

# TCI Limited (TRPC IN)

## Strong recovery in Supply Chain

### INDIA | LOGISTICS | Quarterly Update

26 May 2021

## BUY (Maintain)

CMP RS 366 / TARGET Rs 458 (+25%)

### Top takeaways from 4QFY21

- ✓ Results better than expectations. Recovery across all business segments.
- ✓ Benefit of multimodal solutions and an improvement in margins with cost control.

### Key highlights

Consolidated revenue increased by 27.3%yoy to Rs 7.96bn (5.3% higher than estimates of Rs 7.56bn). Gross margins impacted marginally by 20bps yoy to 19.5% in 4QFY21. EBITDA increased by 47.6% yoy (+8.4% qoq) to Rs 856mn, higher than estimates of Rs 790mn. EBITDA margins increased from 9.3% in 4QFY20 to 10.7% in 4QFY21. Interest cost declined by 30%yoy to Rs 56mn with improved cashflow and debt repayment. PBT increased by 72.2% yoy to Rs 637.3mn. Adjusted profit at Rs 564mn in 4QFY21 vs estimates of Rs 473mn.

### Conference call takeaways

- Freight division revenue up by 20.0%yoy (up +18.1% qoq) to Rs 3.87bn; Supply Chain revenue increased by 40.7%yoy (up -0.2% qoq) to Rs 2.9bn; Seaway's revenue grew by 24.4%yoy (up +25.4%qoq) to Rs 1.3bn.
- EBITDA in freight division grew by 27.0%yoy to Rs 172mn with margin improvement of 20bps yoy to 4.4% in 4QFY21; EBITDA in SCM grew by 69.1%yoy to Rs 328mn and in seaways increased by 40.9%yoy to Rs 434mn. EBITDA margins in SCM and Seaways improved by 190bps yoy to 11.2% and 390bps yoy to 33.4% respectively in 4QFY21.
- Freight division has reached c.95% of pre-covid level with pent up demand and recovery in MSME in 4QFY21. Less Than Truck Load (LTL) is c. 31% of freight business supporting the margins and expect LTL share to increase to 40% by 2025.
- Integrated logistics solution capability has shown effectiveness and strength. Growth in SCM was supported by demand revival and growth in Pharma, Agri, E-commerce & FMCG. SCM margins improved due better revenue realization and management is hopeful of strong growth in SCM with focus on profitability.
- JV performance: TCI Concor operating asset light rail operations reported revenue growth of 71%yoy to Rs 3.2bn in FY21. Transystem focused on automotive logistics reported revenue decline of 19.2%yoy to Rs 3.5bn in FY21. TCI Cold chain reported revenue of Rs 363mn in FY21 compared to Rs 258mn in FY20.
- It had capital expenditure of Rs 1.1bn in FY21 and expect capex of Rs 2.2bn in FY22. Capex is mainly for developing hub centres and warehouses (Rs 640mn), trucks (Rs 340mn) and ship addition (Rs 800mn).

**Outlook and valuation:** At CMP, stock trades at 12.0x our FY23 earnings. We have revised earnings considering improved operating performance. TCI has a strong history of maintaining growth in different economic cycles. It is best placed to provide a cost-effective solution to the customized needs of its clients due to its national network (historical asset base at strategic locations) and multimodal capabilities. The level playing field for organized players post GST and E-way Bill is helping to gain market share. We maintain valuation at 15x FY23EPS to arrive at a target of Rs 458 (earlier Rs 390).

### COMPANY DATA

O/S SHARES (MN) :	77
MARKET CAP (RSBN) :	24
MARKET CAP (USDBN) :	0.3
52 - WK HI/LO (RS) :	319 / 146
LIQUIDITY 3M (USDMMN) :	0.4
PAR VALUE (RS) :	10

### SHARE HOLDING PATTERN, %

	Mar 21	Dec 20	Sep 20
PROMOTERS	66.8	66.8	66.7
DII	12.4	12.4	12.2
FII	1.5	1.5	1.6
OTHERS	19.2	19.2	19.5

### KEY FINANCIALS

Rs mn	FY21	FY22E	FY23E
Net Sales	28024	33483	37768
EBITDA	2612	3186	3569
Net Profit	1602	2005	2345
EPS, Rs	20.8	26.0	30.4
PER, x	17.6	14.1	12.0
EV/EBITDA, x	11.8	9.8	8.8
PBV, x	2.4	2.1	1.8
ROE, %	13.7	14.9	15.0
Debt/Equity (%)	0.3	0.2	0.2

### CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY22E	FY23E	FY22E	FY23E
Revenue	33,483	37,768	6%	8%
EBITDA	3,186	3,569	9%	12%
Core PAT	2,005	2,345	13%	17%
EPS (Rs)	26.0	30.4	13%	17%

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Consolidated (Rs mn)	4QFY21	4QFY20	yoy	3QFY21	qoq growth %	vs. expect. %	Comments
Revenue	7966	6257	27.3	7152	11.4	5.3	Freight +20.0%yoy; SCM +40.7%yoy; Seaways +24.4%yoy
EBITDA	856	580	47.6	754	13.4	8.4	Revenue mix, Cost control
EBITDA margins	10.7%	9.3%	147bps	10.5%	19bps		Recovery in margins
Other income	105	67		86	22.0	24.0	
Depreciation	268	197	36.2	220	21.6	16.4	Capex of Rs 1.1bn in FY21
Interest	56	80	-29.8	58	-3.8	-6.7	
PBT	637.3	370.0	72.2	562.3	13.3	9.0	
PAT	564	313	80.3	505	11.7	19.1	

**Consolidated**

Year End March (Rs mn)	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Revenue	6257	3280	6122	7152	7966
Operating expense	5025	2587	4976	5760	6416
Opex as % of sales	80.3%	78.9%	81.3%	80.5%	80.5%
Employee	408	289	329	359	425
Other expenses	245	126	227	278	271
EBITDA	580	279	590	754	856
EBITDA margins (%)	9.3%	8.5%	9.6%	10.5%	10.7%
Other Income	66.6	89.0	70.8	86.4	105.4
Depreciation	196.6	195.2	197.9	220.2	267.7
Interest	79.8	69.6	63.7	58.2	56.0
PBT	370.0	102.7	399.3	562.3	637.3
Tax	57.2	4.1	79.3	57.5	73.4
Tax rate (%)	15.5%	4.0%	19.9%	10.2%	11.5%
Adj PAT	313	99	320	505	564
Extraordinary	0.0	1.4	5.2	-104.3	-35.3
Reported PAT	313	100	325	401	529
EPS (Rs)	4.1	1.3	4.2	6.6	7.3

**Segmental details**

Standalone	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21
Freight Division	3227	1578	2781	3278	3871
Supply chain	2078	1056	2467	2929	2924
Seaways	1046	682	932	1038	1301
Energy	6	14	17	3	5
<b>EBIT (Rs mn)</b>					
Freight Division	117	20	98	137	161
Supply chain	101	31	164	198	203
Seaways	225	41	155	235	305
Energy	-1	8	11	-3	-1
<b>EBIT (%)</b>					
Freight Division	3.6%	1.3%	3.5%	4.2%	4.1%
Supply chain	4.9%	3.0%	6.6%	6.8%	6.9%
Seaways	21.5%	6.0%	16.6%	22.6%	23.5%

Source: Company, PhillipCapital India Research

## Financials

### Income Statement

Y/E Mar, Rs mn	FY20	FY21	FY22E	FY23E
<b>Net sales</b>	<b>27,178</b>	<b>28,024</b>	<b>33,483</b>	<b>37,768</b>
Growth, %	-1	3	19	13
Freight expense	-22,143	-22,972	-27,288	-30,781
Employee expenses	-1,572	-1,455	-1,875	-2,115
Other Operating expenses	-1,058	-984	-1,134	-1,303
<b>EBITDA (Core)</b>	<b>2,405</b>	<b>2,612</b>	<b>3,186</b>	<b>3,569</b>
Growth, %	(3.6)	8.6	21.9	12.0
Depreciation	-825	-928	-960	-1,000
<b>EBIT</b>	<b>1,580</b>	<b>1,684</b>	<b>2,226</b>	<b>2,569</b>
Growth, %	(8.2)	6.6	32.1	15.4
Margin, %	5.8	6.0	6.6	6.8
Interest paid	-343	-267	-268	-288
Other Non-Operating Income	201	255	204	215
Non-recurring Items	-99	-131	0	0
<b>Pre-tax profit</b>	<b>1,340</b>	<b>1,541</b>	<b>2,162</b>	<b>2,495</b>
Tax provided	-159	-238	-368	-424
<b>Profit after tax</b>	<b>1,181</b>	<b>1,303</b>	<b>1,795</b>	<b>2,071</b>
Others (Minorities, Associates)	243	168	211	274
<b>Net Profit</b>	<b>1,424</b>	<b>1,471</b>	<b>2,005</b>	<b>2,345</b>
Growth, %	4.3	5.2	25.2	16.9
<b>Net Profit (adjusted)</b>	<b>1,523</b>	<b>1,602</b>	<b>2,005</b>	<b>2,345</b>
Unadj. shares (m)	77	77	77	77

### Balance Sheet

Y/E Mar, Rs mn	FY20	FY21	FY22E	FY23E
Cash & bank	259	395	322	431
Debtors	4,873	5,110	6,238	7,243
Inventory	66	71	78	86
Loans & advances	268	265	317	355
Other current assets	1,121	1,340	1,474	1,621
Total current assets	6,586	7,181	8,429	9,737
Investments	1,799	1,912	2,328	2,673
Gross fixed assets	10,527	11,380	12,721	14,521
Less: Depreciation	-3,043	-3,971	-4,931	-5,931
Add: Capital WIP	216	52	183	183
Net fixed assets	7,699	7,461	7,973	8,773
Non-current assets	234	638	750	880
<b>Total assets</b>	<b>16,319</b>	<b>17,192</b>	<b>19,480</b>	<b>22,064</b>
Current liabilities	1,934	2,192	2,477	2,587
Provisions	102	86	94	104
Total current liabilities	2,036	2,278	2,571	2,691
Non-current liabilities	3,988	3,130	3,423	3,681
Total liabilities	6,024	5,408	5,994	6,372
Paid-up capital	154	154	154	154
Reserves & surplus	10,084	11,543	13,275	15,481
Shareholders' equity	10,295	11,783	13,486	15,692
<b>Total equity &amp; liabilities</b>	<b>16,319</b>	<b>17,192</b>	<b>19,480</b>	<b>22,064</b>

Source: Company, PhillipCapital India Research Estimates

### Cash Flow

Y/E Mar, Rs mn	FY20	FY21	FY22E	FY23E
Pre-tax profit	1,340	1,541	2,162	2,495
Depreciation	825	928	960	1,000
Chg in working capital	-315	-604	-1,149	-1,219
Total tax paid	-417	51	-368	-424
<b>Cash flow from operating activities</b>	<b>1,432</b>	<b>1,916</b>	<b>1,606</b>	<b>1,853</b>
Capital expenditure	-1,216	-690	-1,472	-1,800
Chg in investments	112	-113	-415	-346
<b>Cash flow from investing activities</b>	<b>-1,104</b>	<b>-803</b>	<b>-1,888</b>	<b>-2,146</b>
Free cash flow	329	1,113	-282	-293
Equity raised/(repaid)	504	597	336	470
Debt raised/(repaid)	-405	-1,147	293	258
Dividend (incl. tax)	-101	-155	-130	-129
<b>Cash flow from financing activities</b>	<b>246</b>	<b>-507</b>	<b>679</b>	<b>873</b>
Net chg in cash	575	606	398	579

### Valuation Ratios

	FY20	FY21	FY22E	FY23E
<b>Per Share data</b>				
EPS (INR)	19.8	20.8	26.0	30.4
Growth, %	4.1	4.8	25.2	16.9
Book NAV/share (INR)	133.3	151.7	174.2	202.8
FDEPS (INR)	19.8	20.8	26.0	30.4
CEPS (INR)	31.9	34.5	38.5	43.4
CFPS (INR)	19.1	26.8	19.6	22.9
DPS (INR)	1.5	1.5	1.5	1.5
<b>Return ratios</b>				
Return on assets (%)	9.5	9.4	11.2	11.4
Return on equity (%)	14.9	13.7	14.9	15.0
Return on capital employed (%)	10.9	10.8	13.0	13.0
<b>Turnover ratios</b>				
Asset turnover (x)	2.3	2.3	2.6	2.6
Sales/Total assets (x)	1.7	1.7	1.8	1.8
Sales/Net FA (x)	3.6	3.7	4.3	4.5
Working capital/Sales (x)	0.2	0.2	0.2	0.2
Fixed capital/Sales (x)	65.4	66.6	68.0	70.0
Receivable days	0.9	0.9	0.9	0.8
Payable days	9.4	10.9	9.9	9.9
Working capital days	57.6	58.7	60.3	63.9
<b>Liquidity ratios</b>				
Current ratio (x)	3.2	3.2	3.3	3.6
Quick ratio (x)	3.2	3.1	3.2	3.6
Interest cover (x)	4.6	6.3	8.3	8.9
Total debt/Equity (%)	41.0	26.1	24.9	23.1
Net debt/Equity (%)	38.5	22.7	22.5	20.3
<b>Valuation</b>				
PER (x)	18.5	17.6	14.1	12.0
PEG (x) - y-o-y growth	4.5	3.7	0.6	0.7
Price/Book (x)	2.7	2.4	2.1	1.8
EV/Net sales (x)	1.2	1.1	0.9	0.8
EV/EBITDA (x)	13.3	11.8	9.8	8.8
EV/EBIT (x)	20.3	18.3	14.0	12.2

## Stock Price, Price Target and Rating History



## Rating Methodology

We rate stock on absolute return basis. Our target price for the stocks has an investment horizon of one year. We have different threshold for large market capitalisation stock and Mid/small market capitalisation stock. The categorisation of stock based on market capitalisation is as per the SEBI requirement.

### Large cap stocks

Rating	Criteria	Definition
BUY	$\geq +10\%$	Target price is equal to or more than 10% of current market price
NEUTRAL	$-10\% > \text{to} < +10\%$	Target price is less than +10% but more than -10%
SELL	$\leq -10\%$	Target price is less than or equal to -10%.

### Mid cap and Small cap stocks

Rating	Criteria	Definition
BUY	$\geq +15\%$	Target price is equal to or more than 15% of current market price
NEUTRAL	$-15\% > \text{to} < +15\%$	Target price is less than +15% but more than -15%
SELL	$\leq -15\%$	Target price is less than or equal to -15%.

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