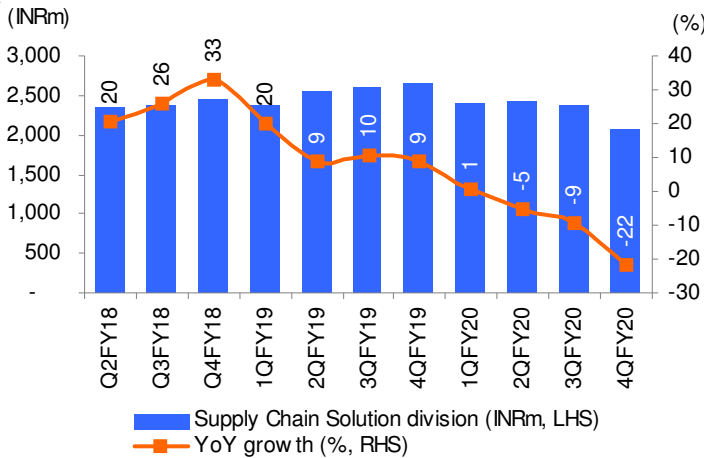
Source: Company, Antique

Freight division EBIT margin trend



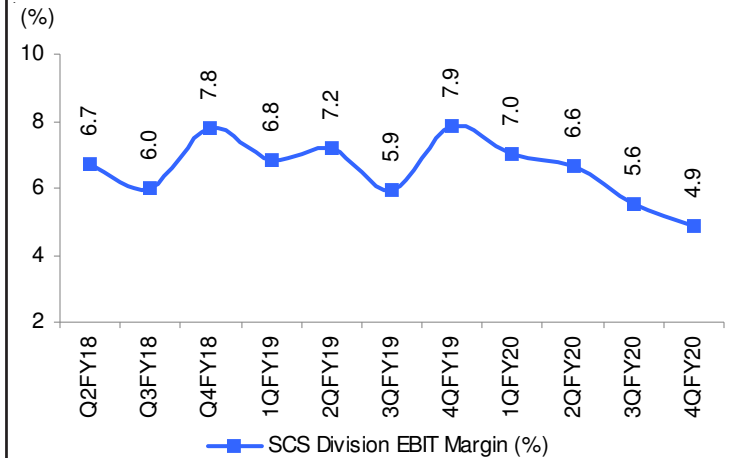
Source: Company, Antique

SCS division sales and growth trend



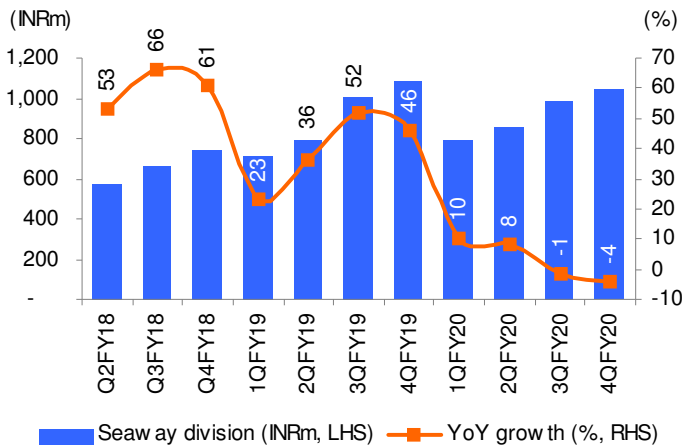
Source: Company, Antique

SCS division EBIT margin trend



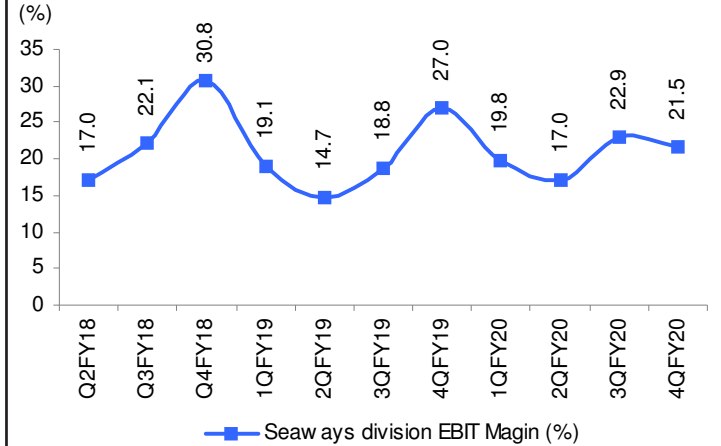
Source: Company, Antique

Seaway division sales and growth trend



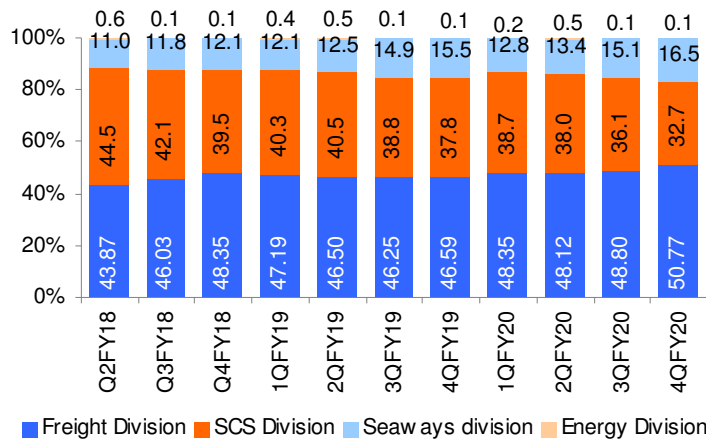
Source: Company, Antique

Seaway division EBIT margin trend



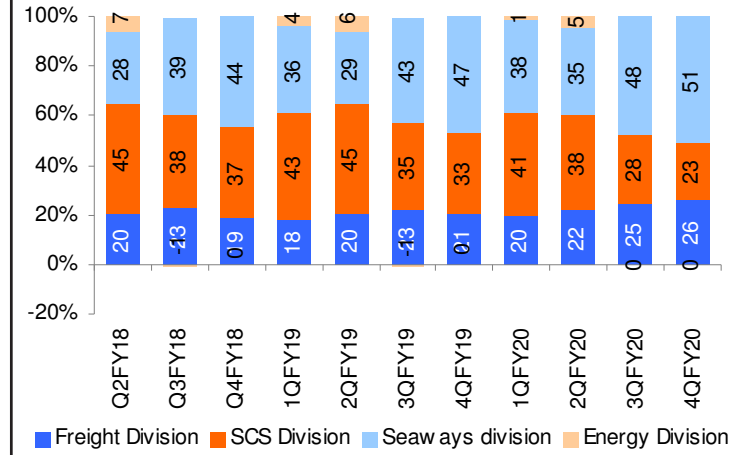
Source: Company, Antique

Sales Mix (%)



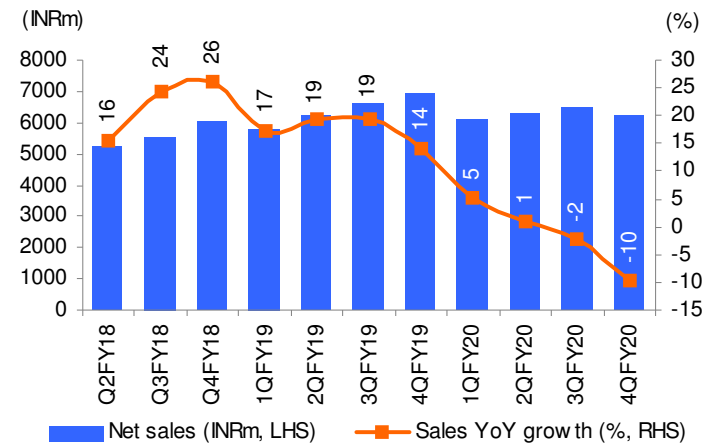
Source: Company, Antique

EBIT Mix (%)



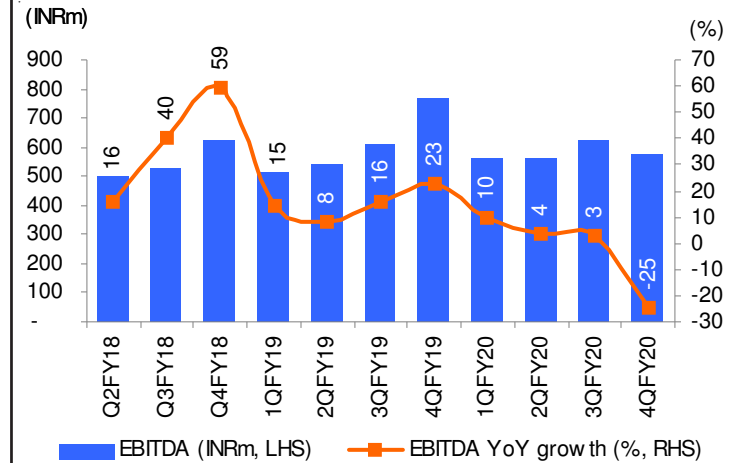
Source: Company, Antique

Total sales and sales growth trend



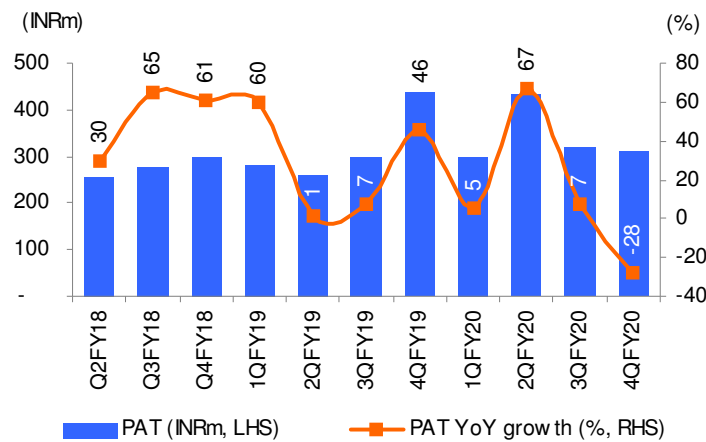
Source: Company, Antique

EBITDA and EBITDA growth trend



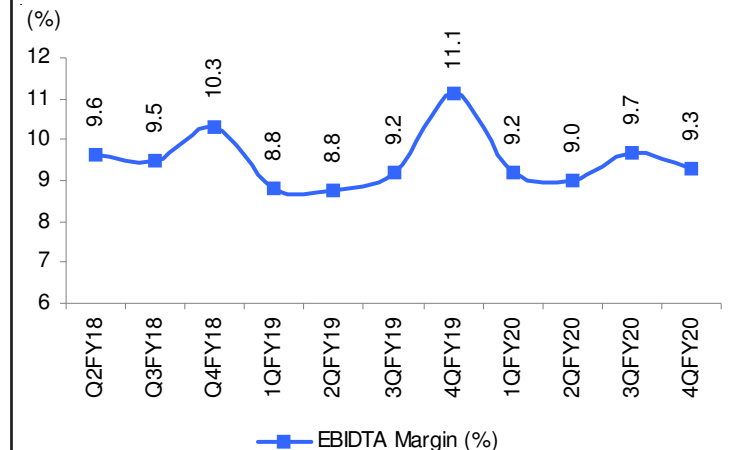
Source: Company, Antique

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	2018	2019	2020	2021e	2022e
Net Revenue	23,499	27,536	27,178	24,865	29,778
Op. Expenses	21,334	25,041	24,773	22,670	26,996
EBITDA	2,165	2,495	2,405	2,195	2,782
Depreciation	686	774	825	902	988
EBIT	1,479	1,721	1,580	1,293	1,794
Other income	144	195	201	205	209
Interest Exp.	322	374	343	326	335
Extra Ordinary Items -gain/(loss)	-	(7)	(99)	-	-
Reported PBT	1,301	1,542	1,438	1,172	1,668
Tax	287	333	159	240	332
Reported PAT	1,014	1,202	1,180	932	1,336
Minority Int./Profit (loss) From Asso.	224	251	252	239	287
Net Profit	1,238	1,453	1,432	1,171	1,623
Adjusted PAT	1,232	1,453	1,531	1,171	1,623
Adjusted EPS (INR)	16.1	19.0	20.0	15.3	21.2

Balance sheet (INRm)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
Share Capital	153	153	154	154	154
Reserves & Surplus	7,465	8,766	10,085	11,071	12,508
Networth	7,618	8,920	10,239	11,224	12,662
Debt	4,396	4,703	4,186	4,186	4,186
Minority Interest	47	52	57	57	57
Net deferred Tax liabilities	445	390	302	302	302
Capital Employed	12,505	14,065	14,783	15,769	17,206
Net Fixed Assets	6,821	7,308	7,933	8,031	8,543
Investments	1,044	1,168	1,354	1,592	1,879
Non Current Investments	1,044	1,168	1,354	1,592	1,879
Current Assets, Loans & Adv.	6,113	7,683	7,547	8,115	9,010
Inventory	33	53	66	66	66
Debtors	4,249	5,151	4,873	4,224	5,058
Cash & Bank balance	142	155	259	1,271	1,104
Loans & advances and others	1,689	2,324	2,349	2,554	2,782
Current Liabilities & Prov.	1,472	2,095	2,050	1,970	2,226
Liabilities	1,417	2,030	1,948	1,868	2,124
Provisions	55	65	102	102	102
Net Current Assets	4,641	5,589	5,497	6,145	6,784
Application of Funds	12,505	14,065	14,783	15,769	17,206

Per share data

Year ended 31 Mar	2018	2019	2020	2021e	2022e
No. of shares (m)	77	77	77	77	77
Diluted no. of shares (m)	77	77	77	77	77
BVPS (INR)	99.4	116.4	133.7	146.5	165.3
CEPS (INR)	22.2	25.8	26.2	23.9	30.3
DPS (INR)	1.6	1.8	2.0	2.0	2.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
PBT	1,525	1,786	1,591	1,411	1,955
Depreciation & amortisation	686	774	825	902	988
Interest expense	322	374	343	326	335
(Inc)/Dec in working capital	(576)	(719)	117	364	(806)
Tax paid	(368)	(342)	(410)	(240)	(332)
Less: Interest/Div. Income Recd.	(8)	(32)	(11)	(205)	(209)
Other operating Cash Flow	(13)	(11)	68	4	-
CF from operating activities	1,568	1,830	2,523	2,562	1,930
Capital expenditure	(1,591)	(1,291)	(1,336)	(1,005)	(1,500)
Inc/(Dec) in investments	273	(302)	(61)	(239)	(287)
Add: Interest/Div. Income Recd.	9	17	22	205	209
CF from investing activities	(1,309)	(1,576)	(1,375)	(1,038)	(1,577)
Inc/(Dec) in share capital	-	12	24	-	-
Inc/(Dec) in debt	184	307	(517)	-	-
Dividend Paid	(486)	(560)	(545)	(512)	(520)
Others	-	-	(6)	-	-
CF from financing activities	(303)	(241)	(1,044)	(512)	(520)
Net cash flow	(44)	13	104	1,012	(167)
Opening balance	187	142	155	259	1,271
Closing balance	142	155	259	1,271	1,104

Growth indicators (%)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
Revenue(%)	21.0	17.2	-1.3	-8.5	19.8
EBITDA(%)	33.6	15.3	-3.6	-8.8	26.8
Adj PAT(%)	52.6	18.0	5.4	-23.5	38.6
Adj EPS(%)	52.6	18.0	5.4	-23.5	38.6

Valuation (x)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
P/E	9.9	8.4	8.0	10.4	7.5
P/BV	1.6	1.4	1.2	1.1	1.0
EV/EBITDA	7.6	6.7	6.7	7.3	5.4
EV/Sales	0.7	0.6	0.6	0.6	0.5
Dividend Yield (%)	1.0	1.1	1.3	1.3	1.3

Financial ratios

Year ended 31 Mar	2018	2019	2020	2021e	2022e
RoE (%)	17.5	17.6	16.0	10.9	13.6
RoCE (%)	15.6	16.3	14.1	11.4	13.9
Asset/T.O (x)	2.2	2.3	2.1	1.8	2.0
Net Debt/Equity (x)	0.56	0.51	0.38	0.26	0.24
EBIT/Interest (x)	5.0	5.1	5.2	4.6	6.0

Margins (%)

Year ended 31 Mar	2018	2019	2020	2021e	2022e
EBITDA Margin(%)	9.2	9.1	8.9	8.8	9.3
EBIT Margin(%)	6.3	6.2	5.8	5.2	6.0
PAT Margin(%)	5.2	5.3	5.6	4.7	5.4

Source: Company Antique

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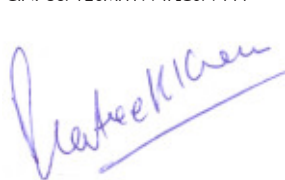
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CIN: U67120MH1994PLC079444


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