

Transport Corporation of India (TRPC IN)

Strong performance in Shipping

INDIA | LOGISTICS | Quarterly Update

31 May 2022

Top takeaways from 4QFY22

- Results in line with expectations. Strong profitability in shipping continues.
- Benefit of integrated diversified services and multi-modal capabilities.
- Lower growth in SCM and freight as company is not chasing low margin business and weakness in auto sector due to production linked issues, and higher base effect.

Key highlights

Standalone revenue remained flat yoy (up 5.1% qoq) to Rs 7.9bn (In line with estimates of Rs 8bn). Freight division revenue up by 1%yoy (up 10.3% qoq) to Rs 3.9bn; Supply Chain revenue declined by 12.3%yoy (down 3% qoq) to Rs 2.5bn; Seaway's revenue grew by 23.5%yoy (up 8.6%qoq) to Rs 1.6bn. Gross margins improved by 353bps yoy to 23% in 4QFY22 due to higher share from shipping. EBITDA increased by 32.8% yoy (+6.3% qoq) to Rs 1.13mn, 11.9% higher than estimates of Rs 1bn. EBITDA margins increased from 10.7% in 4QFY21 to 14.2% in 4QFY22. EBIT in supply chain declined by 9.5%yoy to Rs 183mn while up by 6.1% to Rs 170mn in freight division. EBIT in seaways grew by 56%yoy from Rs 305mn in 4QFY21 to Rs477mn in 4QFY22. Interest cost declined by 66.1%yoy to Rs 19mn. PBT increased by 31.1% yoy to Rs 835mn. Adjusted profit up 29.6%yoy at Rs 731mn in 4QFY22, in line with estimates of profit of Rs 702mn. Consolidated profit grew by 27%yoy to Rs 854mn in 4QFY22.

Conference call takeaways

- EBITDA in freight division grew by 4.7%yoy to Rs 180mn with margin improvement of 20bps yoy to 4.6% in 4QFY22; EBITDA in SCM declined by 11.3%yoy to Rs 291mn and in seaways increased by 65%yoy to Rs 716mn. EBITDA margins in SCM improved by 20bps to 11.4% and Seaways improved from 33.4% in 4QFY21 to 44.6% in 4QFY22.
- Seaways division: Container shipping benefited from increased freight rates and utilization with high value return cargo from Myanmar.
- LTL is c. 35% of freight business supporting the margins and expect LTL share to increase to 40% by 2025. Freight rates have increased by 5-10% across sectors. Growth and profits in SCM were impacted by supply chain and chip shortage issue and sudden drop in Farm Equipment in Auto sector which account for c.75% of SCM division.
- JV performance: TCI Concor operating asset light rail operations reported 7% decline in revenue to Rs 3bn in FY22. Transystem focused on automotive logistics reported revenue growth of 29.7%yoy to Rs 4.6bn in FY22. TCI Cold chain reported revenue of Rs 586mn in FY22 compared to Rs 361mn in FY21.
- TCI had capital expenditure of Rs 468mn in FY22 vs planned Rs 2.2bn and has planned capex of Rs 3.15bn in FY23 including ship purchase of c. Rs 900mn. It had operating cashflow of Rs 3.68bn and reduced borrowing from Rs 2.3bn in FY21 to Rs 420mn in FY22.

Outlook and valuation: At CMP, stock trades at 18.4x our FY24 earnings. 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. We maintain valuation at 20x FY24EPS and target of Rs 810 (Unchanged).

Consolidated (Rs mn)	4QFY22	4QFY21	yoy	3QFY22	qoq %	vs. expect. %	Comments
Revenue	7979	7966	0.2	7593	5.1	-0.4	Freight +1.0%yoy; SCM -12.3%yoy; Seaways +23.5%yoy
EBITDA	1136	856	32.8	1069	6.3	11.9	Cost control, revenue mix and realization growth
EBITDA margins	14.2%	10.7%	350bps	14.1%	16bps		Recovery in margins with strong performance in shipping
Other income	78	105	-26.4	71	9.0	-18.3	
Depreciation	360	268	34.3	241	49.2	38.3	
Interest	19	56	-66.1	22	-11.6	-24.0	Repayment of debt in Shipping
PBT	835.4	637.3	31.1	877.6	-4.8	1.2	
PAT	731	564	29.6	776	-5.8	4.1	

NEUTRAL (Maintain)

CMP RS 737

TARGET RS 810 (+10%)

SEBI CATEGORY: SMALL CAP

COMPANY DATA

O/S SHARES (MN) :	77
MARKET CAP (RSBN) :	57
MARKET CAP (USDBN) :	0.7
52 - WK HI/LO (RS) :	859 / 388
LIQUIDITY 3M (USDMN) :	1
PAR VALUE (RS) :	2

SHARE HOLDING PATTERN, %

	Mar 22	Dec 21	Sep 21
PROMOTERS :	66.6	66.5	66.5
DII :	12.2	12.6	12.7
FII :	2.7	2.3	2.1
OTHERS :	18.5	18.5	18.7

KEY FINANCIALS

Rs mn	FY22E	FY23E	FY24E
Net Sales	32,567	36,556	41,857
EBITDA	4,087	4,204	4,806
Net Profit	2,896	2,711	3,098
EPS, Rs	37.6	35.2	40.2
PER, x	19.6	21.0	18.4
EV/EBITDA, x	14.0	13.7	11.8
PBV, x	4.0	3.3	2.9
ROE, %	22.0	17.0	16.5

CHANGE IN ESTIMATES

Rs mn	Revised Est.		% Revision	
	FY23E	FY24E	FY23E	FY24E
Revenue	36,556	41,857	-2%	-2%
EBITDA	4,204	4,806	10%	11%
Core PAT	2,711	3,098	3%	0%
EPS (Rs)	35.2	40.2	3%	0%

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Consolidated

Year End March (Rs mn)	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Revenue	7966	6108	7365	7593	7979
Operating expense	6416	4835	5730	5839	6144
Opex as % of sales	80.5%	79.2%	77.8%	76.9%	77.0%
Employee	425	391	404	422	422
Other expenses	271	171	243	264	277
EBITDA	856	711	988	1069	1136
EBITDA margins (%)	10.7%	11.6%	13.4%	14.1%	14.2%
Other Income	105.4	106.8	55.8	71.2	77.6
Depreciation	267.7	233.5	241.9	241.0	359.5
Interest	56.0	40.8	27.7	21.5	19.0
PBT	637.3	543.3	774.6	877.6	835.4
Tax	73.4	59.4	91.1	101.7	104.4
Tax rate (%)	11.5%	10.9%	11.8%	11.6%	12.5%
Adj PAT	564	484	684	776	731
Extraordinary	-35.3	0.0	0.0	0.0	0.0
Reported PAT	529	484	684	776	731
EPS (Rs)	7.3	6.3	8.9	10.1	9.5

Source: PhillipCapital India Research

Segmental details

Standalone	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Freight Division	3871	2878	3393	3540	3906
Supply chain	2924	2145	2700	2644	2564
Seaways	1301	1150	1342	1479	1607
Energy	5	15	21	6	12
EBIT (Rs mn)					
Freight Division	161	105	140	162	170
Supply chain	203	116	161	155	183
Seaways	305	293	480	540	477
Energy	-1	10	15	1	6
EBIT (%)					
Freight Division	4.1%	3.6%	4.1%	4.6%	4.4%
Supply chain	6.9%	5.4%	5.9%	5.9%	7.1%
Seaways	23.5%	25.5%	35.8%	36.5%	29.7%

Source: PhillipCapital India Research

Coverage Universe

Company	Size	Fw PE	Reco/UpSide	
Container Corporation	M	28.5	BUY	22%
Praj Industries Ltd	S	22.1	BUY	41%
Pennar Industries Ltd	S	7.1	BUY	67%
Indo Count Industries	S	7.7	BUY	96%
KDDL	S	22.9	Neutral	50%
Gateway Distriparks Ltd	S	17.7	BUY	46%
Navkar Corporation	S	9.6	BUY	70%
Allcargo Logistics Ltd	S	9.1	Neutral	17%
Aegis Logistics	S	16.8	BUY	40%
Mahindra Logistics Limited	S	33.1	BUY	47%
Transport Corporation of India	S	20.9	Neutral	10%
VRL Logistics Ltd	S	24.8	BUY	25%

Source: Company, PhillipCapital India Research (Note: L/M/S = Large/Mid/Small Cap)

Financials

Income Statement

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Net sales	28,024	32,567	36,556	41,857
Growth, %	3.1	16.2	12.2	14.5
Other operating income	-	-	-	-
Raw material expenses	22,972	25,766	29,172	33,485
Employee expenses	1,455	1,700	1,901	2,260
Other Operating expenses	984	1,013	1,280	1,305
EBITDA (Core)	2,612	4,087	4,204	4,806
Growth, %	8.6	56.5	2.8	14.3
Margin, %	9.3	12.6	11.5	11.5
Depreciation	928	1,130	1,480	1,598
EBIT	1,684	2,957	2,724	3,208
Growth, %	6.6	75.6	(7.9)	17.8
Margin, %	6.0	9.1	7.5	7.7
Interest paid	267	128	100	97
Other Income	255	199	221	232
Non-recurring Items	-	-	-	-
Pre tax profit	1,672	3,028	2,845	3,344
Tax provided	238	377	427	568
Profit after tax	1,602	2,896	2,711	3,098
Minorities/JV shares	168	245	294	323
Net Profit	1,471	2,896	2,711	3,098
Growth, %	26.6	(21.8)	11.1	5.0
Net Profit (adjusted)	1,471	2,896	2,711	3,098
Unadj. shares (m)	77	77	77	77
Wtd avg shares (m)	77	77	77	77

Balance Sheet

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Cash & bank	395	745	176	1,052
Marketable securities at cost	29	147	153	159
Debtors	5,110	5,083	7,011	8,027
Inventory	71	85	93	102
Loans & advances	265	13	15	18
Other current assets	1,340	1,776	2,131	2,557
Total current assets	7,181	7,700	9,426	11,757
Investments	1,883	2,031	2,335	3,270
Gross fixed assets	10,653	11,616	14,116	15,616
Less: Depreciation	(3,275)	(4,405)	(5,885)	(7,484)
Add: Capital WIP	52	73	183	183
Net fixed assets	7,461	7,314	8,466	8,368
Non - current assets	638	773	880	900
Total assets	17,191	17,965	21,261	24,453
Trade Payables	759	851	901	1,032
Provisions	86	252	277	305
Total current liabilities	2,308	2,141	2,781	3,057
Non - current liabilities	2,816	934	905	850
Total liabilities	14,884	15,823	18,480	21,397
Paid - up capital	154	154	154	154
Reserves & surplus	11,543	14,148	16,822	19,781
Minorities	86	274	279	285
Shareholders' equity	11,783	14,576	17,256	20,220
Total equity & liabilities	17,191	17,964	21,261	24,453

Cash Flow

Y/E Mar, Rs mn	FY21	FY22E	FY23E	FY24E
Pre-tax profit	1,672	3,028	2,845	3,344
Depreciation	928	1,130	1,480	1,598
Chg in working capital	(187)	(336)	(1,655)	(1,179)
Total tax paid	(238)	(377)	(427)	(568)
Cash flow from operating activities	2,355	3,619	2,416	3,382
Capital expenditure	101	(984)	(2,610)	(1,500)
Chg in investments	(113)	(266)	(311)	(940)
Chg in marketable securities	-	-	-	-
Cash flow from investing activities	243	(1,051)	(2,700)	(2,208)
Free cash flow	2,827	2,680	(198)	1,254
Equity raised/(repaid)	80	338	-	-
Debt raised/(repaid)	(1,177)	(1,747)	(22)	(49)
Dividend (incl. tax)	(92)	(139)	(139)	(139)
Cash flow from financing activities	(2,462)	(2,227)	(391)	(414)
Net chg in cash	136	341	(675)	760

Valuation Ratios

	FY21	FY22E	FY23E	FY24E
Per Share data				
EPS (INR)	19.1	37.6	35.2	40.2
Growth, %	3.3	96.8	(6.4)	14.3
Book NAV/share (INR)	151.7	185.5	220.2	258.6
FDEPS (INR)	19.1	37.6	35.2	40.2
CEPS (INR)	31.1	52.2	54.4	60.9
CFPS (INR)	30.6	46.9	31.3	43.9
DPS (INR)	1.2	1.5	1.5	1.5

Return ratios

Return on assets (%)	8.8	16.5	13.8	13.6
Return on equity (%)	13.3	22.0	17.0	16.5
Return on capital employed (%)	11.2	17.5	13.5	13.3
ROIC (%)	10.0	17.2	12.6	13.1

Turnover ratios

Asset turnover (x)	3.8	4.5	4.3	5.0
Sales/Net FA (x)	3.8	4.5	4.3	5.0
Working capital/Sales (%)	17.4	17.1	18.2	20.8
Receivable days	65.0	57.1	60.4	65.6
Inventory days	1.1	1.1	1.1	1.1
Payable days	9.1	9.0	8.7	8.4
Working capital days	63.5	62.3	66.4	75.9

Liquidity ratios

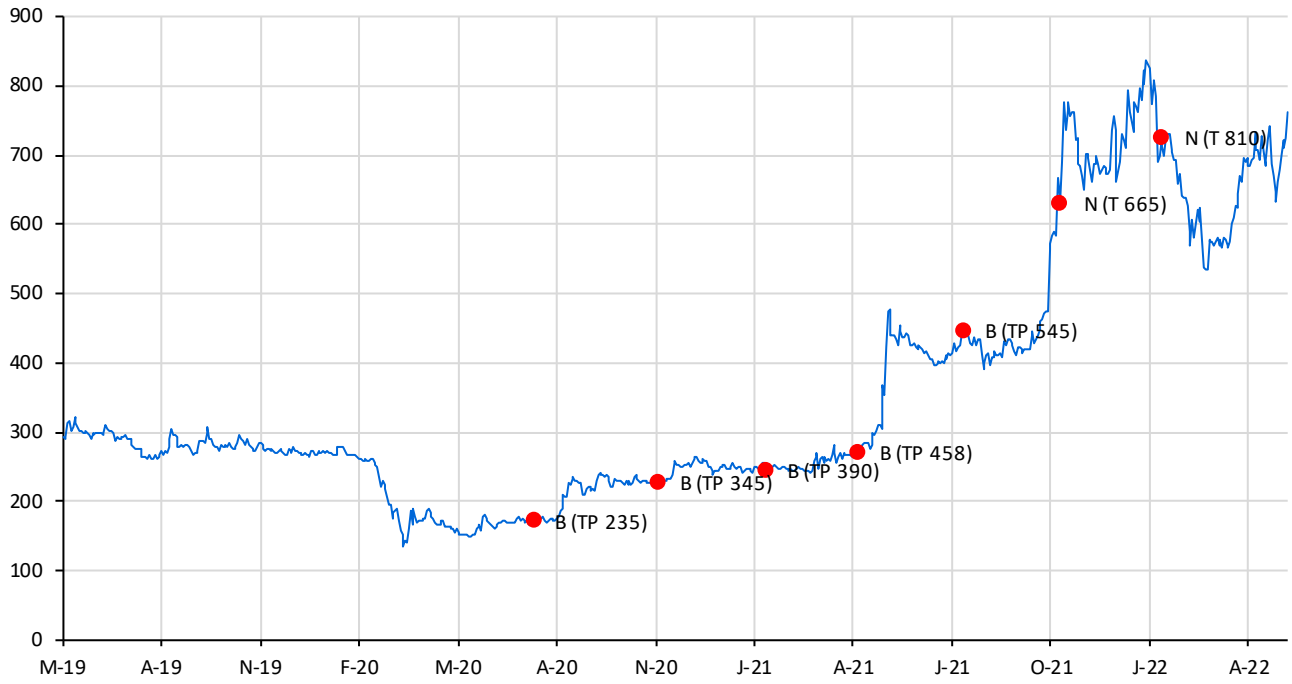
Current ratio (x)	3.1	3.6	3.4	3.8
Quick ratio (x)	0.5	0.5	0.5	0.5
Interest cover (x)	6.3	23.0	27.1	33.2
Total debt/Equity (x)	0.2	0.1	0.1	0.0
Net debt/Equity (x)	0.2	0.0	0.0	0.0

Valuation

PER (x)	38.6	19.6	21.0	18.4
PEG (x) yoy growth	11.6	0.2	(3.3)	1.3
Price/Book (x)	4.9	4.0	3.3	2.9
EV/Net sales (x)	2.1	1.8	1.6	1.4
EV/EBITDA (x)	22.7	14.0	13.7	11.8
EV/EBIT (x)	35.2	19.3	21.1	17.7

Source: Company, PhillipCapital India Research

Stock Price, Price Target and Rating History



Source: PhillipCapital India Research

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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