

Current Reco	: BUY
Previous Reco	: BUY
CMP	: INR367
Target Price	: INR455
Potential Return	: 24%

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Market data

Sensex	:	51,018
Sector	:	Transport
Market Cap (INRbn)	:	28.3
Market Cap (USDbn)	:	0.388
O/S Shares (m)	:	77.1
52-wk HI/LO (INR)	:	367/146
Avg Daily Vol ('000)	:	146
Bloomberg	:	TRPC IN

Source: Bloomberg

Valuation

	FY21	FY22e	FY23e
EPS (INR)	20.9	24.6	30.3
P/E(x)	17.6	14.9	12.1
P/BV(x)	2.4	2.1	1.8
EV/EBITDA(x)	11.8	10.2	8.5
Dividend Yield (%)	0.7	0.7	0.8

Source: Company, Antique

Returns (%)

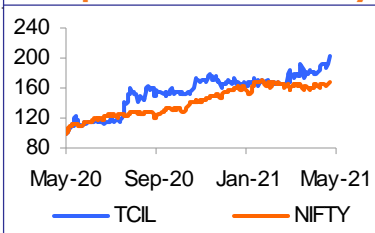
	1m	3m	6m	12m
Absolute	38	51	45	147
Relative	32	45	26	53

Source: Company, Antique

Shareholding pattern

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

Source: Bloomberg

Price performance vs Nifty

Source: Bloomberg, Indexed to 100

4QFY21 RESULT REVIEW

Transport Corporation of India

Industry leading performance; Raise earnings/PT

TCIL's 4QFY21 consolidated performance was better than expected as topline grew 34%YoY/11% QoQ to INR8.9bn (est: INR8.1bn) led by 30%/42%/+24% YoY growth in Freight/Supply Chain/Seaways segment. EBITDA grew 51% YoY to INR886mn (est: INR772mn) with margin expansion YoY to 9.9% vs. 8.8% YoY (9.9% QoQ). For FY21, Revenue/EBITDA/PAT grew +3%/+9%/+5% YoY with Freight/Supply Chain/Seaways revenues growing 3%/2%/7% YoY for FY21; Company registered record OCF at INR3bn growing steadily for past 5 years. Management suggested (1) 4Q witnessed robust demand across sectors; (2) In 1QFY22, freight rates and Industry volumes have come down but a part of this is seasonal as March is the busiest month; (3) FY22 could see revenue growth of 15% and PAT growth of 20% (3) Company is enhancing focus on key sectors like Chemicals, Agri, Ecommerce and Cold chain; expects 25-40%CAGR over 3-4 years in new cold chain JV; (4) FY22 target Capex stands at INR2-2.25bn (including new ship purchase in 4QFY22) vs INR1.5bn YoY; (5) ROCEs to inch upwards over time as assets mature. Post 4Q, we have revised our FY22/FY23 EPS estimates by 9%/13%. We value the stock at 15x FY23 EPS at INR455 (INR350 earlier). Earnings will track macro recovery; maintain BUY on strong fundamentals and attractive valuations. The company is trading at invaluable P/E of 12x on FY23 EPS.

Segment-wise performance

Freight division: Freight segment's revenue grew 30% YoY/+15% QoQ to INR4.76bn while PBIT grew ~56%YoY/+9% QoQ in 4QFY21 to INR190mn. PBIT margins in the segment contracted to 4.0% vs. 4.2% QoQ/3.3%YoY. The segment recorded highest ever quarterly revenue/profitability for the segment. As per the management, Customers are incrementally requesting for mix of FTL and LTL. It targets to take LTL share to 40% by FY25 vs current 33%. In 1HFY21, company was facing challenges with SMEs, which normalized in 2HFY21. The segment's ROCE improved during the year to 17.8% vs 17% YoY.

Supply Chain Segment (SCS): Segment revenue/PBIT grew ~42%/96% YoY in 4Q. PBIT margins during 4Q expanded YoY to 6.9% vs 6.7% QoQ/5% YoY. The company indicated that growth was led by movement across segments. In FY21, ROCE increased only marginally at 18.5% vs 18.3%YoY as segment incurred capex towards adding 2 Auto rakes as well. Company has less than 10% market share in auto logistics and thus believes there is lot of headroom for growth. The company is expanding into cold chain services and has formed JV with Mitsui; JV would soon start investing on warehousing and fleet as well. Management expects Cold chain segment to register 25-40% CAGR in next 3-4 years.

Seaways division registered revenue/PBIT growth of 24%/+36% YoY in 4Q. Segment PBIT margins during 4Q expanded to 23.5% vs. 21.5% YoY (+22.6% QoQ). During FY21, few ships were under dry dock which impacted business in earlier quarters. In 4Q, Company had no ships in Dry dock, which benefited the revenue growth. On Western sector, freight rates have gone up, which also aided revenue growth in 4Q. Few dry docks are planned for FY22.

Other highlights

- **Capex:** The company is targeting INR2-2.25bn Capex for FY22. This includes investment towards building hub centers, warehouses, a new ship (at INR800mn in 4QFY22), Containers (INR400mn) and trucks (in 1QFY22)
- **Industry trends:** As per the management, customers are looking for more Multimodal solutions and importance of logistics will further increase in coming times. Government is also taking several measures towards pushing formalization across sectors. New schemes around boosting Supply Chain with China+1 strategy is expected to be favorable for Logistics Industry in long term. Company is enhancing focus on key sectors like Chemicals, Agri, Ecommerce and Cold chain.
- **Supply chain segment demerger?:** The company is not considering demerger of Supply Chain segment as consolidated business has lot of potential to hedge each other.

Quarterly performance

Actual vs estimated performance

(Rs mn)	Actual	Estimated	% Variance
Net sales	8,927	8,056	10.8
EBITDA	886	772	14.8
EBITDA margin (%)	9.9	9.6	34bps
Adj net income	678	487	39.2
FDEPS (Rs)	8.9	6.4	39.2

Source: Company, Antique

Quarterly snapshot

(Rs mn)	4QFY21	4QFY20	% Chg YoY	3QFY21	% Chg QoQ
Net sales	8,927	6,678	33.7	8,071	10.6
Expenditure	8,041	6,092	32.0	7,274	10.5
EBITDA	886	586	51.3	797	11.2
Other income	113	68	66.6	46	145.8
Interest	61	85	(27.9)	63	(3.8)
Depreciation	280	208	35.1	233	20.4
PBT	736	418	75.8	494	48.8
Tax	81	57	41.8	65	23.8
PAT	678	362	87.7	520	30.5
EBITDA margin (%)	9.9	8.8	116bps	9.9	5bps
EPS (Rs)	8.9	4.7	87.7	6.8	30.5

Source: Company, Antique

Sales mix

(INR mn)	4QFY21	4QFY20	Chg YoY	3QFY21	Chg QoQ
Freight Division	4,763	3,671	29.8	4,149	14.8
Supply Chain Solutions Division	3,041	2,142	42.0	3,011	1.0
Seaways division	1,301	1,046	24.4	1,038	25.4
Energy Division	5	5	15.2	3	103.8
Unallocable & Corporate	81	-40	(302.0)	27	197.1
Less Inter Segment Revenue	152	79	92.8	111	36.8
Total Sales	9,040	6,744	34.0	8,117	11.4

Source: Company, Antique

PBIT Margin

(%)	4QFY21	4QFY20	Chg YoY	3QFY21	Chg QoQ
Freight	4.0	3.3	67bps	4.2	-20bps
Supply Chain Solutions	6.9	5.0	190bps	6.7	22bps
Seaways	23.5	21.5	196bps	22.6	84bps

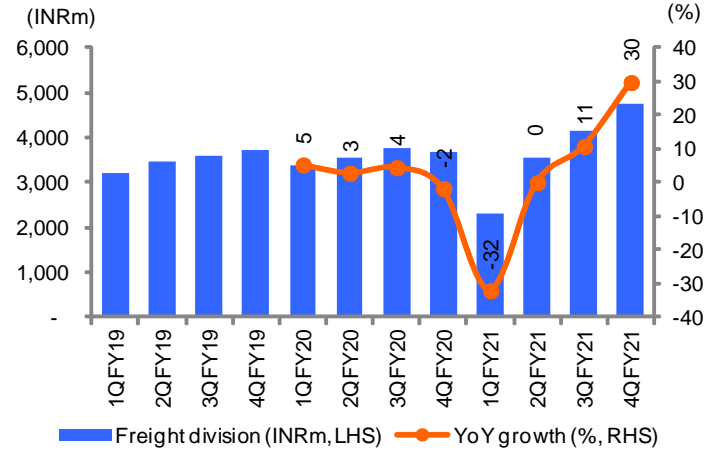
Source: Company, Antique

Change in estimates

Key parameters	FY22E			FY23E		
	Old	New	% Chg	Old	New	% Chg
Revenue (Rs mn)	31,591	32,151	1.8	35,838	37,176	3.7
EBITDA (Rs mn)	2,911	2,997	2.9	3,350	3,553	6.0
EBITDA margin (%)	9.2	9.3	11bps	9.3	9.6	21bps
Net profit (Rs mn)	1,731	1,883	8.8	2,059	2,319	12.7
EPS (Rs)	22.6	24.6	8.8	26.9	30.3	12.7

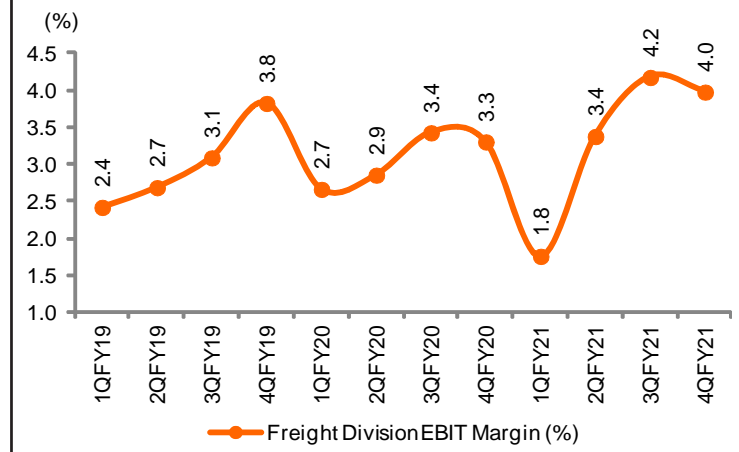
Source: Company, Antique

Freight division sales and growth trend



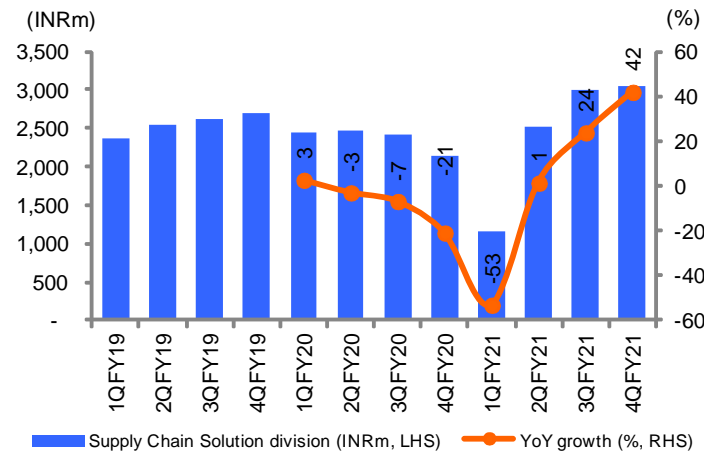
Source: Company, Antique

Freight division EBIT margin trend



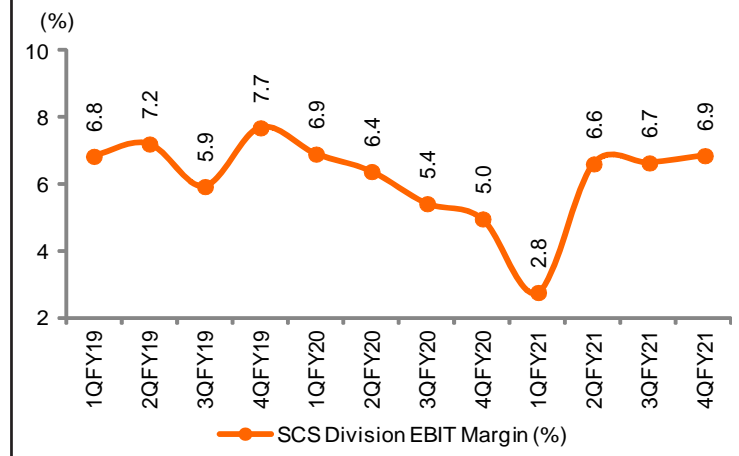
Source: Company, Antique

SCS division sales and growth trend



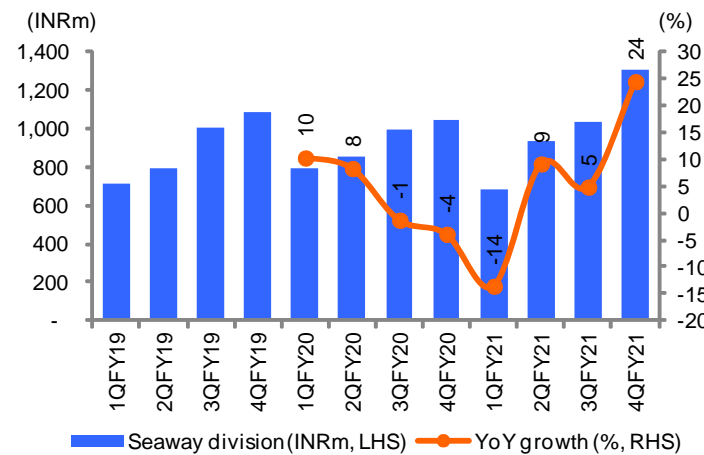
Source: Company, Antique

SCS division EBIT margin trend



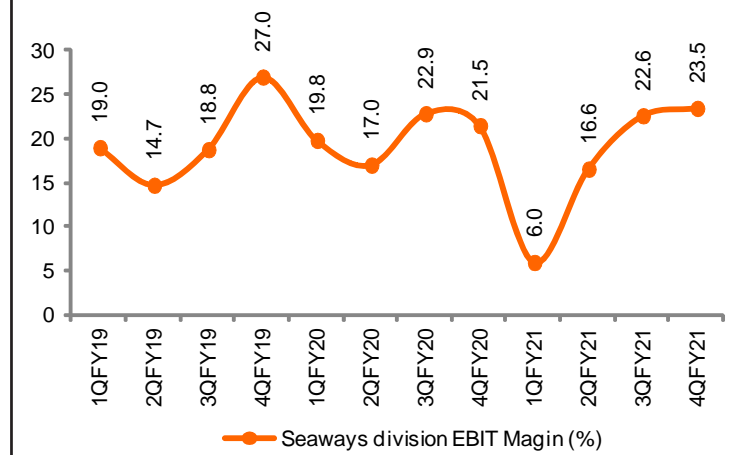
Source: Company, Antique

Seaway division sales and growth trend



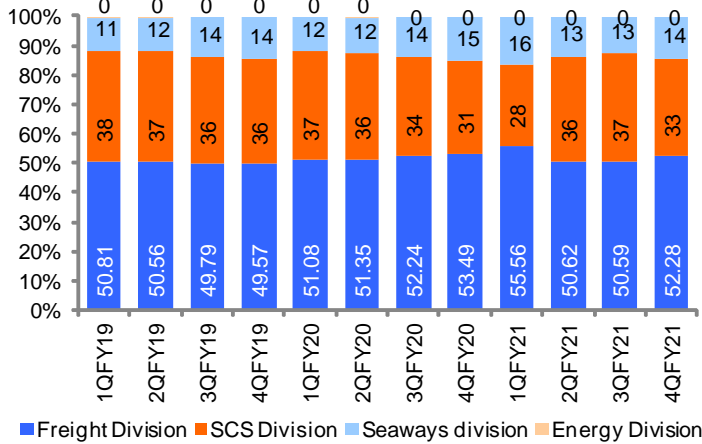
Source: Company, Antique

Seaway division EBIT margin trend



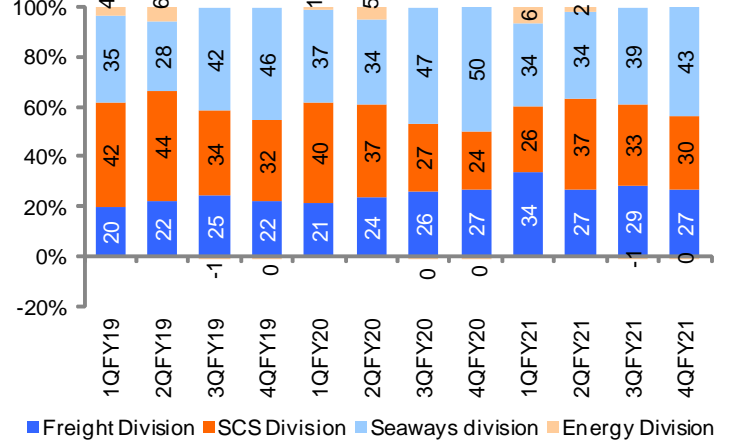
Source: Company, Antique

Sales Mix (%)



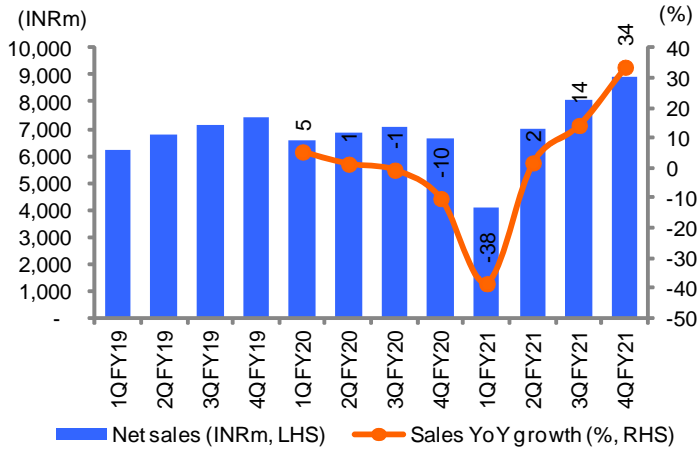
Source: Company, Antique

EBIT Mix (%)



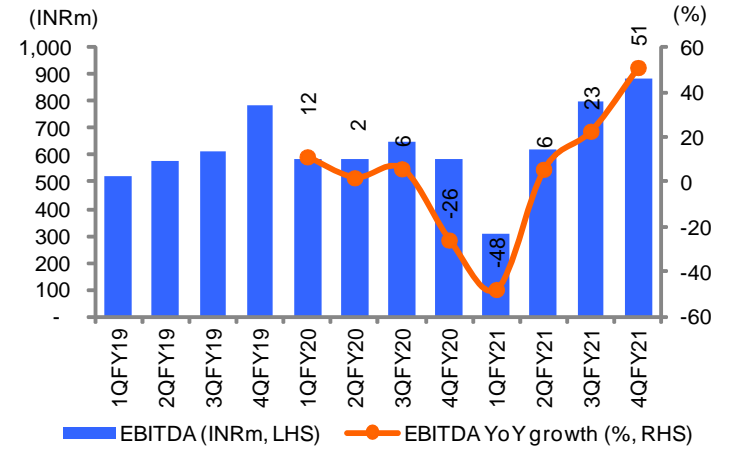
Source: Company, Antique

Total sales and sales growth trend



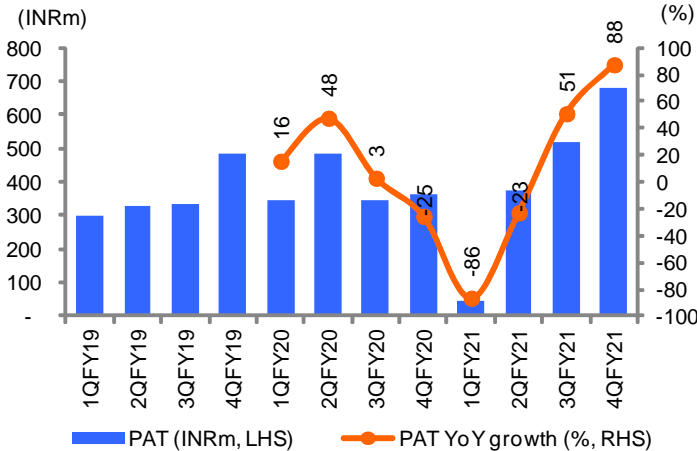
Source: Company, Antique

EBITDA and EBITDA growth trend



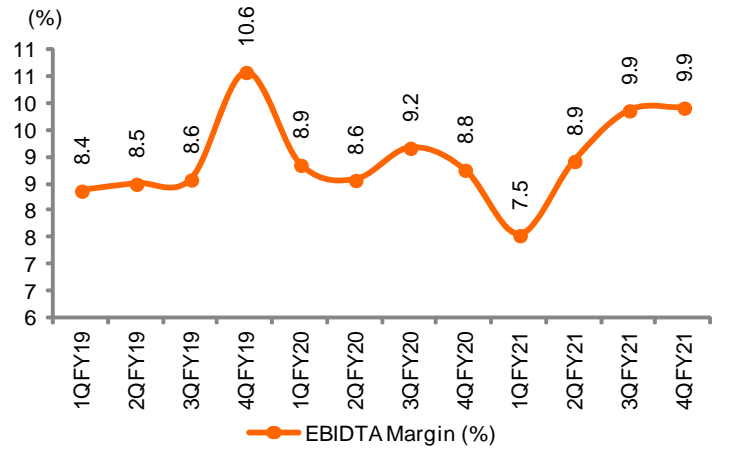
Source: Company, Antique

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	FY19	FY20	FY21	FY22e	FY23e
Net Revenue	27,536	27,178	28,024	32,151	37,176
Op. Expenses	25,041	24,773	25,412	29,154	33,623
EBITDA	2,495	2,405	2,612	2,997	3,553
Depreciation	774	825	928	1,006	1,140
EBIT	1,721	1,580	1,684	1,991	2,413
Other income	195	201	255	260	273
Interest Exp.	374	343	267	242	231
Extra Ordinary Items -gain/(loss)	(7)	(99)	(131)	-	-
Reported PBT	1,542	1,438	1,672	2,008	2,454
Tax	333	159	238	362	412
Reported PAT	1,202	1,180	1,303	1,647	2,042
Minority Int./Profit (loss) From Asso.	251	252	201	252	292
Net Profit	1,453	1,432	1,504	1,898	2,334
Adjusted PAT	1,451	1,522	1,602	1,883	2,319
Adjusted EPS (INR)	18.9	19.9	20.9	24.6	30.3

Balance sheet (INRm)

Year ended 31 Mar	FY19	FY20	FY21	FY22e	FY23e
Share Capital	153	154	154	154	154
Reserves & Surplus	8,766	10,085	11,543	13,195	15,236
Networth	8,920	10,239	11,697	13,349	15,390
Debt	4,703	4,186	2,847	2,847	2,597
Minority Interest	52	57	86	86	86
Net deferred Tax liabilities	390	302	273	273	273
Capital Employed	14,065	14,784	14,904	16,555	18,347
Net Fixed Assets	7,308	7,933	8,098	9,118	9,378
Investments	1,168	1,354	1,500	1,751	2,043
Non Current Investments	1,168	1,354	1,500	1,751	2,043
Current Assets, Loans & Adv.	7,683	7,547	7,790	8,207	9,710
Inventory	53	66	71	71	71
Debtors	5,151	4,873	5,110	5,285	6,111
Cash & Bank balance	155	259	395	447	912
Loans & advances and others	2,324	2,349	2,214	2,405	2,615
Current Liabilities & Prov.	2,095	2,050	2,484	2,522	2,785
Liabilities	2,030	1,948	2,399	2,436	2,699
Provisions	65	102	86	86	86
Net Current Assets	5,589	5,497	5,306	5,685	6,925
Application of Funds	14,065	14,784	14,904	16,555	18,347

Per share data

Year ended 31 Mar	FY19	FY20	FY21	FY22e	FY23e
No. of shares (m)	77	77	77	77	77
Diluted no. of shares (m)	77	77	77	77	77
BVPS (INR)	116.4	133.2	151.7	174.3	200.9
CEPS (INR)	25.8	26.1	28.9	34.6	41.5
DPS (INR)	1.8	2.0	2.5	2.5	3.0

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	FY19	FY20	FY21	FY22e	FY23e
PBT	1,786	1,591	1,743	2,260	2,746
Depreciation & amortisation	774	825	928	1,006	1,140
Interest expense	374	343	267	242	231
(Inc)/Dec in working capital	(719)	232	181	(328)	(774)
Tax paid	(342)	(410)	52	(362)	(412)
Less: Interest/Div. Income Recd.	(32)	(11)	(59)	(260)	(273)
Other operating Cash Flow	(11)	(142)	(65)	(11)	(15)
CF from operating activities	1,830	2,428	3,047	2,548	2,644
Capital expenditure	(1,291)	(1,336)	(1,553)	(2,031)	(1,400)
Inc/(Dec) in investments	(302)	(61)	261	(252)	(292)
Add: Interest/Div. Income Recd.	17	117	157	260	273
CF from investing activities	(1,576)	(1,280)	(1,135)	(2,023)	(1,419)
Inc/(Dec) in share capital	12	24	40	-	-
Inc/(Dec) in debt	307	(517)	(1,419)	-	(250)
Dividend Paid	(560)	(545)	(365)	(474)	(509)
Others	-	(6)	(33)	-	-
CF from financing activities	(241)	(1,044)	(1,776)	(474)	(759)
Net cash flow	13	104	136	51	466
Opening balance	142	155	259	395	447
Closing balance	155	259	395	447	912

Growth indicators (%)

Year ended 31 Mar	FY19	FY20	FY21	FY22e	FY23e
Revenue(%)	17.2	-1.3	3.1	14.7	15.6
EBITDA(%)	15.3	-3.6	8.6	14.7	18.6
Adj PAT(%)	17.8	4.9	5.2	17.6	23.2
Adj EPS(%)	17.8	4.9	5.2	17.6	23.2

Valuation (x)

Year ended 31 Mar	FY19	FY20	FY21	FY22e	FY23e
P/E	19.4	18.5	17.6	14.9	12.1
P/BV	3.2	2.8	2.4	2.1	1.8
EV/EBITDA	13.1	13.4	11.8	10.2	8.5
EV/Sales	1.2	1.2	1.1	1.0	0.8
Dividend Yield (%)	0.5	0.5	0.7	0.7	0.8

Financial ratios

Year ended 31 Mar	FY19	FY20	FY21	FY22e	FY23e
RoE (%)	17.5	15.9	14.6	15.0	16.1
RoCE (%)	14.4	12.4	13.1	14.3	15.4
Asset/T.O (x)	2.3	2.1	2.1	2.3	2.4
Net Debt/Equity (x)	0.51	0.38	0.21	0.18	0.11
EBIT/Interest (x)	5.1	5.2	7.3	9.3	11.6

Margins (%)

Year ended 31 Mar	FY19	FY20	FY21	FY22e	FY23e
EBITDA Margin(%)	9.1	8.9	9.3	9.3	9.6
EBIT Margin(%)	6.2	5.8	6.0	6.2	6.5
PAT Margin(%)	5.3	5.6	5.7	5.9	6.2

Source: Company Antique

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