

FY21-23E Earnings CAGR%	24%
CF & Return Profile	High
Valuations	Attractive

BUY

CMP (Rs)	367
Target (Rs)	440
Upside (%)	20%

Nifty: 15,301 Sensex: 51,018
Key Stock Data

Bloomberg	TRPC IN
Shares O/s Mn (FV INR 10)	76.8
Mkt Cap (USD Bn/INR Bn)	0.4/28.3
52-week High/Low	367/146
6m Daily Avg Vol (Mn)	22

Price Performance

(%)	3M	1Y	3Y
TRPC	51.0	148.5	9.7
Nifty	5.5	71.6	14.5
NSE500	7.1	77.5	13.7

Shareholding Pattern

(%)	Sep20	Dec20	Mar21
Promoter	66.7	66.8	66.7
FII	1.6	1.5	1.7
DII	12.2	12.4	12.1
Others	19.5	19.3	19.5

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Transport Corporation of India (TCI) delivered a robust performance across segments. Consolidate Sales/EBITDA/net profit increased by 34%/51%/79% y-o-y respectively. Two years sales CQGR stands at ~9% which is one of the healthiest amongst Indian logistics space. SCM witnessed a sharp growth with a sales growth of 42% y-o-y largely led by improved growth momentum in automobile sector along with healthy traction in e-commerce fulfillment and warehousing segment. Freight segment also reported a healthy growth of 30% y-o-y led by revival in LTL business along with improvement in FTL business on back of improvement in economic activities. Coastal shipping grew by 24% y-o-y with a ramp up in cargo movement. Despite sharp rise in fuel prices, EBITDA margin improved by 110bps y-o-y to 9.9%. Consolidated net profit grew by 79% y-o-y to Rs 646mn. Relatively higher earnings growth was on account of stable lower financial cost and healthy growth in share from JVs. We see near term headwinds due to ongoing lockdowns and its impact on dependent industries. However, it will see a healthy growth reversal once situation gets normalize.

Strong growth momentum across segments, SCM leading the pack with a highest ever quarterly revenue

Strong growth trajectory in SCM in H2FY21 is led by healthy revival/traction in automobile sector along with robust demand from e-commerce (fulfillment center and warehousing). SCM reported a sales growth of 42% y-o-y to Rs 3bn, highest ever quarterly revenue. We see some growth moderation over the near term due to lockdown situation but remain positive on SCM business over the medium to longer term on the back of superior offerings, wide client base and hybrid business model. We strongly believe that its superior business model and ingrained expertise will continue to support SCM division in winning new accounts and increasing wallet share from the existing customers.

Freight and coastal shipping should see a further uptick

Freight division reported a 30% y-o-y sales growth, led by revival in LTL business along with improvement in FTL business. We further see an uptick as LTL segment (~1/3rd of freight revenue) is likely to see significant revival on the back of growth recovery in MSME segments. Coastal shipping division reported a growth of 24% y-o-y with operations ramped up and good port volume visibility. It is witnessing a better demand on the western coast for a cargo movement from Gujarat to southern states.

TCI remains our top pick in logistics space; Maintain 'Buy'

We maintain our positive stance on TCI on the back of its large logistics infrastructure and proven track record of execution across verticals which will help it winning new accounts/clients across verticals. Further, its return ratios will continue to improve due to favorable change in business mix and prudent capital allocation. **Despite, expected capex of Rs 3bn over the next two years, TCI will generate cumulative FCF of ~Rs 2.2bn over FY22-23E and its cash conversions remains healthy as its average pre-tax OCF/EBITDA over the last five years stands at 99%.** Despite good run up since our last update (~43% in last 3 months), we still consider it as good value compounder over the longer term. We revise our TP to Rs 440 as we roll forward to FY23E earnings along with increase in our target multiple to 15x as against 13x earlier.

Exhibit 1: Key Financials (Consolidated)

Y/E Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Sales	27,537	27,178	28,024	30,434	34,361
yoy (%)	17.4	-1.3	3.1	8.6	12.9
EBITDA	2,495	2,405	2,612	2,971	3,333
yoy (%)	17.3	-3.6	8.6	13.7	12.2
Net Profit	1,453	1,424	1,471	2,040	2,261
yoy (%)	17.3	-2.0	3.3	38.6	10.9
EBITDAM(%)	9.1%	8.9%	9.3%	9.8%	9.7%
Equity	153.3	153.7	154.2	154.2	154.2
EPS	19.0	18.5	19.1	26.5	29.3

Source: Company, AMSEC Research

Exhibit 2: Key Indicators

Y/E Mar	FY19	FY20	FY21	FY22E	FY23E
RoE (%)	17.6	14.9	13.4	16.2	15.5
RoCE (%)	15.6	13.2	13.9	15.2	15.4
ROIC (%)	15.8	14.1	15.4	16.6	17.5
DE	0.5	0.4	0.2	0.2	0.2
PER (x)	19.4	19.8	19.2	13.9	12.5
P/BV (x)	3.2	2.8	2.4	2.1	1.8
EV/Sales (x)	1.2	1.2	1.1	1.0	0.8
EV/EBITDA (x)	12.9	13.2	11.6	9.9	8.6
Div Yield (%)	0.6	0.7	0.3	0.8	0.8

Exhibit 3: JV's performance

Particulars (Rs mn)	TCI CONCOR			Transsystem			TCI Cold chain		
	FY20	FY21	y-o-y change	FY20	FY21	y-o-y change	FY20	FY21	y-o-y change
Revenue	18,900	32,390	71.4%	44,490	35,960	-19%	2,580	3,630	41%
PAT	86	331	284.9%	2,510	1,960	-22%	10	67	570%
PAT Margin	0.5%	1.0%	+50bps	5.6%	5.5%	-10bps	0.4%	1.8%	+140bps
Capital Employed	1,880	3,360	78.7%	23,830	25,730	8%	2,680	3,790	41%
TCI's equity stake	51%			49%			80%		

KTA of Earnings call

- LTL contribution in freight business increased from 29% in FY18 to 33% in FY21. Targeting to generate 40% revenues from LTL segment by FY25E.
- 80% of SCM revenue comes from automobiles (PV, Agri and industrial) and remaining part comes from FMCG, E-Commerce and chemical sectors.
- SCM has 12mn sq ft of warehouse space under management.
- Operating 6 ships in coastal shipping division with a total capacity of 77,957 DWT.
- It sold one ship in mid-Feb'21. Planning to buy one ship probably in H2FY22.
- Coastal shipping derives 58% revenues from west and 42% from eastern coast.
- Three ships were under dry-dock and some more ships will undergo for a dry-dock in FY22 which will impact the margin to some extent.
- Booked exceptional items of Rs 35mn towards impairment of wind business (Rs 9mn) and Rs 2.5mn in international subsidiaries.
- Despite leadership position in auto logistics, market share of TCI is still low at 10% which offers huge growth opportunities given sound business capability of TCI's SCM division.
- Eying for 50-100bps margin improvement every year.
- Cold chain business is still under incubation stage and will see a significant business scale over the next two years.
- Mitsui took 20% equity stake in cold chain subsidiary for Rs 635mn.
- Despite spike in fuel prices, surge in tariff charges due to shortage of containers helped in shoring up margins in coastal shipping division.
- In SCM business, TCI is not chasing low yield/profitable business. Focus is on driving profitable growth rather than go for 'Revenue buyouts'.
- From the past experience, it learnt that 'revenue buyout' is not a right strategy as the scaling up of margin through higher volumes is very difficult in SCM business.

Exhibit 4: 4QFY21 Quarterly Financials (Consolidated)

Particulars (Rs. mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	y-o-y change	q-o-q change	FY21	FY20	y-o-y change
Income from operations	6,677.8	4,057.2	6,968.9	8,070.9	8,926.9	33.7%	10.6%	28,023.9	27,178.4	3.1%
Less: Expenditures										
Operating cost	5,405.8	3,312.6	5,762.6	6,601.9	7,295.3	35.0%	10.5%	22,972.4	22,142.9	3.7%
Staff cost	420.4	300.8	341.1	373.1	439.9	4.6%	17.9%	1,454.9	1,572.2	-7.5%
Other op. & admin cost	266.0	137.5	242.7	298.8	305.4	14.8%	2.2%	984.4	1,058.0	-7.0%
EBITDA	585.6	306.3	622.5	797.1	886.3	51.3%	11.2%	2,612.2	2,405.3	8.6%
Other Income	67.7	30.4	65.6	45.9	112.8	66.6%	145.8%	254.7	201.2	26.6%
Depreciation	207.5	206.1	208.9	232.8	280.3	35.1%	20.4%	928.1	824.9	12.5%
EBIT	445.8	130.6	479.2	610.2	718.8	61.2%	17.8%	1,938.8	1,781.6	8.8%
Interest	84.5	73.7	69.1	63.3	60.9	-27.9%	-3.8%	267.0	343.2	-22.2%
Profit Before Tax	361.3	56.9	410.1	546.9	657.9	82.1%	20.3%	1,671.8	1,438.4	16.2%
Tax	56.9	8.5	83.9	65.2	80.7	41.8%	23.8%	238.3	159.1	49.8%
Profit after Tax	304.4	48.4	326.2	481.7	577.2	89.6%	19.8%	1,433.5	1,279.3	12.1%
Extraordinary items	-	-	-	(104.3)	(26.3)	NA	NA	(130.6)	(98.8)	32.2%
Net Profit	304.4	48.4	326.2	377.4	550.9	81.0%	46.0%	1,302.9	1,180.5	10.4%
Share in JV profits	57.1	(1.2)	46.5	51.9	104.1	82.3%	100.6%	201.3	251.4	-19.9%
Minority Int	1.0	6.4	6.7	10.9	8.9	790.0%	-18.3%	32.9	8.3	296.4%
Net Profit	360.5	40.8	366.0	418.4	646.1	79.2%	54.4%	1,471.3	1,423.6	3.4%
EPS	4.7	0.5	4.8	5.4	8.4	79.2%	54.4%	19.1	18.5	3.4%
Operating Matrix						BPS	BPS			BPS
Operating cost/Sales	81.0%	81.6%	82.7%	81.8%	81.7%	77	-8	82.0%	81.5%	50
Staff cost/Sales	6.3%	7.4%	4.9%	4.6%	4.9%	-137	31	5.2%	5.8%	-59
Others/Sales	4.0%	3.4%	3.5%	3.7%	3.4%	-56	-28	3.5%	3.9%	-38
EBITDA Margin	8.8%	7.5%	8.9%	9.9%	9.9%	116	5	9.3%	8.9%	47
Net Margin	5.4%	1.0%	5.3%	5.2%	7.2%	184	205	5.3%	5.2%	1
ETR	15.7%	14.9%	20.5%	11.9%	12.3%	-348	34	14.3%	11.1%	319

Source: Company, AMSEC Research,

Exhibit5: 4QFY21 Segmental Highlights (Standalone)

Particulars (Rs mn)	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	y-o-y change	q-o-q change	FY21	FY20	y-o-y change
Revenue										
Freight	3,670.7	2,301.4	3,571.9	4,149.0	4,762.9	29.8%	14.8%	14,785.2	14,395.4	2.7%
SCM	2,142.0	1,145.0	2,540.5	3,011.3	3,041.4	42.0%	1.0%	9,738.2	9,490.4	2.6%
Coastal Shipping	1,045.6	682.0	932.2	1,037.6	1,301.0	24.4%	25.4%	3,952.8	3,677.4	7.5%
Wind	5.9	(19.4)	16.8	2.6	5.3	-10.2%	103.8%	5.3	54.9	-90.3%
Others/inter segment	(186.4)	(51.8)	(92.5)	(129.6)	(183.7)	-1.5%	41.7%	(457.6)	(439.7)	4.1%
Total	6,677.8	4,057.2	6,968.9	8,070.9	8,926.9	33.7%	10.6%	28,023.9	27,178.4	3.1%
EBIT (Rs mn)										
Freight	121.4	40.5	120.0	173.4	189.6	56.2%	9.3%	523.5	441.8	18.5%
SCM	106.5	31.7	166.4	200.3	208.9	96.2%	4.3%	607.3	565.6	7.4%
Coastal Shipping	225.0	40.6	154.5	234.9	305.5	35.8%	30.1%	735.5	753.2	-2.3%
Wind	(0.1)	7.7	10.8	(3.3)	(0.7)	600.0%	-78.8%	14.5	24.3	-40.3%
Total	452.8	120.5	451.7	605.3	703.3	55.3%	16.2%	1,880.8	1,784.9	5.4%
EBIT %						BPS	BPS			BPS
Transport	3.3%	1.8%	3.4%	4.2%	4.0%	67	(20)	3.5%	3.1%	47
SCM	5.0%	2.8%	6.5%	6.7%	6.9%	190	22	6.2%	6.0%	28
Coastal Shipping	21.5%	6.0%	16.6%	22.6%	23.5%	196	84	18.6%	20.5%	(187)
Wind	-1.7%	-39.7%	64.3%	-126.9%	-13.2%	NA	NA	273.6%	44.3%	NA
Total	6.8%	3.0%	6.5%	7.5%	7.9%	110	38	6.7%	6.6%	14

Source: Company, AMSEC Research

Financials (Consolidated)**(Rs mn)****Profit and Loss Account**

Y/E (Mar)	FY19	FY20	FY21	FY22E	FY23E
Operating Income	27,537	27,178	28,024	30,434	34,361
Other oper. income	-	-	-	-	-
Operating expenses	22,515	22,143	22,972	24,439	27,592
Staff expenses	1,402	1,572	1,455	1,808	2,062
Selling, admin and other expenses	1,124	1,058	984	1,217	1,374
EBITDA	2,495	2,405	2,612	2,971	3,333
Depreciation	774	825	928	979	1,042
Operating profit	1,721	1,580	1,684	1,992	2,291
Other income	195	201	255	277	312
EBIT	1,916	1,782	1,939	2,268	2,604
Interest	374	343	267	199	199
Exceptional items	-	-	-	-	-
Profit before tax	1,542	1,438	1,672	2,069	2,404
Tax	333	159	238	331	385
PAT	1,209	1,279	1,434	1,738	2,020
Share in Profit from JVs	251	252	201	302	242
Minority Interest	-	(8)	(33)	-	-
EO Items	(7)	(99)	(131)	-	-
Net Profit	1,453	1,424	1,471	2,040	2,261
Share O/s mn	76.7	76.9	77.1	77.1	77.1
EPS Rs	19.0	18.5	19.1	26.5	29.3

Cash Flow Statement

Y/E (Mar)	FY19	FY20	FY21	FY22E	FY23E
PBT	1,786	1,591	1,743	2,069	2,404
Non-cash adjustments	1,141	1,273	1,344	1,179	1,241
Chg in working capital	(719)	231	181	(262)	(627)
Tax & Interest Paid	(342)	(410)	52	(331)	(385)
Cashflow from oper.	1,830	2,428	3,047	2,655	2,633
Capital expenditure	(1,259)	(1,321)	(1,241)	(1,500)	(1,500)
Chg in investments	56	(14)	(17)	-	-
Other invest. cashflow	(373)	(18)	196	-	-
Cashflow from invest	(1,576)	(1,353)	(1,062)	(1,500)	(1,500)
Issue of equity	12	24	40	-	-
Issue/repay debt	-	-	-	-	-
Interest Paid	(377)	(343)	(269)	(199)	(199)
Inc./(Dec.) Loan Funds	307	(517)	(1,419)	-	-
Dividends paid	(182)	(201)	(96)	(214)	(214)
Other finan.cashflow	-	67	(106)	-	-
Cashflow from finan.	(241)	(971)	(1,849)	(413)	(413)
Chg cash & cash eq	13	104	136	742	720
Open cash & cash eq	142	155	259	395	1,137
Clsq cash & cash eq	155	259	395	1,137	1,857
Free cashflow to firm	571	1,107	1,807	1,155	1,133

Key Ratios

Y/E (Mar)	FY19	FY20	FY21	FY22E	FY23E
PER SHARE					
EPS Rs	19.0	18.5	19.1	26.5	29.3
CEPS Rs	29.1	29.3	31.1	39.2	42.8
Book Value Rs	116.4	133.2	151.7	175.4	202.0
VALUATION					
EV / Net Sales	1.2	1.2	1.1	1.0	0.8
EV / EBITDA	12.9	13.2	11.6	9.9	8.6
P / E Ratio	19.4	19.8	19.2	13.9	12.5
P / BV Ratio	3.2	2.8	2.4	2.1	1.8
GROWTH YOY%					
Sales Growth	17.4	-1.3	3.1	8.6	12.9
EBITDA Growth	17.3	-3.6	8.6	13.7	12.2
Net Profit Growth	17.3	-2.0	3.3	38.6	10.9
Gross Fixed Asset Growth	15.2	7.7	5.8	9.7	8.8
PROFITABILITY					
Gross Profit/ Net sales (%)					
EBITDA / Net Sales (%)	9.1	8.9	9.3	9.8	9.7
EBIT / Net sales (%)	7.0	6.6	6.9	7.5	7.6
NPM / Total income (%)	5.3	5.2	5.3	6.7	6.6
ROE (%)	17.6	14.9	13.4	16.2	15.5
ROCE (%)	15.6	13.2	13.9	15.2	15.4
Tax / PBT %	21.6	11.1	14.3	16.0	16.0
TURNOVER					
Net Working Cycle					
Debtors Velocity (Days)	68.3	65.4	66.6	65.0	65.0
Inventory (Days)	0.9	1.1	1.1	1.0	1.0
Creditors Velocity (Days)					
Current Ratio	2.9	3.0	2.8	3.0	3.2
Quick Ratio	2.9	3.0	2.8	3.0	3.1
LIQUIDITY					
Gross Asset Ratio	2.2	1.9	1.9	1.9	1.9
Total Asset Ratio	2.2	2.0	1.9	2.0	2.0
Net Debt-Equity Ratio	0.4	0.3	0.2	0.1	0.0
Interest Coverage	4.6	4.6	6.3	10.0	11.5
PAYOUT					
Payout %	20.0	20.0	20.0	20.0	20.0
Dividend %	119.0	131.0	62.1	138.5	138.5
Yield %	0.6	0.7	0.3	0.8	0.8

Source: Company, AMSEC Research;

Balance Sheet

Y/E Mar	FY19	FY20	FY21	FY22E	FY23E
SOURCES OF FUNDS :					
Share Capital	153	154	154	154	154
Reserves	8,766	10,085	11,543	13,369	15,417
T. Shareholders Funds	8,920	10,239	11,697	13,523	15,571
Minority interest	52	57	86	86	86
Non-Current Liab.					
Long term borrowings	4,142	3,686	2,347	2,347	2,347
Lease Liability	-	35	208	208	208
Deferred tax liability	390	302	273	273	273
Current Liab. & Prov.	2,656	2,515	2,777	3,011	3,401
Total Equity & Liab.	16,160	16,833	17,388	19,448	21,886
APPLICATION OF FUNDS :					
Non Current Assets					
Fixed Assets	7,268	7,483	7,409	7,930	8,388
Capital work in progress	40	216	52	52	52
Right to use	-	234	638	638	638
Goodwill	-	-	-	-	-
Noncurrent investment	1,168	1,354	1,500	1,802	2,043
Current Assets					
Current investment					
Inventories	53	66	71	67	76
Sundry debtors	5,151	4,873	5,110	5,420	6,119
Cash and bank	155	259	395	1,137	1,857
Short loans & advances	2,324	2,349	2,213	2,403	2,714
Others current assets	-	-	-	-	-
Total Assets	16,160	16,833	17,388	19,448	21,886
Net working capital	4,872	4,772	4,618	4,880	5,507
Total Gross Debt	4,142	3,686	2,347	2,347	2,347
Total Net debt	3,987	3,426	1,952	1,210	490
Total capital employed	13,504	14,318	14,611	16,438	18,485

Recommendation rationale

Buy: Potential upside of	> +15% (absolute returns)
Accumulate:	> +5 to +15%
Hold/Reduce:	+5 to -5%
Sell:	< -5%
Not Rated (NR):	No investment opinion on the stock

Sector rating

Overweight:	The sector is expected to outperform relative to the Sensex.
Underweight:	The sector is expected to underperform relative to the Sensex.
Neutral:	The sector is expected to perform in line with the Sensex.

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